

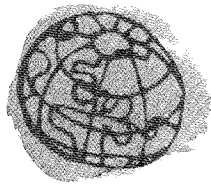


Development co-operation with
the least developed countries

Fighting poverty



EUROPEAN COMMISSION



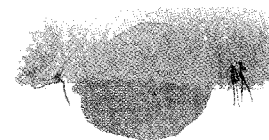
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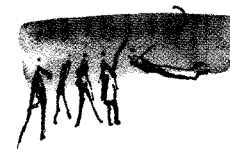
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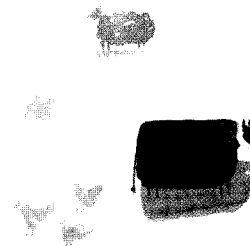
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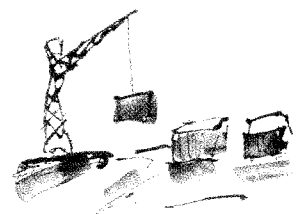
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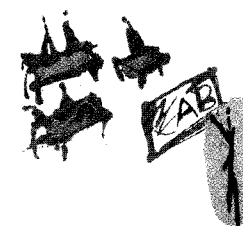
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Foreword



At the beginning of the 21st century the ongoing process of globalisation is fundamentally changing the world as we know it. It provides us with vast new possibilities and potential opportunities for everyone, everywhere. But while those countries able to participate and reap the fruits of this process move closer together, the divide is increasing considerably between them and those being left out of this historic process. The international community has the common responsibility to address these new development challenges, reverse the trend of marginalisation and integrate the poorest countries in the globalisation process. Our overall aim should be to achieve the target set by the UN to reduce by half the number of people living in extreme poverty and who suffer from hunger by 2015.

Against this background the European Union has offered to host the 3rd UN Conference on LDCs in Brussels in May 2001, intending to give a strong political signal about the significance it attaches to the problems of the least developed countries. The EU has therefore a special commitment to the successful outcome of the conference. It believes that as one of the world's largest aid donors, it has to play a vital part in the efforts to eradicate poverty.

This ambition has to be seen in the context of a wind of change experienced in the EC's development policy during the past year. Looking back at the year 2000, three major elements have helped shape the new approach by the European Community to development policy and development co-operation:

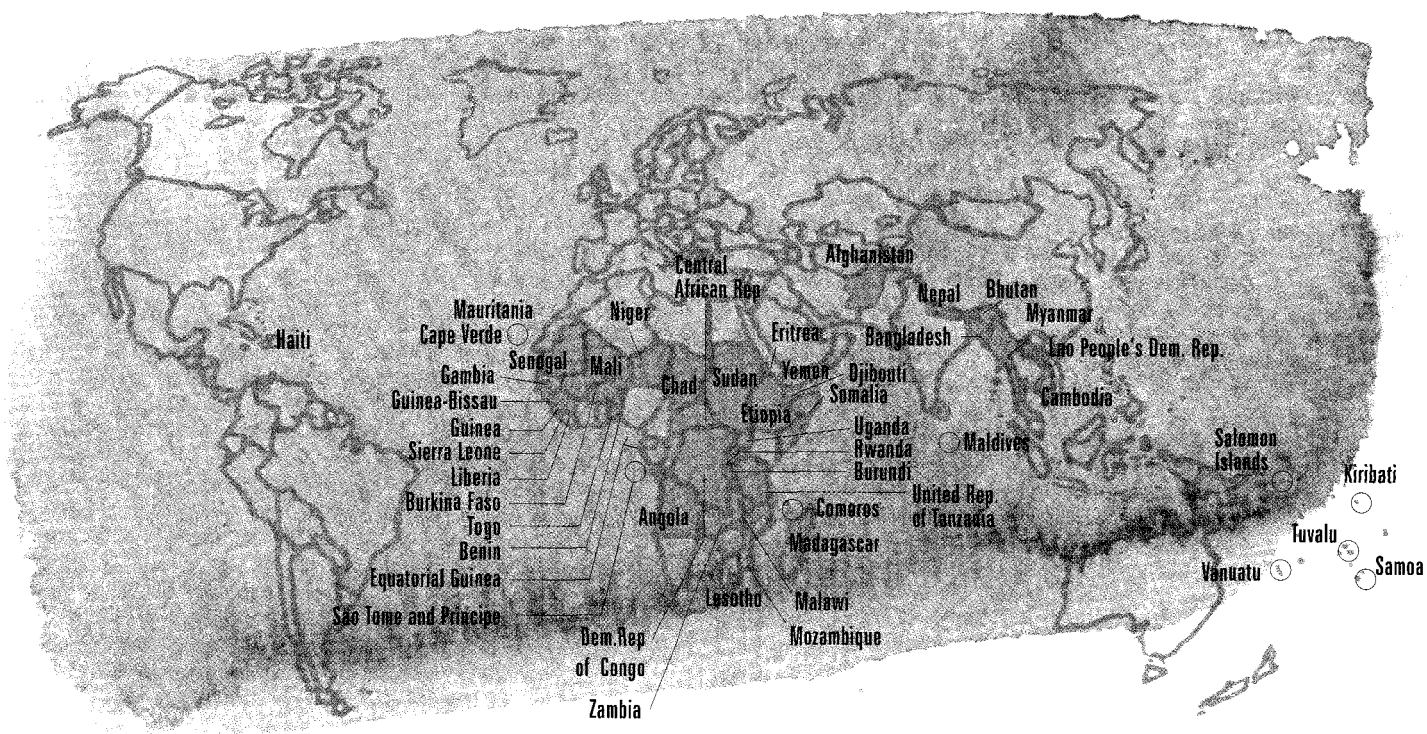
1. the adoption of a **Communication on European Development Policy**, followed by the adoption of a joint declaration and an **Action Plan** by the Council of European Development Ministers in May and November 2000 respectively;
2. the signing of the **Cotonou partnership agreement** between the 77 African, Caribbean and Pacific states and the EC in June 2000, which represents a new milestone in the relationship between them; and finally
3. the **reform of the management of external community aid**.

At the same time, my colleague Trade Commissioner Pascal Lamy has proposed duty and quota free access for all products (except arms) originating from the LDCs to the European market.

These four important elements should help the Community respond to the double challenge of making its external aid more effective and helping the poorest countries integrate themselves progressively into the world economy.

The central focus and overall objective of the 3rd UN Conference on LDCs must be the reduction of poverty. Today, poverty can only be understood as a multifaceted problem, requiring an equally multifaceted solution. Therefore we must follow a multidimensional approach addressing the economic, political, social, environmental and institutional dimensions on all levels: on a global, regional, national and local level, with partners and actors in the public, private and civil sectors.

In this context, our policy will concentrate and focus on those areas where the European Community's development policy can offer comparative advantages, added value and can contribute to the overall objective of poverty eradication.



The guidelines for the European Union's participation in the 3rd UN-LDCs Conference identify six key themes which guide the European Union's discussions with the LDCs in the preparatory process and during the conference itself:

1. Good governance, peace and social stability, institutional capacity building;
2. Investing in people;
3. Environmental protection, sustainable natural resources management, food and food security;
4. Enhancing the productive capacity;
5. International trade, commodities and services;
6. Financing growth and development.

International development policy has entered the new millennium. Given our role as a major international partner and actor in development co-operation, the European Community is ready to bear its share of global responsibility to improve the plight of developing countries.

In this booklet the reader will find information on the EU's commitment in this endeavour.

Poul Nielson

European Commissioner for Development and Humanitarian Aid

I. Introduction

Reducing poverty in least developed countries

I.1 An overview of the situation

■ It is an uncomfortable but inescapable fact that, at the start of the 21st century, 1.5 billion people are living in abject poverty surviving on less than US\$1 a day. It is clear that despite all the advances mankind has made in medicine, science and technology a significant minority has been left behind.

■ In fact, the problem of poverty is proving so intractable that the number of countries classified by the UN as “least developed” has risen from 24 in 1971 to 49 in 2001.

■ Clearly, if the UN target of reducing by half the number of people living in extreme poverty and who suffer from hunger, by 2015 is to be met, there is much work to be done. The occasion of the 3rd United Nations Conference on the least developed countries provides an opportunity for the international community to review and revitalise its efforts to beat this problem. The European Community – as one of the world’s largest aid donors – has a vital part to play in this effort.

Who are the least developed countries?

There are currently 49 states designated by the UN as ‘least developed countries’. Of this heterogeneous group, 34 are in Africa, nine in Asia, five in the Pacific and one in the Caribbean. All but the nine Asian LDCs fall under the EU/ACP regional co-operation agreement (see Fig.1).

The LDCs include 16 landlocked countries and ten small island nations. They have a combined population of some 614 million, equivalent to 10.5% of the world’s population. They account for only about 0.5% of world trade and a similar share of foreign direct investment. In 1994, LDCs’ exports were equivalent to US\$20 per inhabitant.

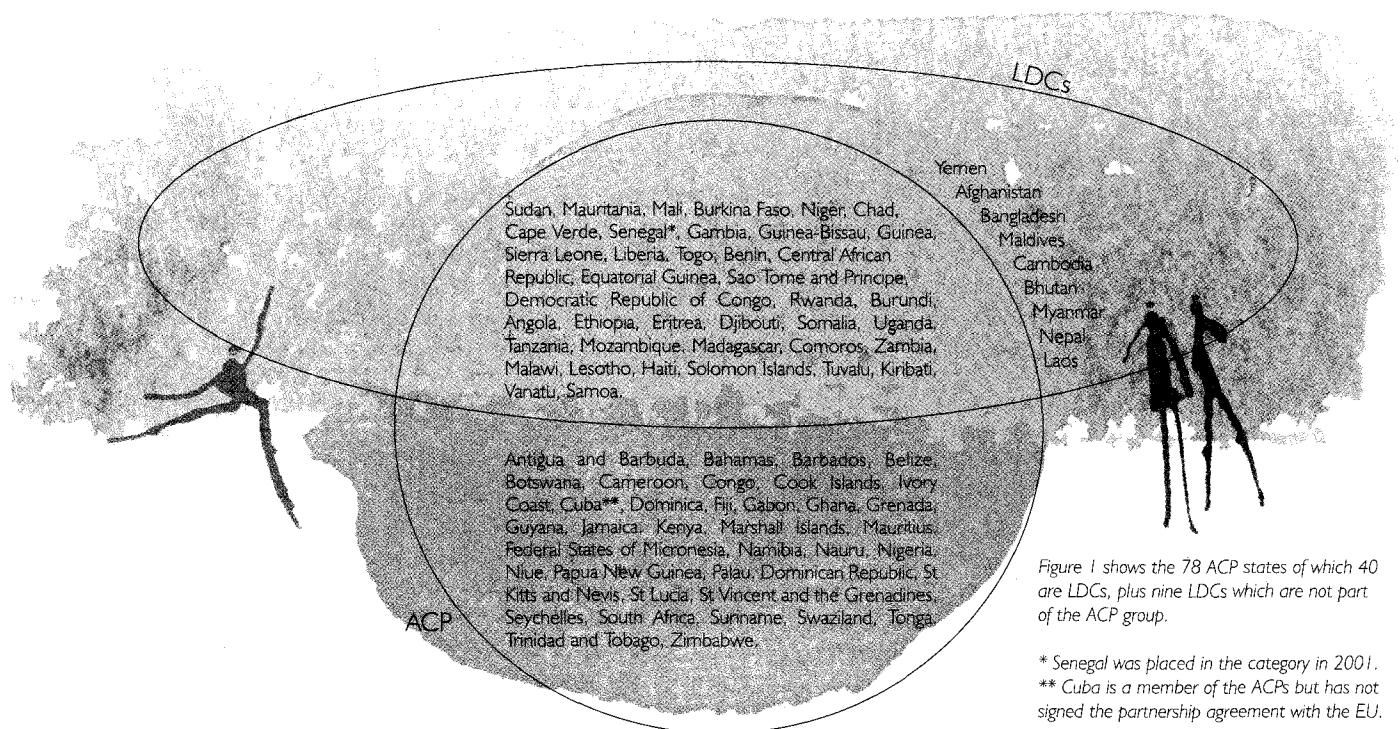
The grouping was first classified in 1971 when the international community concluded that there were certain countries which stood out because of their extreme poverty and the weakness of their economies, institutions and human resources. Some of the LDCs are intrinsically disadvantaged having few natural resources or particularly challenging physical environments. Others are resource-rich but have failed to prosper because of man-made problems, poor governance or economic mismanagement.

Whilst the specific situations and historic backgrounds of the different LDCs may vary widely, all share the basic characteristic that they are ill-equipped to develop their domestic economies and ensure an adequate standard of living for their populations. Their economies are also acutely vulnerable to external shocks or natural disasters.

Initially, 24 countries were designated as least developed according to three criteria: per capita GDP, share of manufacturing in total GDP, and the adult literacy rate. The criteria have subsequently been refined to include the quality of life index, the economic diversification index and population size.

Despite the efforts that have been made to help LDCs, only one of the original 24 has come off the list (Botswana in 1994). Instead, the number of LDCs has grown steadily with the latest additions being Eritrea and Angola in 1994 and, most recently, Senegal in 2001.

Fig. 1: The least developed countries (LDCs)



The UN Conferences on LDCs

Since the UN first defined the 'least developed' country grouping in 1971 it has sought to stimulate and co-ordinate international community efforts to improve their plight. Within the fora of UN conferences, donors and recipient countries are working together to find solutions for the complex and intractable problems faced by the LDCs. The May 2001 conference, in Brussels, will be the third of its kind, demonstrating a continuing UN commitment to the LDCs. It will be an opportunity to build on the successes of activities in the past three decades and learn from previous experiences.

1st UN Conference on the LDCs, Paris 1981

The UN convened the first conference on the LDCs in 1981 when the international community unanimously adopted the Substantial New Programme of Action for the 1980s. This contained guidelines for domestic action by LDCs to be complemented by international support measures. Despite major economic policy reforms initiated by many LDCs and supportive measures by donors, the economic situation of the group worsened during the 1980s. Domestic policy shortcomings, natural disasters and adverse external conditions were all contributory factors.

2nd UN Conference on the LDCs, Paris 1990

This conference resulted in the Paris Declaration and the Programme of Action for the LDCs for the 1990s in which the international community committed itself to urgent action to arrest and reverse the deterioration in the socio-economic situations of the LDCs. The emphasis was placed on the need for development to be human-centred and broadly based. Other elements included respect for human rights and observance of the rule of law; the need to improve and expand institutional capabilities and efficiency; and the importance of decentralisation, democratisation and transparency at all levels of decision-making.

3rd UN Conference on the LDCs, Brussels 2001

By hosting this third conference the EU is underlining its continuing commitment to tackle the problems faced by the LDCs and the importance it attaches to achieving sustainable and equitable socio-economic improvements. The conference will assess the results of the Programme of Action for the 1990s and review the implementation of international measures in official development assistance, debt, investment and trade. Looking ahead it will begin the process of formulating and adopting the next phase of national and international policies to promote sustainable development of the LDCs and their integration into the world economy. The European Community will be pressing for effective and meaningful commitments in the six areas it has chosen to make the primary focus of its development activity: trade; regional integration; macroeconomic policies promoting equitable access to social services; transport; food security and sustainable rural development; and good governance and the rule of law.

The EC's commitment

¶ The European Community is one of the major actors in international co-operation and development assistance. It provides 55% of the total international Official Development Assistance (ODA) and more than two-thirds of grant aid. It is also the largest donor of humanitarian aid in the world.

¶ The vast majority of EC aid goes to the developing countries and qualifies as Official Development Assistance. The remaining commitments are channelled to the transitional economies of Central and Eastern Europe as Official Aid (OA). The LDCs' share of ODA decreased between 1986 and 1999 but still accounts for more than a quarter of disbursements (see Fig. 2 and Fig.4). Between 1986 and 1999 the LDCs received US\$17 billion and, as a group, were the second largest recipient of EC bilateral ODA after the Lower Middle-Income group. Every LDC has received support (see Fig. 5 European Community Bilateral ODA/OA Net Disbursements by recipient).

¶ External aid grew from €3.3 billion in 1990 to €8.6 billion in 1999. The European Community is the fifth largest Development Assistance Committee (DAC) donor contributing 11.08% of OECD aid in 1997, up from 5.6% for the 1984-89 period.

¶ Total EC aid committed to the ACP countries (which include the vast majority of all LDCs)

amounted to nearly €30 billion between 1986 and 1998, of which almost 77% was provided under the Lomé Conventions. And the commitment is ongoing— €13.5 billion will be available in the 9th European Development Fund for the period 2000-2007 for all regions.

¶ EU members gave aid worth US\$6.6 billion specifically to LDCs in 1998 (see Fig. 5) equivalent to 0.08% of GNP. This represents over 61% of aid from DAC countries to LDCs. Although this does not meet the UN target of earmarking 0.15-0.2% of GNP as ODA for the least developed countries it compares favourably with the performance of other major donors. The US, for example, gave 0.02% and Japan 0.04% of its GNP. Four of the Member States – Denmark, Luxembourg, The Netherlands and Sweden – do meet the target, with Belgium, Ireland and Portugal coming close.

Participation in the HIPC initiative

¶ Currently, around two-thirds of LDCs have an unsustainable debt burden. LDCs and their creditors/donors are confronted by the so-called 'aid-and-debt trap', where high levels of debt have compromised aid efficiency and ineffective aid has hindered the resolution of the debt problem.

Fig. 2: European Community bilateral ODA/OA net disbursements

Recipient	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	Total
LDCs	42.7 %	40.8 %	39.4 %	44.2 %	38.7 %	24.8 %	36.4 %	28.8 %	23.2 %	25.1 %	20.9 %	19.5 %	17.9 %	15.7 %	26 %
Bilateral ODA	100 %	100 %	100 %	100 %	86.6 %	69 %	83.6 %	84.6 %	78.7 %	79.5 %	78.6 %	78.2 %	68 %	63.5 %	79 %
Bilateral OA	0 %	0 %	0 %	0 %	13.4 %	31 %	16.4 %	15.4 %	21.3 %	20.5 %	21.4 %	21.8 %	32 %	36.5 %	21 %
Bilateral ODA/OA	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %
Of which un-allocated is	17 %	21 %	19 %	16 %	12 %	16 %	16 %	16 %	19 %	25 %	24 %	26 %	22 %	21 %	20 %

Source: European Commission and EIB statistics as reported to the OECD/DAC by the Commission

The LDCs received US\$17.0 billion dollars between 1986 and 1999. After the Lower Middle-Income group, the LDCs made up the second largest EC gross bilateral ODA recipient group. The Lower Middle-Income group's share increased slightly from US\$1 729m in 1997/8 to US\$1 739m in 1998/9 whereas the LDCs' share decreased slightly from US\$1 383m in 1997/8 to US\$1 359m in 1998/9.

¶ The Highly Indebted Poor Country (HIPC) initiative was launched by the IMF and the World Bank in September 1996 to remedy this situation. This initiative represents a co-ordinated effort by all donors, and particularly multilateral creditors, to relieve the debt burden of the poor countries. Although the EU is only a small multilateral creditor, it has been a major player in the initiative along with EU Member States.

¶ In January 1999, Germany (which at the time held both the EU and G7 presidency) launched the enhanced HIPC initiative to deliver faster, broader and deeper debt relief. Though easing the stringent requirements of the previous HIPC plan, this new proposal still requires a country to complete three years of an IMF and World Bank adjustment programme before these institutions agree that a country can receive debt relief. Debt relief normally occurs after another three years of a country successfully following the programme.

¶ The European Commission supports increased funding of the IMF/World Bank's HIPC initiative and in September 1999 announced a substantial contribution of more than €1 billion for this purpose. In July 2000, the Commission paid its first tranche of funding to the HIPC Trust Fund, which amounted to a total of €304 million, and corresponded to a third of the total paid in contributions to date (US\$850 million). A second EU tranche of €680 million is due to be paid to the Fund in 2001.

¶ Together with the Commission, the EU Member States also attach great importance to the link between the HIPC initiative and the countries' poverty reduction strategy programmes. Debt relief alone is not enough to secure good governance and ensure sustainable development.

Improving the effectiveness of European Development Aid

¶ The European Community, in common with all major donors, is constantly appraising and reviewing its development policy to respond to changing circumstances and learn from past experiences. A major refocusing of external community aid policy and management occurred in 2000 which are intended to contribute to increase the positive impact of the EC development co-operation on least developed countries. There were three significant developments:

Fig. 3: Bilateral support to the HIPC Trust Fund (million US\$)

	Contribution	Old Pledges	Recent Pledges	Total
Australia	5			5
Belgium	4	8		12
Canada	27			27
Denmark	26			26
France		21		21
Finland	14			14
Germany		27	54	81
Greece	1			1
Ireland	16			16
Italy		70		70
Japan	10			10
Luxembourg	1			1
Netherlands	61	70		131
Norway	41			41
Portugal	15			15
Spain	15			15
Sweden	29			29
Switzerland	28			28
UK	36	135	50	221
USA			650	650
Total	329	331	754	1414

Source: 'HIPC Initiative: Perspective on the Current Framework and options for change', IDA, April 2, 1999, with partial update using information available to the Commission.

- a new European Development Policy and Action Plan were agreed upon by the European Parliament and the Council of Ministers;
- a new development co-operation agreement was signed between the EU and the 77 African, Caribbean and Pacific countries in Cotonou in June 2000; and
- the management of the EU's external assistance was reformed with a radical overhaul of programming, the creation of the EuropeAid Co-operation Office – a single office in charge of programmes implementation – and extensive devolution of project management to external delegations.

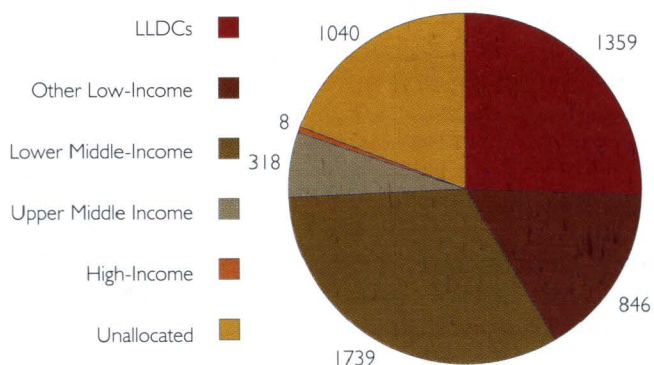
¶ Reduction of poverty has become the EC's central, overarching principle in development co-operation. All the EC's development efforts are currently specifically addressing this aim. Poverty reduction is the core of all policies for the short, medium and long term. The EC will use its money where it has the greatest chance of alleviating poverty; it will concentrate grant money on the poorest countries and on the poorest parts of the population. The LDCs should benefit directly from this focus which is shared by multilateral entities including the International Monetary Fund, the World Bank and the United Nations Development Programme as well as EU Member States.

Fig. 4 Official Development Assistance (ODA) and Official Aid (OA)

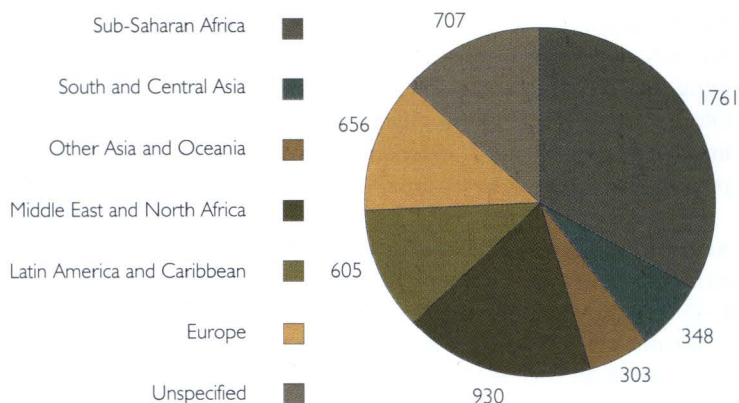
EC			
Net ODA	1998	1999	Change 1998/1999
Current (USD m)	5140	4937	-3,9%
Constant (1998 USD m)	5140	5108	-0,6%
In ECUs/EUROs (million)	4595	4633	
Net Official Aid (OA)			
Current (USD m)	2414	2818	16,7%

Gross Bilateral OAD, 1998-99 average, unless otherwise shown Clockwise from top

By Income Group (USD m)



By Region (USD m)



Source: OECD

■ Past experience has shown that success in reducing poverty requires coherent, integrated policies which address, simultaneously, the political, economic and social causes and effects of poverty. A strategy to

encourage trade, for example, without addressing corruption or inefficient practices in government agencies, is doomed to fail. Investments in infrastructure which boost the fortunes of one region of a country to the disadvantage of another, can destabilise governments or spark ethnic conflicts.

■ But no single donor can address all the complex themes and issues involved in development co-operation and so the European Community has decided to concentrate its activity in a limited number of priority areas where it has a comparative advantage. Six priorities were set out in the new development policy of the EC, issued in November 2000:

• **Trade and development**

The Community's trade policy is a key lever for development as it can facilitate access to its market. It is the biggest importer of LDC products in the world.

• **Regional integration and co-operation**

The Community has relevant experience and instruments at its disposal to encourage regional integration and help countries tackle cross-border challenges in areas like the environment and the use and management of natural resources.

• **Macro-economic policies and promotion of equitable access to social services**

The Community has the political and financial weight to contribute to improving the macro-economic framework of partner countries.

• **Transport**

The Community has been a major donor for many years and has built up considerable experience and expertise. In transport it has the financial standing to mobilise the large-scale investment required.

• **Food security and sustainable rural development**

Again the Community has been a major donor in this area for many years and has been at the forefront of developing food security strategies.

• **Institutional capacity building particularly for good governance and the rule of law**

The Community is well placed because it can take a more neutral stance than individual Member States which may have complex historical relationships with partner countries and will be influenced by their own specific national legal systems.

■ The policy also reiterates the Community's support for the promotion of human rights, gender equality and the protection of the environment. These cross-cutting issues must be considered at every stage of the Community's development co-operation activities.

Fig. 6 Aid from DAC Countries to least developed countries (1)

Net disbursements	1987-88			1997			1998		
	\$ million	Per cent of donor's total	Per cent of donor's GNP	\$ million	Per cent of donor's total	Per cent of donor's GNP	\$ million	Per cent of donor's total	Per cent of donor's GNP
Australia	110.3	12.76347078	0.05	195.16	18.3989969	0.05	158.11	16.46344638	0.04
Austria	41.405	16.48124191	0.03	93.65	17.76433097	0.05	86.29	18.93404134	0.04
Belgium	281.41	43.69924065	0.19	207.69	27.19309731	0.08	242.92	27.52229133	0.10
Canada	532.125	25.14750604	0.12	469.24	22.95009806	0.08	337.81	19.97882709	0.06
Denmark	302.575	33.97981931	0.30	495.12	30.25277861	0.29	554.42	32.53142126	0.32
Finland	198.97	38.25095642	0.21	92.26	24.35071791	0.08	104.69	26.41418984	0.08
France	1294.235	24.16256174	0.14	1391.34	22.06161472	0.10	1002.72	17.46415192	0.07
Germany	1161.105	25.45894869	0.10	1150.17	19.63826539	0.05	1164.01	20.85785245	0.05
Ireland	17.31	32.0733741	0.06	89.6	47.87347724	0.15	90.63	45.63673901	0.14
Italy	1286.2	44.28933726	0.16	324.44	25.63628462	0.03	814.95	35.76993473	0.07
Japan	1636.575	19.86706128	0.06	1789.57	19.12342381	0.04	1550.2	14.56941194	0.04
Luxembourg	0	0	0.00	27.81	29.42545762	0.16	29.04	25.97727883	0.17
Netherlands	634.105	29.32033403	0.29	803.47	27.2664954	0.22	801.95	26.36623071	0.21
New Zealand	16.16	16.98460245	0.05	35.51	23.0659305	0.06	27.4	21.08341028	0.06
Norway	326.48	34.82416188	0.39	520.86	39.87872384	0.34	492.58	37.27459156	0.34
Portugal	0	0	0.00	165.94	66.2488023	0.16	141	54.53701555	0.13
Spain	23.78	9.917424306	0.01	201.43	16.31804925	0.04	125.74	9.140207025	0.02
Sweden	497.38	34.2011167	0.30	517.35	29.89442907	0.24	446.11	28.36550689	0.20
Switzerland	193.145	33.19669314	0.10	301.18	33.0778017	0.11	263.01	29.30081772	0.09
United Kingdom	611.445	27.07935207	0.08	835.95	24.34971309	0.06	995.64	25.77034872	0.07
United States	1392.82	14.46634815	0.03	1319.01	19.17723175	0.02	1333.43	15.17679303	0.02
TOTAL DAC	10557.525	24.08504699	0.08	11026.75	22.8182585	0.05	10762.65	20.74195118	0.05
of which:									
EU Members	6349.92	29.70854845	0.13	6396.22	24.03478988	0.08	6600.11	24.03364509	0.08

(1) Including imputed multilateral flows, i.e. making allowance for contributions through multilateral organisations, calculated using the geographical distribution of multilateral disbursements for the year of reference.

Source: DAC

Environment and Development in Rio de Janeiro, the 1995 World Summit for Social Development held in Copenhagen, and the Fourth World Conference on Women held in Beijing in 1995.

Strategy implementation

▮ To implement its strategy of tackling poverty reduction by simultaneously looking at political, economic and social issues, the Commission has also reviewed how aid should be delivered on the ground. It is now basing its activities on a number of guiding principles:

▮ *Sectors not projects* – rather than using a project-based approach, interventions should form part of a comprehensive sectoral policy. Too often in the past, a project-based approach has led to the funding of narrowly focused initiatives which have been ill-coordinated and sometimes conflicting. The Commission is now seeking to ensure that proposals for funding fit within a wider national sectoral strategy for recipient countries. This approach encourages ownership by the partner countries,

donor co-ordination, harmonisation of procedures, while providing an overview of the inter-related problems of a particular sector. In sectors where it has a comparative advantage and in the areas designated as priorities for Community action (see above), the Commission will take the initiative to co-ordinate the efforts of Member States.

▮ *Complementarity and decentralisation* – the EC must play to its strengths acting, predominantly, at the macro level while facilitating appropriate partners to operate at the meso and micro levels. With its political and economic influence, the Commission is best placed to assist countries at the institutional and macro-economic level. This could include technical assistance programmes to assist a partner government reform its judiciary, or opening up access to funding to stimulate the private sector.

▮ The EC is determined to focus its attention where it can best give added value. It should not attempt to intervene directly at the micro level where its expertise or influence is limited. For activities in the field it must work with the best-placed partners to

make use of local knowledge and skills. This can mean government departments or agencies, non-governmental organisations (NGOs), other civil society actors or a combination of all of these. Development aid is most effective when it fosters a participatory approach.

¶ The EC is at the forefront of efforts to improve co-ordination among donors and ensure its activities complement the work of other donors and of the Member States. As such it avoids conflicts and duplication of the donor's activities and the situations where the government of a recipient country is not kept sufficiently aware of donor activities or, alternatively, can play one donor off against another. This means dialogue at the international level and between delegations and agencies at the country level. It also means working with and supporting activities of other donors such as the IMF and World Bank's Highly Indebted Poor Countries (HIPC) initiative which has led to the development of the concept of Poverty Reduction Strategy Papers (PRSPs).

¶ The EC argues that the best way to ensure that aid given to a developing country is appropriate, effective and sustainable is to ensure ownership by the government of the recipient country itself. It is therefore, increasingly, directly funding national public sector budgets allowing the government to distribute the funds as it deems appropriate according to a strategy that it has been a partner in developing. This approach ensures recipient countries have ownership of programmes, which gives them the best chance of making a sustainable impact.

¶ *Country wide programming* – developing comprehensive strategies on a country-by-country basis increases the efficiency and effectiveness of Community aid. The Commission is in the process of formulating country strategy papers in consultation and collaboration with individual developing countries, which will be used as a management tool for co-operation. The papers will set out an analysis of the political, economic and social profile of the individual country and a strategy for addressing its particular needs across sectors. It is intended that these papers will become a common reference point for the Community and Member States and other donors.

The Cotonou Agreement

¶ The first tangible expression of the new EU approach to development co-operation was the Cotonou Agreement, signed in June 2000. This partnership agreement between the ACP countries and the EU covers a 20-year period (2000-2020). It is the successor to

the Lomé Conventions and has as its overarching objective the reduction of poverty by a three-pronged approach tackling political, economic and social issues.



¶ Preparatory work to develop the agreement began in 1996 and involved public debates and consultation with a broad range of actors in Europe and the ACP region.

¶ Funding to support the agreement for the first five years has been set at €13.5 billion. A further €9.5 billion of money uncommitted in previous European Development Funds has been added along with up to €1.7 billion pledge of loans from the European Investment Bank's own resources.

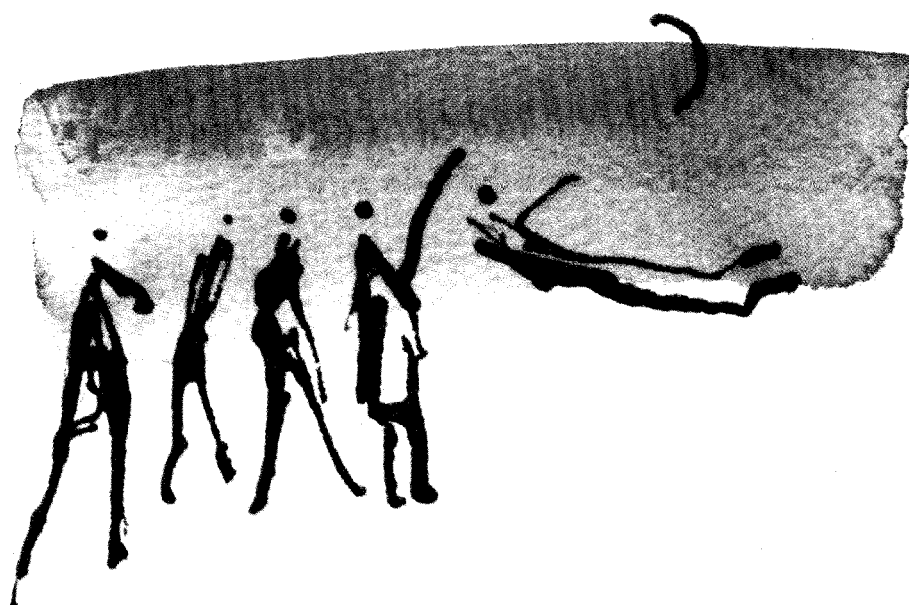
¶ The Cotonou Agreement has at its core five interconnected guiding aims:

- to enhance the political dimension: promoting dialogue between ACP and EU, develop peace building, conflict prevention and resolution strategies, support good governance and tackle corruption;
- to improve participation of non-governmental actors;
- to reduce poverty;
- to reinforce economic and trade relationships; and
- to improve financial co-operation.

¶ These aims are fully consistent with the EC's wider development policy.

¶ With the Cotonou Agreement, the funding arrangements to deliver these objectives have been completely overhauled to make them simpler and more coherent. The previous system of having multiple instruments within the European Development Fund, each with different rules, has been replaced with just two – one envelope for providing grants and one for providing risk capital and loans to the private sector. The 9th EDF will include €10 billion for the grant envelope plus €1.3 billion reserved for regional programmes. The Investment Facility, which replaces the Lomé IV risk capital and interest rate subsidy facilities, is managed by the European Investment Bank and has received €2.2 billion from the 9th EDF.

¶ The principles and approaches set out in the Cotonou Agreement are a reflection of the international development targets. They are, thus general in nature and appropriate for partnership agreements in all regions and will have an influence on development of these in the future.



2. Governance, peace and social stability

Maintaining the essential elements to tackle poverty and corruption

▮ Corruption can have disastrous consequences on any country, but the effects of maladministration on a poor country can be more serious as resources are scarcer. The promotion of good governance is an essential prerequisite if corruption is to be tackled and poverty eradicated in the LDCs. As a major aid donor, the EC believes – in conjunction with the Member States – that, as part of a policy promoting sustainable development, good governance needs to be supported in all its aspects: accountability, transparency, rule of law, equity and participation.

▮ The civil society has an important role to play in monitoring public administration and securing good governance. EC development policy encourages the development of an organised and active civil society in recipient countries as part of a strategy to consolidate the rule of law and build the capacity of the state to fulfil its functions. In recent years, the EC has taken a number of measures to promote a greater participation of the civil society in its development policy with LDCs.

▮ Poverty and the lack of good governance continue to be major contributory factors behind many of the conflicts occurring in LDCs. Following a 1996 report, the European Institutions have repeatedly reaffirmed their commitment towards conflict prevention and peace-building in developing countries and have taken measures to help secure that commitment.

▮ However, the efforts by many LDCs to improve levels of good governance have been hampered by the burden of their external debts. As mentioned in chapter 1, the Heavily Indebted Poor Country (HIPC) initiative was launched in the mid 1990s by the IMF and the World Bank in order to relieve the debt burden of the most indebted poor countries. The EC has been a strong supporter of the links between HIPC, poverty reduction and good governance.

Good governance

■ There has been a drop in aid from developed countries from 0.33% of OECD donors' GNP to 0.23% over the past decade. This is a phenomenon known as 'aid fatigue' and it happens where public opinion in the EU Member States is no longer prepared to see tax payers money used to sustain corrupt regimes whilst the wider society suffers. In the fight against corruption, political decision-makers and the public at large have increasingly focused their attention on good governance. In the Cotonou Agreement, good governance is described as a 'fundamental element' of the partnership between the EU and the ACP states.

■ Both sides in the agreement have also agreed to launch a specific procedure in cases of serious active and passive corruption, which can lead to aid suspension. This is a real innovation, both in the EU-ACP context and in international relations. This procedure applies not only in cases of corruption involving European Development Fund (EDF) money but also more widely, in cases of misuse of public funds in a contracting state. By adopting such a provision in their partnership agreement, the EU and ACP countries are together sending a clear and positive signal to European taxpayers and to the legitimate beneficiaries of aid.

■ Moreover, there is a progressive concentration of power in the hands of international organisations such as the World Trade Organisation (WTO), which are seen as lacking sufficient democratic oversight. In the context of globalisation, good governance needs to be addressed in the form of a global institutional response. The EU has repeatedly expressed its concern over the lack of global good governance. Such a policy is crucial not only if the democratic process is to be enhanced in LDCs, but also if these countries are to secure a better deal in a global economy.

■ The respect for human rights, democratic principles and the rule of law are essential elements of the Cotonou Agreement and a new procedure has been introduced to deal with cases of violation. This new procedure places greater emphasis on the responsibility of the state concerned and allows for greater flexibility in the consultation process. Furthermore, the EU has introduced a human rights clause as part of its co-operation agreements with LDCs.

Institutional capacity-building

■ LDCs tend to suffer more from weak governance than from poor governance, with government services in need of reform. This could include the civil service, the legal and judicial system as well as the public procurement procedures. As a result, institutional capacity-building is essential if good governance is to become a feature of LDCs.

■ The EC considers that aid suspension should only occur as a last resort, and is fully aware of the need to support institutional capacity-building in LDCs. Following the approval of a radical overhaul of its development policy, this has become a key area where the EC is committed to concentrating its activities. Moreover, under Article 33 of the Cotonou Agreement, there are specific provisions for institutional capacity-building in the ACP countries.

■ Provisions on institutional capacity-building are anchored in a framework of strategies agreed jointly between the state concerned and the EC. The implementation of a 'balanced partnership' based on national ownership of strategies is vital if LDC governments are to become more responsible and the EC's development programmes more successful.

The role of civil society

■ The engagement and close co-operation of the civil society is vital if partner countries are to experience ownership of their poverty reduction strategies. The widest possible participation of all sectors is not only essential to provide the conditions for strengthening the democratic fabric of a country, but also for greater inclusion of the poor.

■ The importance of the civil society in lessening poverty was underlined in a Declaration at the Africa-Europe Summit in Lisbon in 2000: "We thus affirm that the full participation of people living in poverty in formulating appropriate policies and strategies and in the implementation of programmes is a prerequisite for lasting and sustainable development."

■ The Commission is co-operating with a wide range of civil society actors. These include human rights groups and agencies, grass-root organisations, NGOs and many others. In Bangladesh, for example, the EC has collaborated with local NGOs such as the Bangladesh Rural Advancement Committee (BRAC).

Through this contact, the EC has contributed up to €40 million towards a credit-providing project.

¶ In the Cotonou Agreement, the promotion of participatory approaches corresponds to one of the five pillars of the partnership between the EU and the ACP states, and provisions have been made to ensure the involvement of the civil society in drawing up and implementing co-operation programmes. However, a participatory approach can be costly. As a result, the Cotonou Agreement guarantees the civil society direct access to European Development Fund (EDF) resources as well as to the EU budget in order to guarantee funding for capacity support.

¶ The EC has stressed that this new participatory approach to development co-operation should not only apply within the context of the Cotonou Agreement, but also within the framework of the EC's development co-operation with all developing countries.

¶ Such a participatory approach requires a greater decentralisation of decision-making as well as profound changes in the EU procedures. The present reform of the EU's management of external assistance programmes – launched in May 2000 – provides an opportunity to change current practices and promote greater participation by the civil society. This opportunity is reflected in the extensive devolution of power to EU delegations in developing

countries, who will be encouraged to play the role of critical observer and facilitator. They will be expected to:

¶ check that the provisions in the Cotonou Agreement relating to participatory approaches are respected; and

¶ ensure the involvement of civil society in the programming. Here, the EU encourages delegations to designate an official to be responsible for relations with the civil society.

Co-ordination of aid between donors

¶ Development co-operation with LDCs is also based on the three Cs:

- co-ordination of development policies within the EC, the Member states and other institutions and donors;
- complementarity between the EC's development policy and that of its Member States; and
- coherence between the EC's development goals and its other policies.

¶ This philosophy has been developed over the last decade and brought into EU law as part of the Amsterdam Treaty. Better co-ordination between the efforts of the EU and its constituent Member States is essential to maximise the benefits to partner countries.



Better governance for better education

• The EC is allocating €4.2 million to help the government of Haiti implement a radical overhaul of the country's crisis-ridden education system.

• With over 60% of the population illiterate, Haiti recognises that access to education

is essential if local people are to find better jobs and not fall into a downward poverty spiral. Education has therefore become a top priority for the government.

• In 1999, the EC agreed to fund a three-year institutional capacity-building project under the 8th EDF to improve the education sector. This is part of a wider project of the Haitian Ministry for National Education, Youth and Sport (MENEJS) to improve governance, and is complemented by EC budgetary aid under the adjustment programme aimed at securing public spending.

• To date, a major decentralisation process has been successfully undertaken in several ministry departments aimed at making civil servants more accountable. Procedures have been put in place to improve human and financial resource management. Progress has also been made in developing partnerships between MENEJS and the non-public sector in the field of education through the creation of a National Office for Partnership.

• The ultimate beneficiaries of a better managed education system in Haiti will be the pupils and teachers. However, the project has a wider significance as it is an important element in efforts to achieve sustainable development and enhanced democracy in Haiti.

Action on conflict prevention and peace-building

¶ The EU believes that greater co-ordination within the Union does not mean shutting out wider dialogue with other fund donors, especially the Bretton Woods' institutions and UN agencies. As such, wherever possible, EU development strategies are to be linked to those of other institutions, such as the World Bank and the IMF.

¶ In March 1998, the EU Council adopted guidelines for strengthening operational co-ordination between the Community and Member States in the field of development co-operation. Two years later, the Commission published a report on progress made since the adoption of these guidelines, which highlighted some improvements but also noted the persistence of real difficulties with on-the-spot co-ordination.

¶ The EC is trying to promote a regular exchange of information on all aspects of co-operation programmes, including the preparation and follow-up to the implementation of individual projects. The EC is also encouraging the recipient LDCs to play a more active role in defining its strategies and development programmes and ensuring a better co-ordination of resources.

¶ The Commission would also like to encourage the creation of '*chef de file*' or designated leaders. These could either be a Member State or Commission representative acting on behalf of all co-financing partners in a given country and for a single programme. The *chef de file* would be chosen on the basis of specialist expertise or local contacts and would then be entrusted with the development funds. As an example, a UK representative could be designated as *chef de file* for the health sector in Uganda as it provides the best value added in that specific sector. Such an approach would reduce the duplication of efforts and maximise the benefits for the LDCs.

¶ The reforms within External Relations Services of the European Commission should also allow the EU to be more efficient in the management of its external assistance. Since the end of 2000, the programming process has been strengthened and the management of the project cycle from identification to implementation has been unified within a single office – EuropeAid Co-operation Office. This new office should allow for more efficiency in the implementation of EU aid.

¶ The EU was the first major donor to debate the role of conflict prevention in development policy. In 1996, the Commission adopted a strategy on Peace-building and conflict prevention in Africa. This was followed by a series of policy documents addressing the issue of preventing the outbreak of conflicts, mainly by promoting stable and democratic systems.

¶ Article 11 of the Cotonou Agreement allows for a strategic approach to tackling the root cause of conflicts. These provisions include measures aimed at balancing political, economic, social and cultural opportunities within society in order to help prevent conflict and maximise peace-building efforts. Many of the projects supported by the EC in LDCs try to balance these opportunities. An active, comprehensive and integrated policy of peace-building and conflict prevention remains a major element of a sustainable development strategy.

¶ The EU is also actively engaged in mediation, negotiation and reconciliation efforts. Recent examples of such activities include the Lusaka peace process for the Great Lakes and the peace brokering between Ethiopia and Eritrea.

¶ The EU and its Member States continue to push for measures to stamp out the illegal trade in gems used to fund wars in places such as Angola and Sierra Leone. In March 2000, for example, a Council Regulation prohibited the import of rough diamonds from Sierra Leone into the Community.

¶ The global proliferation of light weapons and small arms is also a major source of instability in many LDCs. With the help of South Africa, the EU has financed the repossession of small arms in Mozambique. The EU is equally committed to setting responsible limits to the arms trade, which led to an EU Code of Conduct on Arms Exports in 1998. In the Code's first annual report, the EU stressed the need for the Code of Conduct to be tightened to be more consistent with the Common Foreign and Security Policy (CFSP) and to contribute to the Union's goals of conflict prevention and the promotion of human rights.

▮ Anti-personnel landmines continue to cause appalling casualties in many LDCs and are an obstacle to the implementation of a range of EU programmes. In the period 1992-1998, the EC committed over €180 million to mine action worldwide by supporting de-mining programmes, assistance to mine victims, and research and development of technology. Following the entry into force of the Ottawa Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Landmines and their Destruction in March 1999, the EU has become a major player in this area. In that context, the Commission adopted plans in March 2000 to strengthen the coherence and effectiveness of its actions in this important policy area.

▮ The escalation of the crisis in the Democratic Republic of Congo (RDC) into a conflict involving several countries of the sub-region has also prompted the European Commission to begin reviewing its cooperation with ACP countries involved in armed conflicts. This review should ensure that European taxpayers' money is not used for military purposes. Between 1986 and 1995, five of the principle recipients of EU aid in the ACP bloc were engaged in some form of conflict or another – Ethiopia, Mozambique, Rwanda, Sudan and Uganda are all LDCs.

▮ The Commission insisted that the reviewed cooperation with ACP countries involved in armed conflicts should be within the framework of the common foreign and security policy (CFSP). A joint Council and Commission report was discussed at the Nice Summit last December, in which the Commission underlined its intention to become fully involved in all future conflict prevention efforts to ensure the effectiveness of the Union's foreign policy.

The role of ECHO

▮ LDCs often seem to be the most vulnerable states when it comes to natural disasters and man-made crises. Since 1992, the Commission, through its Humanitarian Aid Office (ECHO), has worked towards alleviating the impact of such crises and natural disasters, and has brought relief to millions of victims in LDCs, including Sudan, Afghanistan and Cambodia. ECHO works via partners which have signed a Framework Partnership Agreement (FPA). A revised, simplified and more flexible FPA came into force on 1 January 1999; over 160 partners have signed the new FPAs.



Rebuilding war-torn Liberia

• European Community support for a national rehabilitation programme has helped resettle hundreds of thousands of people who were displaced in the brutal civil war which devastated Liberia between 1989 and 1996.

- The war left the country virtually in ruins with most of its infrastructure destroyed and huge numbers of people displaced. Having supported a Liberia Rehabilitation Programme in 1994 with €25 million, the EC allocated a further €27 million in 1998 to a second programme, which is still ongoing.
- This commitment included €14.6 million for resettlement and reintegration operations including minor infrastructure works. So far, the programme has helped 300 000 externally and internally displaced people to return home.
- Support for cash crop production and other income-generating activities has raised rural income and helped boost confidence in local communities. The clearing of over 700 kilometres of road and the construction of 35 metal bridges and over 150 log bridges has made it easier for local people to travel and to return to a degree of normality.
- The continuation of the 'Jobs for Guns' project set up under the first Rehabilitation Programme has created work for a large number of ex-combatants, some 11 000 of whom have since been re-integrated into civilian society.
- By achieving a high level of community involvement, this programme has become self-sustaining and cost-effective. This is essential if the cycle of dependency created by long-term relief operations is to be broken.

Fig. 7: Financial decisions for humanitarian aid in LDCs in 1999 (€)

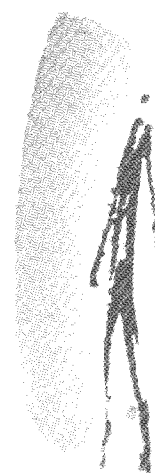
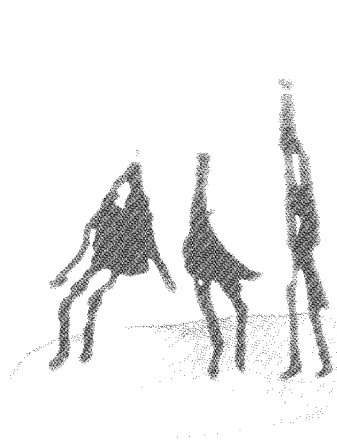
Afghanistan	5 750 000
Angola	10 000 000
Bangladesh	3 075 000
Cambodia	6 500 000
Comoros	1 610 000
Democratic Republic of Congo	20 000 000
Ethiopia, Eritrea, Djibouti	10 000 000
Guinea Bissau	2 900 000
Madagascar	800 000
Mozambique	500 000
Niger	285 000
Sierra Leone	2 000 000
Somalia	3 340 000
Sudan	13 500 000
Tanzania	5 000 000
Yemen	1 300 000
Zambia	1 500 000

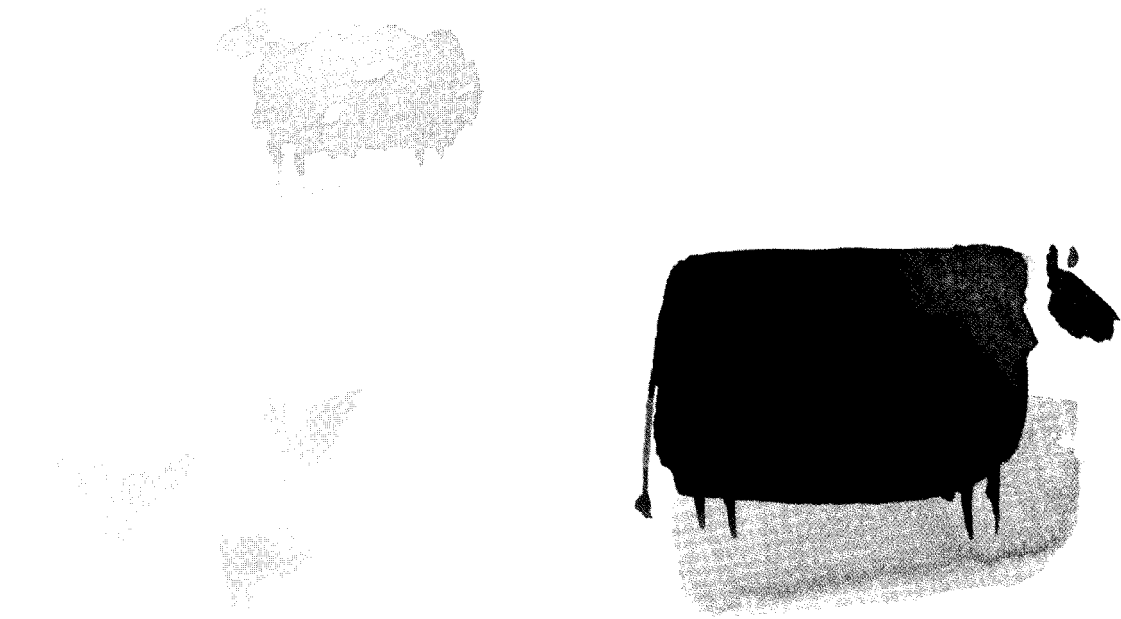
Source: Humanitarian Aid Office (ECHO) Annual Review 1999

¶ ECHO managed its biggest-ever budget in 1999: a total of almost €813 million. Originally, the EC had only allocated some €331 million in its budget for humanitarian assistance during 1999. The extra spending, largely accounted for by the problems in the Balkans, was covered from the reserves, and the Commission ensured that no funds were diverted from other priority areas in ECHO's budget.

¶ In 1999, ECHO spent a total of €7.3 million on activities towards preparing for disasters. The basis of ECHO's Disaster Prevention, Mitigation and Preparedness Programme (DIPECHO) is risk assessment and disaster limitation. In an action plan covering South-East Asia and Bangladesh, DIPECHO stresses its commitment to a regional approach and has been engaged in a series of discussions with NGOs. So far, suggestions include the development of evacuation plans and early-warning systems in Bangladesh and risk mapping of the Mekong in Cambodia.

¶ In the mid-1990s, the EC endorsed a new approach for strengthening links between relief, rehabilitation and development (LRRD). This is a delicate issue and a recent evaluation of ECHO's performance shows that LRRD needs to be improved. ECHO is committed to developing exit strategies aimed at the earliest possible pull-out. EC development instruments must therefore be ready to cover the immediate post-emergency phase so as to cover any gaps in provision towards the countries in need.





3. Rural development and food security

Major review offers new vision for rural development

▮ The European Community, along with most large aid donors, believes that rural development continues to be a key priority for any development co-operation programme for a range of economic, social and political reasons – first and foremost because most poor people live in rural areas.

▮ Around 1.3 billion people – one in four of the world's population – live in absolute poverty, surviving on under US\$1 per day. Some 800 million people go hungry every day, including 200 million children under five years old.

▮ The majority of poor people, around 70%, live in rural areas depending primarily on agriculture. They struggle to survive in areas with fragile ecosystems, poor access to basic needs such as health and education services, clean water or food and where malnutrition and infant mortality rates are high. The average African farmer has a life expectancy of 43 years.

▮ Respect for human rights, particularly for women, is lower than in urban areas and rural populations are usually politically weak and are often the first victims of poor governance. The political will to

develop rural areas at the same pace as urban areas is often lacking in developing countries although rural economic growth is a crucial precondition for overall economic growth.

▮ In the past, strategies to tackle rural poverty have focused on issues such as achieving food self-sufficiency, slowing down rural-urban migration and investment in large infrastructure projects. But in the 1990s there was a fundamental shift in the goals of most donor agencies prompted by shrinking aid budgets and the need to use the available resources more effectively. European development assistance now has the overarching objective of poverty reduction to be achieved by a focus on good governance, economic growth based on market principles and sustainable management of natural resources. It is clear that attaining sustainable improvement in the livelihoods of rural people would be a major contribution to achieving all these goals.

▮ In 1998, the European Commission began a major review of its rural development policy in a joint exercise between DG Development and DG External Relations, which was completed in 2000. It

sought to learn from difficulties encountered in the late 1980s and early 1990s when the priority accorded to rural development began to decline due to a combination of disappointing past experiences with Integrated Rural Development Projects, low agricultural prices and the limited political influence of rural populations.

■ The result is a new vision for development co-operation in the rural sector based on the principles enshrined in the Treaty of Amsterdam and the Commission's overall policy objectives.

Policy in rural areas is now aiming to deliver:

- more peaceful, equitable, open and democratic rural societies;
- more effective and accountable rural institutions;
- economic policies enabling rural growth;
- enhanced individual assets of rural dwellers;
- more sustainable natural resource management;
- more coherence between EU agricultural, trade, environmental and immigration policies and the EU's purpose of improving rural livelihood.

■ Rural development by its very nature spans a huge range of inter-related issues and activities and requires action on many fronts. Agricultural activities are obvious areas for attention but social services, trade or transport initiatives are also tools to support and stimulate rural development. The opening of a new primary health clinic in a rural area or a new feeder road, for example, is part and parcel of a coherent rural development strategy.

■ Rural development is hard to quantify exactly in financial terms as it is multidisciplinary and it receives support from a range of EC financial instruments. It is clear, however, that rural areas benefit significantly from sectoral support as aid channelled through a variety of sector programmes including those for health, education and transport which are targeted, primarily, at basic services in rural areas.

Rural Development Profiles

■ Because rural development involves so many players and funding instruments, it requires a specific analytical and conceptual tool to analyse specific situations in individual countries. Thus, Rural Development Profiles are being developed for individual developing countries to provide a strategic framework for EC interventions in those countries where rural development is retained as an area of concentration for EC aid.

■ The RD Profile will identify objectives for the EC's activities in a specific country, setting out a limited number of manageable priorities within a reasonable time frame. It will also assess financial and other requirements to achieve the objectives and identify any conditions likely to influence their effectiveness. Finally it will analyse where the EC has a comparative advantage over other donors and pinpoint the most appropriate financial instruments and partners.

■ The Commission has produced guidelines for the development of RD Profiles based on four pilot profiles produced for Uganda, Mozambique, Bangladesh (all LDCs) and Bolivia. Ideally RD Profiles will become the reference point for EU co-ordination on rural development support providing a common framework for action by the EC (and its various financial instruments) and the Member States.

■ The Commission is actively participating in international efforts by donors and governments to develop agreed frameworks for intervention for particular countries to ensure that activities undertaken do not duplicate or conflict. These include the World Bank's Comprehensive Development Frameworks (CDF) and the World Bank and IMF's Poverty Reduction Strategy Papers (PRSPs). The Commission also develops its own Country Support Strategies which set out the scope of activities in an individual developing country.

■ Rural development profiles will only be developed for individual countries where other frameworks are not in existence or where the rural development dimension is not adequately dealt with. In countries where a PRSP is being developed, for example, an RD Profile may not be necessary if rural issues are covered thoroughly, although the Commission would expect to be actively involved in the formu-

lation of the PRSP. The design of RD Profiles will accompany and follow the programming process for the 9th EDF.

Co-financing

■ The EC's preferred approach to interventions in a developing country is co-financing the public sector budget with the national government and other donors. The EC's contribution is paid directly to the Treasury and from there to the relevant ministry which then takes charge of implementing an agreed programme. With this 'Sectoral Approach' donors are moving away from a situation where responsibility or financing for a particular initiative is carved up between different actors without overall co-ordination or ownership from the national government.

■ The Commission believes there are advantages for both recipient governments and donors of having a single programme and a single funding source for a specific sector. On the one hand there is less chance of different donors being played off against each other while on the other there is less risk of unco-ordinated or conflicting interventions by donors and a greater likelihood that national governments will have a sense of ownership.

■ The approach has been pioneered in the social services sector and is increasingly being implemented



A comprehensive strategy for Mozambique

• Since 1991 the EC has contributed over €200 million to support an agricultural sector programme in Mozambique. In 1998, ongoing projects and commitment totalled €44 million.

• In 1998 Mozambique's Ministry of Agriculture and Fisheries (MAP) drew up a proposal for a national programme for agricultural development (Proagri) which seeks to move away from a project approach to rural development and food security issues towards a comprehensive strategy. It also aims to provide a framework within which all actors and donors can collaborate and pool efforts.

• A key objective of Proagri is to implement institutional reform within MAP so that it can be a coherent and effective vehicle for channelling and managing donor assistance in the agricultural sector. A fragmented donor-driven system based on projects is being replaced by a comprehensive programme led by MAP. Part of the ministry's transformation will involve embracing decentralised resource allocation and management.

• For donors, the goal is to hand over the financial and technical management of development aid to MAP and ensure there is real ownership. One challenge for Mozambique is to develop transparency in its financial management so that donors feel confident enough to provide budget support.

• The Proagri sector programme is built on a comprehensive strategy and one budget to cover all the country's main agricultural activities such as the management of livestock, forestry and wildlife, research, land, irrigation, and crop production.

in the agricultural sector – although agricultural development strategies are rarely straightforward and there are always conflicting opinions about the best strategy to deal with a particular problem. This means the meeting of minds between all the actors that is necessary for a co-financing approach takes longer. To date the results are variable but the Commission is confident that this strategy will reap sustainable rewards.

Food security

■ For some countries the overriding and most basic problem they suffer from is food insecurity – where, because of short or long-term, natural or man-made disasters - people are starving. The EU has a budget of approximately €500 million a year to target this problem.

■ In recent years the EU has been developing its response beyond providing emergency aid in kind, once a disaster has struck. It is increasingly trying to tackle the causes of food insecurity, rather than simply contain its effects. This broader approach, set out in a 1996 Council Regulation, sees food security as a poverty reduction measure and looks at both the supply and demand issues that make countries 'food insecure'.

■ Sometimes the problems may be short term, caused by a specific event such as a conflict, but more often there are long-term chronic and structural issues which exacerbate underlying difficulties associated with fragile ecosystems or harsh climates. Issues like land ownership structures or urban migration, for example, can have significant impacts on the ability of a country's population to feed itself. Moving a country towards a position of sustainable food security requires donors and recipient countries to adopt comprehensive food security strategies. As well as tackling issues such as irrigation and agricultural practices, these strategies need to address a range of different sectoral issues like health, education, private sector development, trade and so on.

■ The ability of an individual to obtain and maintain adequate access to food – to be food secure – is determined by how much money she or he has to purchase food and/or how much food he or she can produce. The EU's food security programme, therefore, seeks to address both sides of this coin tackling how to increase income, how to increase production, how best to market what is produced and how to ensure that what is produced is used in the best way.

■ In the past donors and governments alike thought more in terms of helping countries become self-sufficient in food production. However this frequently led to countries switching to produce commodities ill-suited to the local agricultural conditions, or available more cheaply elsewhere, while ignoring products that could have earned valuable export income.

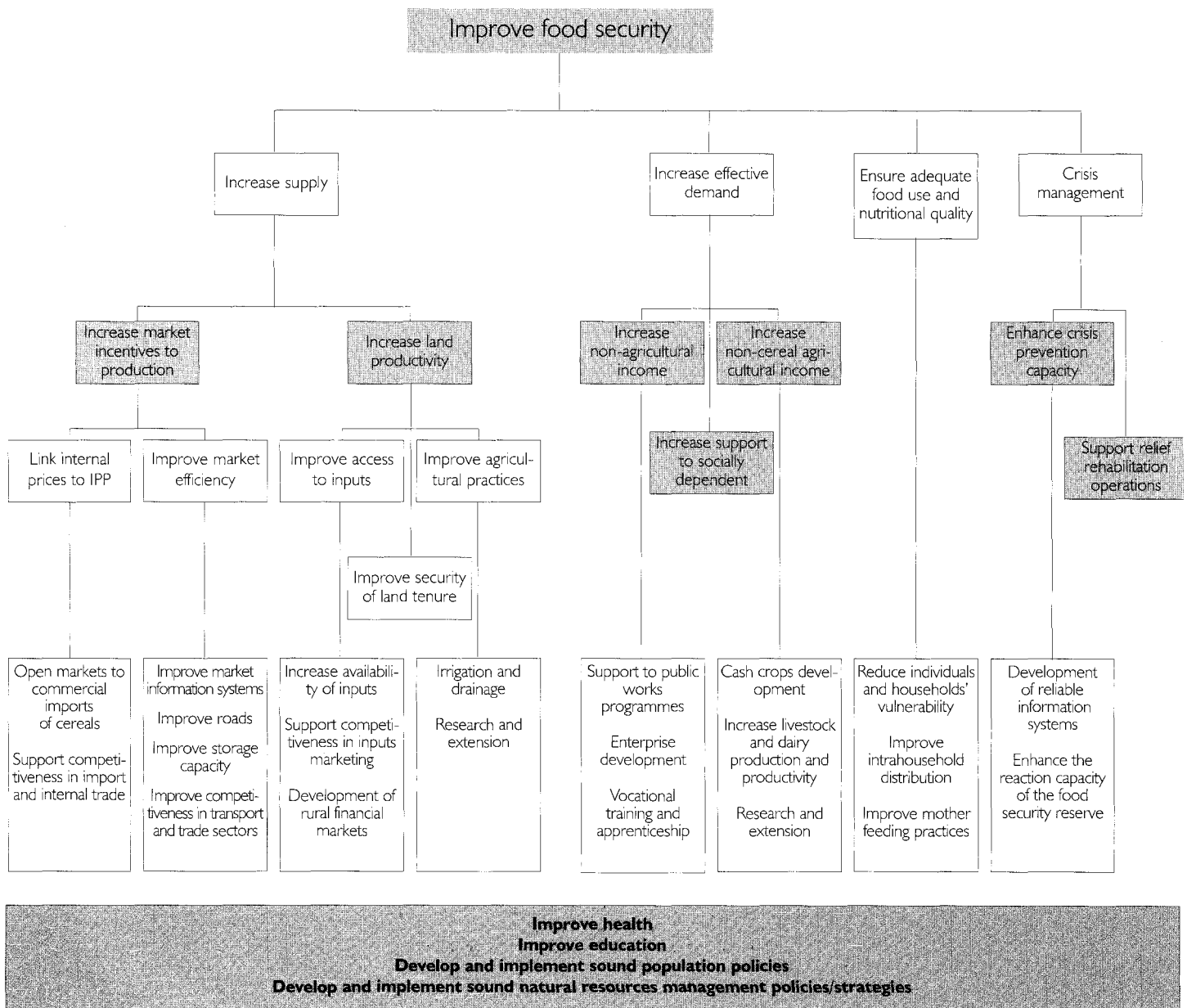
■ The EU's food security programme is a medium to long-term instrument, targeted at a specific number of countries, which seeks to make a structural change in the developing country's rural economy. Most countries that are on the list of recipient countries would expect to remain so for four to five years.

■ Currently, there are 19 countries on the food security programme of which 11 are LDCs: Haiti, Ethiopia, Yemen, Burkina Faso, Cape Verde, Mauritania, Niger, Madagascar, Malawi, Mozambique and Bangladesh. To be accepted on to the programme a country must commit to implementing a comprehensive food security strategy, which covers everything from crisis management to improving the nutritional quality of food, from improving infrastructure to increasing non-agricultural income.

■ The strategies are drawn up by the country itself with the help of external expertise recruited with EC resources. Additional expertise is available within Resal, the European Food Security Network. Resal is an EU-funded body that helps formulate and implement food security policies and supports education, dissemination of good practice and discussion about food security strategies.



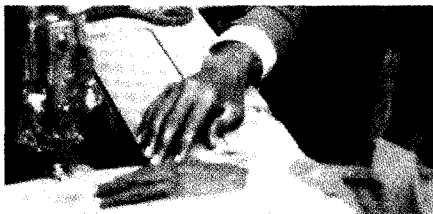
Fig. 8: Tackling food security requires a multi-faceted approach.



¶ As well as food aid, the EU programme can finance any type of initiative in any sector that is relevant to food security and is part of the strategy. Examples of activities supported include:

- the supply of seed, tools or expertise to aid food production;
- rural credit support schemes targeted particularly at women;
- schemes to improve access to drinking water;
- storage schemes;
- measures to assist marketing; transportation, distribution or processing of agricultural and food products;
- support measures for women's and producers' organisations;
- sectoral programmes and reforms in the agricultural sector;
- reforms in the trade sector.

¶ A further seven LDCs received emergency food aid in 1999: Liberia, Sierra Leone, Somalia, Sudan, Rwanda, Angola, and Afghanistan. Classified as countries in crisis or in the immediate post-crisis phase, they have economic or political situations which, for the moment, prevent the start of a dialogue on a long-term food security strategy.



Rural training centres in the Solomon Islands

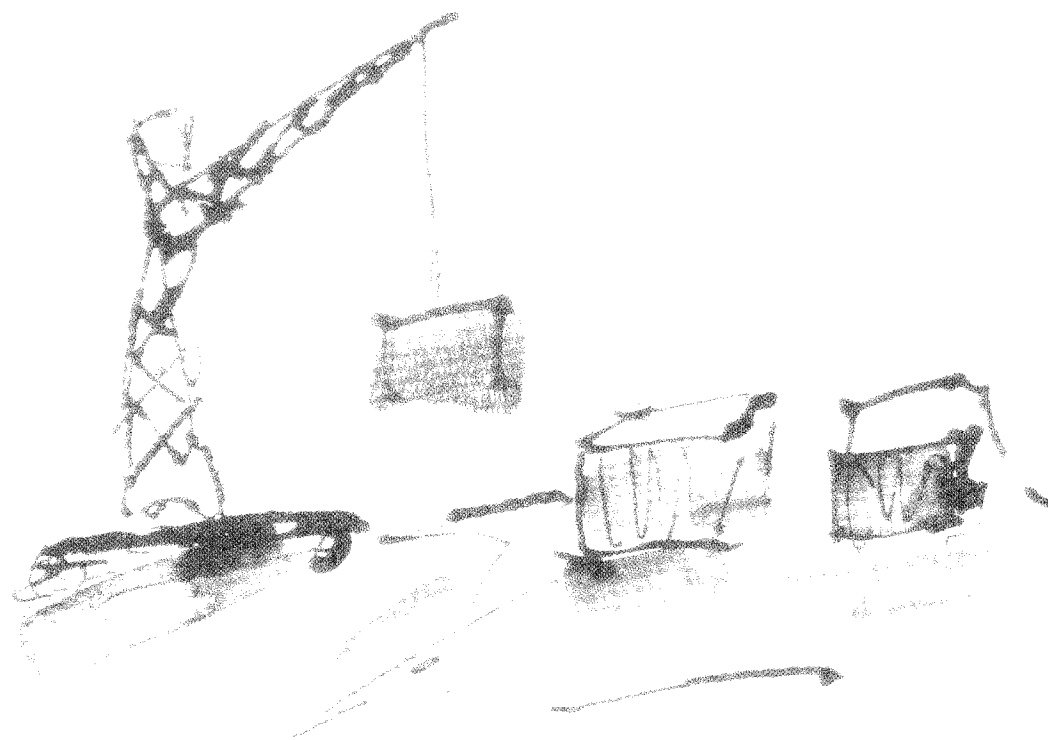
• School drop-outs in rural areas in the Solomon Islands are being given a chance to develop vocational skills and fill gaps in their formal education in a project being supported by the European Community.

• The project, which finished in 1999, has provided financial support totalling €1.9 million to 29 rural training centres (RTCs) around the Solomon Islands. These centres are improving the vocational and educational skills of young people and giving them new skills which they can employ in their rural communities. The project is helping to reduce the numbers who drift to urban areas in search of jobs – a process which threatens the viability of rural communities and can draw the individuals concerned further into poverty. An estimated 6 000 children drop out of school each year in the Solomon Islands.

RTCs, of which there are 42 in the Solomon Islands, offer courses in subjects such as carpentry, mechanics, dressmaking and cooking varying in length from a few days to four years. They are run by NGOs or church organisations. Around 1 500 students attend RTCs at one time or another every year.

Approximately 70% of the European Community aid has been used to provide materials and equipment for the RTCs, with the remaining 30% targeted at staff training and curriculum development. Each RTC, has received an average of €22 000.

An assessment of the project concluded it had contributed positively to economic development at village level, improving the quality of life of the individual graduates and of village communities in general. The scheme increased the quality and scope of vocational training available and, as a result, the range of skills available to villages. The success prompted the European Commission to agree to a further funding of €1.96 million in December 2000 to extend the project over the next three years.



4. Trade

Generating resources by enhancing growth

Introduction

Trade is an important way for a developing country to generate the resources it needs for self-sustained development. Trade enhances growth, and vice versa; and – in an adequate domestic policy framework – growth helps to reduce poverty. Open economies generally grow faster than closed economies.

Trade policy reforms can assist the process of generating significantly higher growth rates. They can improve the efficiency of resource allocation, promote access to improved technology, facilitate the exploitation of economies of scale and boost domestic competition.

Some countries have clearly been more successful than others at integrating in the global economy. The progress of newly industrialised economies in Asia and Latin America has been achieved thanks to a rise in trade and private flows of investment rather than because of development aid. So far, LDCs have generally not been able to benefit from the opportunities offered by globalisation.

The EU is an important market for exports from the LDCs. It is by far the biggest importer of LDC products in the world. In 1998, LDCs exported goods worth a total of €15.5 billion, of which the EU imported 56% with a value of €8.7 billion. Despite this, LDCs still face a trade deficit with the Union (see figure 9).

Fig. 9: Trade with LDCs

1998	EU	US	Japan	Canada
Trade with LDCs	€18.8bn	€7.7bn	€2.9bn	€0.4bn
Exports to LDCs	€10.1bn	€2.1bn	€2.0	€0.2
%QUAD* exports	70%	15%	14%	1%
Imports from LDCs	€8.7bn	€5.6bn	€0.9bn	€0.2bn
%QUAD* imports	56%	35%	6%	2%

Source: Eurostat – QUAD = EU+US+Japan+Canada

■ With few exceptions, individual LDCs tend to be heavily dependent on two or three products for export. Their main products are unprocessed or semi-processed primary commodities, and minerals.

Market access

■ Since 1997, the EU has allowed duty-free and quota-free access to 99% of all exports from LDCs, covering 91% of all tariff lines. The EU had thus liberalised far more than other trading powers.

■ On 26 February 2001 the EU Council of Ministers approved the European Commission's proposal to provide duty- and quota-free access to the EU for all products originating in the least developed countries, except arms and ammunition. This "Everything but Arms" initiative extends free access to a further 919 product lines, including meat and dairy products, fruit and vegetables, cereals and alcoholic beverages. Only for the most sensitive products will liberalisation take effect in stages: between 1 January 2002 and 1 January 2006 for fresh bananas; between 1 July 2006 and 1 July 2009 for sugar; and between 1 September 2006 and 1 September 2009 for rice. However, to make up for the delay in implementing full liberalisation for rice and sugar, duty-free tariff quotas will be opened as from the 2001/2002 marketing year. These will be based on best LDC exports to the EU in the recent past, increased immediately by an annual 15% growth rate.

■ What impact will the initiative have on trade levels? The products covered currently account for less than 1% of LDC exports to the EU. However, this is partially due to the duties that were imposed and that acted as a barrier to trade. Once the tariffs are removed, LDCs will enjoy new opportunities to build up trade in specific products, attracting new investments.

■ In the context of the multilateral initiative for the LDCs, the EU's Everything But Arms regulation should stimulate other major trading powers to follow suit.

Developing capacity for trade

■ Experience has shown that market access alone does not automatically bring growth. Some countries clearly benefit far more than others from trade liberalisation. There is a growing divide between a group of middle-income developing countries which are successfully trading in a global market, and nearly 80

developing and transition economies – covering over a third of the world's population – that are virtually excluded.

■ To help developing countries realise their potential in international trade, there must be measures that go beyond merely improving their access to markets. With the support of the international community, the countries themselves must take action to promote good governance alongside policies to encourage trade (see Chapter 2). This means putting in place domestic policies that stimulate and support trade. Sound domestic policies are vital to create the stability and predictability needed to stimulate local or foreign investment. The private sector needs a secure legal framework and transparent regulatory and administrative practices to operate successfully. In this context, the growing importance of trade-related areas is a particular challenge for policy-makers in LDCs.

■ The traditional understanding of trade, focusing on issues such as border trade, tariff lines and market access, covers only part of today's trade policy agenda. In an increasingly globalised world economy, 'new' trade related areas such as competition, investment and trade facilitation are important too. Increasingly attention is also being given to the relation between multilateral environment agreements and trade, and to the interaction of trade and social development, including labour standards. Nowadays, areas such as standards and technical regulations, sanitary and phytosanitary measures, intellectual property rights, customs rules and procurement are integral elements of a conducive trade policy.

■ LDCs are sometimes reluctant or unable to take the measures necessary to put these crucial policies in place. They often lack the institutional infrastructure, human resources and financial means to take action in setting up the regulatory and institutional framework needed and may not be able to provide adequate support to the private sector to meet the requirements of export markets.

■ The Commission is striving to integrate trade aspects into its development cooperation programming, while placing strong emphasis on coherence in trade and development policies. Trade-related areas are an important part of Economic and Trade Cooperation in the ACP/EU Cotonou Agreement. Mainstreaming trade into development is a priority for drafting coherent country strategy papers, the basis for development co-operation programmes.

New WTO Round: a strategy for sustainable development

■ The EU proposal for a comprehensive round of WTO negotiations is the best mechanism to ensure that developing countries' concerns are taken into account across the board. Be it a matter of market access or of WTO reforms, the needs of developing countries figure high on the Community's agenda.

■ The EU is determined to ensure that all WTO members benefit from the opportunities the multilateral system can offer via a new round. That is why a new negotiating round must be balanced and inclusive – and seen to be so. All members must contribute to setting the agenda, not just the major players. The agenda has to be broad enough to allow for the trade-offs necessary to satisfy all participants.

■ Enhancing the WTO's contribution to promoting sustainable development must be a crucial objective for future trade negotiations. Therefore a successful new round of trade negotiations must include:

1. Substantial improvements in market access across the board to provide developing countries with more opportunities to export their particular products. Both the EU and other major trading powers must find both the will and the way to liberalise sensitive sectors substantially.
2. New WTO rules on investment, competition and trade facilitation to improve the governance of the world economy. Negotiators need to make such rules an important objective. In the case of investment, such rules should aim at improving transparency and non-discrimination. Access of foreign investors should be addressed following a gradual, bottom-up approach, while fully respecting the right of governments to regulate. As regards competition, the central objective should be to strengthen international co-operation against anti-competitive practices with an international dimension. International cartels or transnational abuses of a dominant position would be covered by such action. New rule-making in these areas should help developing countries improve their regulatory capacity and help all countries to address new challenges of globalisation.
3. Clarifying and – if necessary – improving existing WTO rules from a sustainable development perspective. Negotiators will have to clarify the relationship between WTO rules and actions undertaken to protect the environment.

Integrated framework

■ All stakeholders – developing countries, international development agencies, the WTO and all donors – accept the need for a co-ordinated approach to capacity-building for trade. This is an underlying principle of the Integrated Framework for Trade Related Technical Assistance to least developed countries, set up in 1997 under the auspices of the WTO, World Bank, International Monetary Fund, United Nations Development Programme, the United Nations Conference on Trade and Development and the International Trade Centre. The EU supports the initiative's aim to improve the delivery and relevance of trade-related assistance available to LDCs from the sponsoring agencies. Such assistance must be based on an assessment of needs of individual countries in the context of their overall development strategies. Improving the performance of the Integrated Framework is a high priority for all parties.

Strategy for private sector development

■ If developing countries are to exploit opportunities offered by world trade they must create an environment in which enterprises will flourish. EU policies towards private sector development in developing countries were reviewed in the late 1990s, resulting in the publication of a comprehensive new strategy adopted by the Council in 1999. Originally designed for ACP countries, the policy now applies to all developing countries.

■ The strategy has pulled together the different strands of European Community support for private sector development and is based around the premise that the private sector is a leading actor in development. It focuses on co-operating with the governments of developing countries to help them improve the environment for investment and private-sector activities, from large corporations to sole traders. Helping private sector organisations enhance their effectiveness, and stimulating productivity and international competitiveness are among other aims.

■ The Cotonou Agreement in 2000 was informed by this view of private sector development. Article 6 of the Cotonou Agreement recognises the private sector as an 'actor of co-operation' alongside the state, civil society and other economic and social partners such as trade unions.

■ In Article 10, signatories recognised the importance of "the principles of the market economy, supported by transparent competition rules and sound economic and social policies".

■ To implement the policy, the ACP Group and the Commission have developed a range of services and facilities for ACP countries aimed at providing support at both macro and micro level. These include:

- **DIAGNOS**, launched in March 1999, is a "trade health check" for developing countries. It provides an analytical service available to national governments that want an in-depth study of the business environment in their country. A team of experts analyses the socio-political and economic climate to recommend a strategy or programme of action to support private sector development.

- The **EU-ACP Business Assistance Scheme (Eb@s)** provides matching funds to enterprises or business organisations for projects to enhance competitiveness by improving performance in areas such as production systems, management, marketing and information technology (see below).

- **ProInvest** is due to start in late 2001 and is aimed at attracting European investors to ACP countries. The plan is to develop a number of different fora focusing on industry sectors such as mining, tourism or agriculture which would bring together business interests, trade associations and investment promotion agencies. The programme would provide technical assistance to help the parties improve their performance, and support to their members.



Helping businesses improve their performance

- Eb@s is a matching grant scheme aimed at boosting the competitiveness of enterprises in ACP countries. Its objective is to encourage private enterprises and business associations to use professional consultants to improve their business performance.

- Target companies are already successful in their home markets. The goal is to help them improve their capabilities so that they can compete in international markets as well. Eb@s seeks to support projects which can demonstrate lasting, measurable results during a maximum of two years. It would not, for example, fund a feasibility study for the development of a new product which could be speculative and where results would arise in the long term, if at all. Rather, it looks to help companies to improve existing methods and systems in areas such as production, management, marketing, training and information technology.

- With a total of €20m to distribute before the end of the programme in 2002, Eb@s expects to support 1 000 enterprises with around 1 500 awards. Eb@s was launched in May 1999 and became fully operational in November 1999. After one year it had made 153 awards totalling €3.5m, with a further 643 requests for grants totalling €5.5m under evaluation.

Projects supported by Eb@s include:

- **Ethiopia**

A medium-sized shoe factory in Ethiopia which exports 10% of its production to Europe has received a €15 647 grant to improve shoe-processing systems and quality management.

- **Uganda**

A €12 656 grant to a small service company in Uganda is funding the redesign and improvement of its website. The company provides export market information to Ugandan and other East African exporters.

- **Samoa**

A grant worth €24 869 was made to the Samoa Manufacturers Association to fund a delegation of Samoan exporters to Europe to promote their goods and services. The visitors attended the Hanover fair and secured export contracts for Samoan manufactured goods including foodstuffs.

- **Madagascar**

A garment manufacturer in Madagascar received a €58 374 award to fund the introduction of a computerised management information system, seek ISO certification for its production systems, and to develop a website for marketing purposes.

- **Zambia**

An association of horticulturists from Zambia, acting on behalf of its members and seven other similar associations from East and Southern Africa, has received a €40 000 grant. The money will fund a project to train auditors and quality control specialists to help monitor and improve the quality of horticultural products for export to Europe.

- A **Micro Enterprise facility** is under development and is due to come on stream in 2002 to provide financial or non-financial services for micro enterprises, including those working in the informal sector, to help them grow. Assistance would be channelled through local agencies and NGOs.

▮ Additional instruments and facilities are available through the European Investment Bank and the Centre for the Development of Enterprise (CDE). The CDE (formally known as the Centre for the Development of Industry) is an ACP-EU body which helps companies in ACP countries improve their competitiveness, diversify or improve their production methods. It also aims to widen the expertise and competence of consultants. Historically, it has focused on industry, the agricultural processing sector and construction, but under the Cotonou Agreement its remit is being expanded to cover service sectors such as tourism, telecommunications and transport.

Regional integration

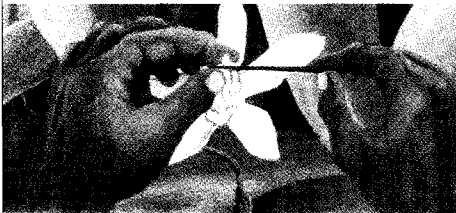
▮ To be able to engage fully in world trade, developing countries must liberalise their own markets, create an appropriate regulatory framework and build the domestic capacity needed to capitalise on the opportunities offered by multilateral trade liberalisation and regulation.

▮ The EU aims to help LDCs make this transition to comply with WTO rules and become active participants. This means supporting LDCs with technical or financial assistance as they introduce necessary economic reforms which can bring short-term adjustment costs.

▮ In the Cotonou Agreement, the EU committed itself to helping ACP states become active members of the WTO by developing the necessary capacity to negotiate, participate effectively, monitor and implement its agreements.

▮ Currently, 29 LDCs are WTO members and a further nine are in the process of accession. Most of them are in the early stages of this process but at least one, Vanuatu, should be able to join in the near future. The accession process can be a cumbersome one for LDCs, given the broad scope of the WTO Agreement. That is why the EU has launched an accession initiative. This is aimed at helping countries through the process by determining flexible accession benchmarks suited to their level of economic development. Ad hoc technical assistance is also available.

▮ Forging regional trading partnerships is often a complementary first, or parallel step, in this process. By building up trading relations with neighbours and negotiating regional trade agreements, developing countries can acquire experience in negotiations and establish administrative procedures vital for participation in the WTO.



Madagascan natural vanilla: relaunching a noble spice

- Grown for generations, natural vanilla is a jewel of Madagascan agriculture. The 'Red Island' is the world's leading producer of this precious spice which is widely used in the food industry for its aroma. But with synthetic products now winning 85% of the market, the sector has seen prices collapse. To make matters worse, this has been accompanied by a fall in quality due to the failure to renew plantations and a deterioration in gathering and processing methods.

• The relaunch of this sector, which provides a direct livelihood for over 300 000 people (50 000 families) in the Sava region on Madagascar's north-eastern coast, began in 1997 with financial and technical support from the STABEX fund.

- Thanks to this support, a campaign to popularise a semi-intensive method of cultivation, which is more productive and uses less labour, has been applied to the planting of 2 000 hectares of new individual plots. The area is cultivated by 14 700 planters (29% of whom are women), organised into 120 village groups. Each group has a 10-acre demonstration field where the new methods can be taught before being put into practice in the individual fields. An illustrated manual has also been produced as a teaching aid.

- Training is also being provided to improve the processing of the vanilla pods, and a special manual and new equipment have been provided to support this. Finally, a label of origin for natural Madagascan vanilla has been created and a campaign carried out with the support of the EC to build up the export market for this 'noble' product and for natural extracts in general.

▮ Membership of regional trade agreements can generate benefits for developing countries, including securing markets for exports, encouraging infrastructure development and exchanging expertise. Investors, too, are likely to make larger investments if they are doing business with a region, rather than an individual country. And trade relations can have a stabilising effect politically. Nations that are economic partners are less likely to go to war with one another.

▮ The importance of the trade agenda within regional groupings grew significantly in the 1990s and the EU is committed to encouraging this trend. Assistance takes the form of technical support – for example, help in establishing the necessary administrative or statistical systems – or, increasingly, direct budgetary aid to help countries suffering short-term customs duty shortfalls. This aid is designed to be short term, lasting only until the recipient government has put in the necessary replacement indirect taxation measures.

Economic Partnership Agreements

▮ The Cotonou Agreement introduced new trading arrangements between ACP and EU countries to move away from the discriminatory non-reciprocal trade preference system of the Fourth Lomé Convention. At present, 40 of the 77 ACP countries are LDCs. The accord calls for the negotiation of Economic Partnership Agreements (EPAs) to begin

in September 2002. These agreements will establish reciprocal trading arrangements that are fully compatible with WTO agreements.

▮ But EPAs are not just a way of providing long-term and stable WTO-compatible access for ACP countries to the EU market. These agreements will also help consolidate economic and legal reforms and make regional integration initiatives more credible. They will create more opportunities for local private sector and foreign investors and have a positive impact on the economic and regulatory framework and on supply-side capacities.

▮ EPAs take a comprehensive approach which should boost ACP economies and support economic reforms. They will cover not only tariffs but also co-operation on a range of other important issues, including trade-related areas such as standards, sanitary and phytosanitary measures and competition policy. EPAs will be accompanied by specific EC development cooperation measures, which should ensure that the ACP countries can derive the maximum benefit from the new trading arrangements. This could mean technical or financial assistance for the public authorities or support for the private sector through programmes such as ProInvest or Eb@s (previous pages).



Assistance to UEMOA

• Through its Programme of Support for Regional Integration (PARI II), the EU is giving direct budgetary assistance to the governments of the West African Economic and Monetary Union (UEMOA) countries to help them adapt to the implications of their move to a Customs Union.

• UEMOA is made up of seven former French colonies and one former Portuguese colony – seven LDCs: Benin, Burkina Faso, Guinea Bissau, Mali, Niger, Senegal and Togo, plus Côte d'Ivoire. Since the countries gained independence, they have had a monetary union, and in 1995 began to develop a customs union as well. With financial and technical assistance, the EU is helping the countries to remove the last remaining tariff and non-tariff barriers to free trade across the region and to cope with short-term negative effects.

• This assistance has included: providing financial aid to help governments bridge the revenue shortfall arising from the abolition of tariffs until new indirect taxes are put in place; and assisting in the development of a common agreement on how road checks are conducted on major connecting roads.

• In November 2000, the European Commission announced funding worth €8.2 million for a project to support the establishment of an accreditation, standardisation and quality promotion system for UEMOA. It will be implemented by the United Nations Industrial Development Organisation (UNIDO).



5. Social services delivery

Education and health are fundamental to a social strategy

Introduction

¶ Eradication of poverty requires action on human and social development. As a result, a sectoral strategy focusing on social sectors (health and education) is now an integral part of the EC's new development policy and its overarching objective towards poverty reduction. Gender issues are also included in the definition, and implementation of social policies. The Cotonou Agreement contains specific provisions to ensure the success of such a comprehensive approach, supplemented by adequate access to funding.

¶ Ninety-five per cent of all infections occur in developing countries, with two-thirds in Sub-Saharan Africa. In some countries of Sub-Saharan Africa, HIV has reached epidemic proportions with up to 30% of the adult population infected. UN global conferences have helped to forge a consensus on social policies and actions to assist developing countries – and more particularly LDCs – to deal with such large-scale social adversities. Consensus

has been most apparent in the areas of gender equality, education and health. Improving access to, and the quality of, social services is a prerequisite for a sustainable development strategy for LDCs and for the fight against poverty. The EC has become a world leader in this field, taking concrete steps to help LDCs.

¶ The European Commission also endorsed the 20/20 initiative (20% of aid to the basic social services in developing countries and 20% of the developing countries' budgets for these same sectors) from the World Summit for Social Development (WSSD) held in Copenhagen in 1995. This initiative, while seeking to establish a contract between donor and recipient countries, aims to provide people living in poverty with access to basic social services by mobilising the resources needed at the country level to achieve internationally accepted social goals. The 1995 WSSD was a catalyst, and the EU is playing a full part in the initiative's implementation.

Education and training

Education has a fundamental role to play in a society's development and its fight against poverty. It is a precondition for progress in other essential fields of human development, such as health and social welfare. Studies show that education increases income, reduces sexual inequality and improves living standards. It also contributes to the success of democracy and good governance. However, the education sector continues to be largely underfunded in many LDCs in comparison to the education sector in more developed countries.

A 1994 Council Resolution laid down guidelines for EU interventions in the education and training sector in developing countries, which are still valid today. These made access to basic education, which it considers a fundamental right, an absolute priority. In 1996, in a Council Resolution on social and human development the EU reaffirmed its

commitment to basic education, and priority was given to a sector-wide approach (SWAp) to ensure greater co-ordination between donors. In their joint declaration of 10 November 2000 on the development co-operation policy of the European Community, the Commission and the Council agreed that education is a priority in programming and implementing its aid to all developing countries.

In the mid-1990s, donors came under increasing pressure to raise their financial support for basic education in developing countries. Under the two previous Lomé Conventions, the EC had given limited financial support to education and training. Under Lomé IV, this support increased considerably with around 15% of the 8th European Development Fund (1995-2000) allocation earmarked for this sector (including counterpart funds of structural adjustment).



Giving AIDS orphans a better chance in Zambia

- More than 35 000 AIDS orphans in Zambia are being offered the chance of an education in newly built community schools thanks to a programme being supported by the European Community.
- In 1998, the EC committed €10 million over five years to the **Zambian Educational Capacity Programme (ZECAB)**. The aims of this programme are to improve education provisions and bring marginalised children into non-formal and formal education and training.
- Zambia's education system has been severely affected by the AIDS epidemic, as at the same time its economic situation has deteriorated. Its present capacity to plan and deliver effective schooling and training is very limited. As AIDS takes its toll on the productive adult population, the number of children dropping out of school has increased. Consequently, the country is facing mounting difficulties in assuring the renewal of its professional base which is necessary for the country's successful economic development.
- However, ZECAB is starting to make an impact on tackling these problems. Financial, education and training planners have been recruited, an approach which should ensure effective planning across the sector. A number of training institutions have also been built and staff in the Ministry of Education have been trained. Community schools have been built and 35 000 scholarships granted to AIDS orphans, nearly four times the target set at the outset of the programme, which is making a significant contribution to breaking the cycle of poverty for these children.

■ Under its revamped development policy, the EU will concentrate its efforts on key areas where it has a comparative advantage. This follows the EC's aim of giving priority to a more sector-wide approach across all areas of social services, including education and training. This will need to be co-ordinated with the activities of other major donors involved in education, such as the Member States and the World Bank. In future, the EC will focus its activities towards education in a limited number of areas, including:

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

■ Women tend to be under-represented in the education system in many LDCs. Improving female education has been shown to be an essential element in improving a country's human potential. Furthermore, as an essential factor of growth, access to education – and more particularly to primary education – is a crucial element in the fight against poverty. However, the trend towards universal primary education has been reversed over the past decade in many LDCs. This has led to fewer children registered in schools and a deterioration in the quality of education. The EU is aware of the crucial need to support primary education. Currently, 80% of the EU's financial investment towards education in the ACP countries is allocated to primary education as part of the EC's new development co-operation objective of poverty eradication.

■ This approach is consistent with the conclusions of the UN 'Education for all' Conference held in Dakar in 2000, as well as with the views of the OECD Development Assistance Committee (DAC), which stresses the need for significant progress:

- to guarantee primary education for all inhabitants of all countries by 2015; and
- to improve equality between the sexes by eradicating discrimination against women in primary and secondary education by 2005.

■ In 1998, the EC pledged its willingness to participate in the pilot phase of a World Bank initiative to deliver university-level on-line courses to African students. In 2000, the EU gave €1 million to the scheme

(15% of the total project costs). The African Virtual University (AVU) was set up in 1997 and since then it has established 25 learning centres in 15 African countries including nine LDCs (Ethiopia, Tanzania, Uganda, Benin, Burkina Faso, Burundi, Mauritania, Niger, and Rwanda), delivering 2 500 hours of interactive instructional programmes, and securing a total of 14 500 enrolments. By giving underprivileged Africans the opportunity to have access to up-to-date technology, this initiative brings them closer to national and international competences.

Gender and rights

■ In LDCs, women tend to be amongst the poorest of the poor as gender inequalities continue to prevent women from fulfilling their economic and social potential. However, women's contribution is crucial to ensuring the development of the whole society and securing sustainable development. There is a close correlation between progress in gender equalities and poverty alleviation. Hence, in order to enable men – and particularly women – to break the cycle of poverty in LDCs, changes to the countries' social structure are required.

■ The EU was actively involved in the negotiations on the conclusions of the Fourth World Conference on Women held in Beijing in 1995, which resulted in a definitive statement on women's rights. The EU is committed to ensuring that the conclusions of this conference are implemented.

■ EU Member States and the European Commission have repeatedly shown their determination to redress gender disparities in their interventions in development. Such commitments were present in the Treaty of Maastricht and are now in the Treaty of Amsterdam.

■ In 1998, the EU Council adopted a Regulation on integrating gender issues in development co-operation. This introduced a specific gender budget line providing technical support to promote greater inclusion of gender concerns.

■ Reflecting its egalitarian position on the gender issue within its own borders, Sweden – which currently holds the EU presidency – is one of the most proactive EU Member States in incorporating gender issues into its development policy. In the mid-1990s, the goal of gender equality was added to the overall objectives of Swedish development co-operation and in the last few years, the mainstreaming of gender activities has been pursued.

■ An action plan by the Commission to make gender equality a mainstream theme in Community development co-operation is expected to be presented under the Swedish presidency. This approach is essential if the Commission is to enhance its capacity for poverty reduction, especially female poverty reduction.

■ Gender mainstreaming has now become a guiding principle in the EC's overall development co-operation. It is present in both the Cotonou Agreement and in the new EU development policy, where it is considered a cross-cutting issue. Gender issues have been mainstreamed in all EC development, including macro-economic reforms and sector programmes. As such, the EC ensures the participation of women in all spheres of political, economic, social and cultural life. Moreover, the gender impact of programmes and projects is taken into account in the reviews and assessments of these programmes and projects.

■ The EC's commitment towards women rights was reaffirmed at the Beijing+5 Progress review held in March-June 2000. However, much more still needs to be done to improve the situation of women in LDCs.

Health

■ Improving the health of the people in developing countries is considered one of the cornerstones of a poverty reduction strategy. In 1994, the EC approved specific policy guidelines for Health, AIDS and Population (HAP), which set out the broad thrust of the current situation in developing countries. EC development co-operation has achieved substantial results in delivering sector-wide support to health systems in developing countries.

■ Over the past decade, EC investment in HAP has increased significantly. In 1998, the EC allocated well over €700 million to HAP, representing 5.5% of total EC development aid and making the EC the world's second largest donor after the World Bank. The EC and its Member States provide more than half of all development assistance to health-related programmes around the world. The main effort has been towards the support of health systems in ACP and Asian countries (access, quality of care, etc.)

■ The EC and its Member States are collaborating more closely with developing countries' governments through more sector-wide approaches. This move has been welcomed by many health professionals in LDCs. As a result, the EC will continue to increase its support for more comprehensive



Better way forward for Uganda's health sector

• The Ugandan government is embarking on a radical overhaul of the health care system aimed at improving both the performance of the sector and the health of the people.

The Ugandans are exploring new approaches to the management of development assistance and the reduction of the inefficiencies in the management of multiple projects.

• The Ministry of Health launched a new five-year health plan in August 2000, which seeks to move away from a project-based to a sector-wide approach (SWAp), building on the experiences of such initiatives currently under way in Ghana and Zambia. The SWAp is relatively new in Africa, and few countries have progressed far down this route, which defines a novel way of working between government and donors, and of doing business through long-term partnership. It is part of a new commitment on the part of donors to tackle poverty in developing countries. With a SWAp, all financial assistance from donors supports a single sector policy and expenditure programme led by government. Donors move a greater part of their support through the recipient country's public sector systems and take part in joint planning and co-ordination processes.

• In Uganda, four donors - the UK Department for International Development, the World Bank, Ireland Aid, and SIDA - are pursuing a joint programming approach to finance the health plan. Under the 9th EDF, the European Community hopes to provide a greater part of its assistance as budgetary support to the sector. The EC has already made a significant investment in the health sector with the allocation of €15 million under the 8th EDF directed at specific health projects.

• Life expectancy is low in Uganda, even by comparison with other African countries. Infectious and non-communicable diseases seriously hamper the country's development efforts. AIDS is responsible for over 9% of all premature deaths. It is still too early to be able to estimate fully the impact of the SWAp on the health sector in Uganda. Nevertheless, this new approach offers a more rational and potentially efficient means of providing development aid and helping Uganda to reduce levels of poverty and ill health.

sector-wide approaches in the health sector whenever possible.

¶ In many LDCs, people are suffering from the double burden of poverty combined with the explosion of communicable diseases, which are responsible for around 60% of all illnesses in developing countries. HIV/AIDS, malaria and tuberculosis are the greatest threats. In Africa, AIDS is the main cause of death – last year alone, it is estimated that HIV/AIDS was responsible for 2 million deaths in Africa, while more than 1 million lives were lost through malaria and tuberculosis.

¶ As far back as 1987, the EU established the HIV/AIDS Programme in Developing Countries. The aim of this programme was, and remains, to reduce the spread and impact of this disease in developing countries. Its activities include the prevention and treatment of sexually transmitted dis-

eases, information campaigns, the supply of safe blood and condoms, and palliative care for people living with HIV/AIDS. Since its inception, the programme has been implemented in some 90 developing countries and has benefited from a budget of around €200 million.

¶ The EC and its Member States are committed to playing a larger and more effective role in assisting developing countries to confront major communicable diseases. Recent developments in HAP policy have emphasised the need for new approaches and further investment to tackle such diseases, and more particularly HIV/AIDS, malaria and tuberculosis. This commitment is an integral part of the EC's new development policy, as it believes that combating these diseases is essential if poverty is to be eradicated in developing countries. The EC's commitment to fighting AIDS is also enshrined in the Cotonou Agreement, alongside improving health systems, pri-



Helping Samoans to help themselves

• A quarter of the total population of Samoa has benefited directly from a pilot micro-projects programme to renovate infrastructure in local communities

• The multi-sectoral programme initially received €1 million in funding from the European Community and, since it began in 1995, 164 projects have been completed. Improvements in water supply, health, education, tourism, agriculture, fisheries and rural roads have all been achieved.

• This first programme, which has been actively supported by local Samoans, was hugely successful in sending aid to numerous poor villages throughout the Samoan islands of Upolu and Savaii. Some 42 000 people have benefited directly from the programme.

• Projects undertaken are relatively simple and small enough to ensure that the minimum contribution can be raised in a village. This amounts to 25% of the cost of the project or 35% cash in advance for income-generating projects in the agriculture, fisheries and tourism sectors. A typical project ranges between €1 500 and €7 500.

• In May 2000, the EC agreed to an extra €1 million funding for a follow-up to this programme. The new approach places greater emphasis on the agricultural and education sectors, as these have proved the most successful on the ground. Another sector – youth and culture – has been introduced to tackle the problems of young people who are unable to find regular employment.

mary health care, reproductive health and family planning. Moreover, the Commission and Council joint declaration of 10 November 2000 clearly considers support to health systems as a top priority in the EC's development co-operation.

■ In September 2000, the Commission hosted a high-level international round table on the new EU policy framework for "accelerated action targeted at major communicable diseases within the context of poverty reduction". This framework covers three broad areas:

- optimising impact of existing interventions targeted at the major communicable diseases affecting the poorest population;
- increasing affordability of key pharmaceuticals through a comprehensive and synergistic approach; and
- increasing public and private investment in research and development targeted at the three major communicable diseases.

■ The EC stresses the need for a global response to the major diseases affecting LDCs, and is currently working closely with UN agencies such as the World Health Organisation (WHO) and UNAIDS.

■ For three years, the regional support programme for the independence of vaccination in Africa (ARIVA) has tried to help low-income countries incorporate the financing of priority public health vaccines, such as those against tuberculosis, into national budgets. This programme has been initiated in collaboration with West African states, UNICEF, USAID and the WHO, and is fully supported by the EC. In December 2000, a new programme for ARIVA was approved which will allow for the re-enforcement of regional co-operation on vaccination matters.

Fig. 10 : Commitments to Health, AIDS and Population (as a percentage of total EC development aid)

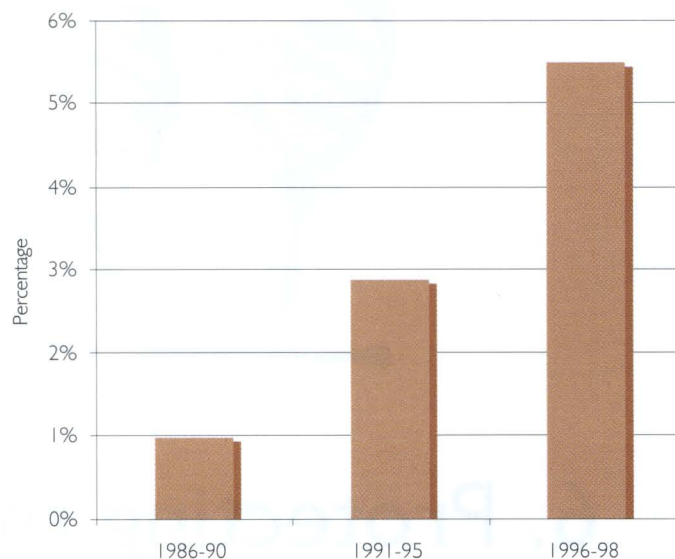
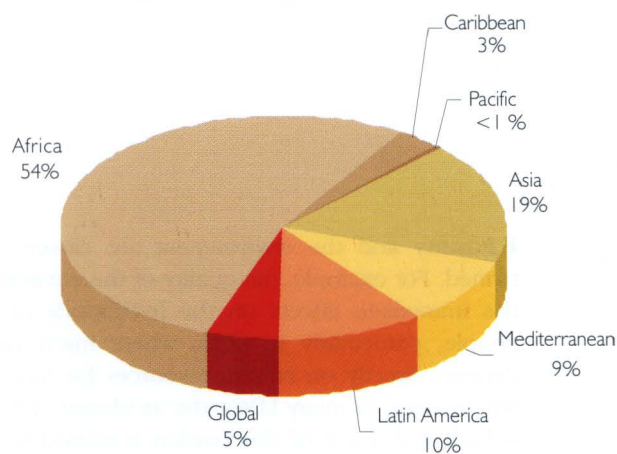
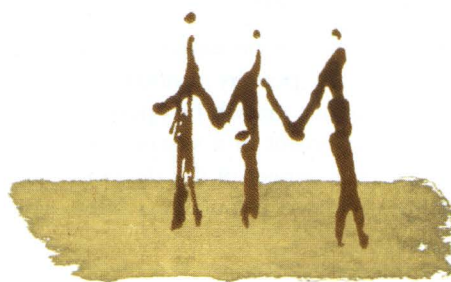
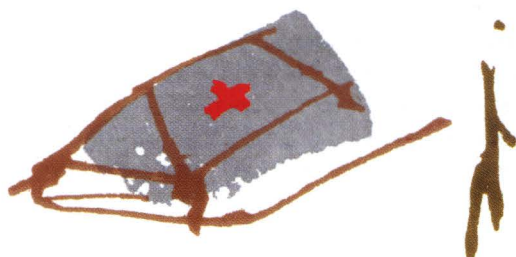
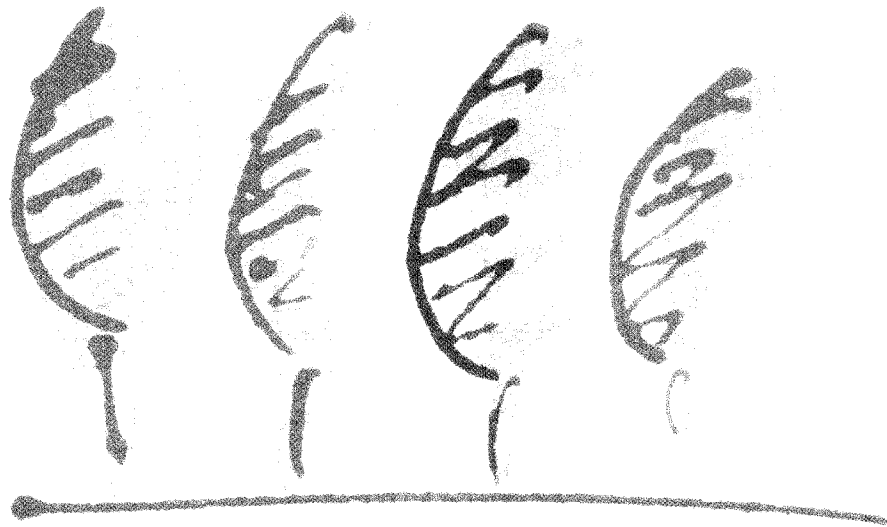


Fig. 11 : Overall EC Commitments to Health, AIDS and Population by region (1990 - 1999)



Source: Factsheet – November 2000, Health, AIDS and Population (HAP), European Community Development Co-operation





6. Protecting the environment

A fundamental aspect of the fight against poverty

¶ Poverty and the environment are closely intertwined. For example, the quality of the environment has immediate effects on the livelihoods of poor people, particularly in LDCs where many people depend directly on natural resources for food, fuel and income. In many LDCs, the incidence of disease is high and much of this burden is related to environmental problems such as air pollution and poor sanitation, with children being the worst affected. Furthermore, a degraded environment increases the vulnerability of poor people, who tend to live in the most marginalised areas.

¶ In the long run, environmental degradation will also work against poverty reduction, by affecting long-term economic growth prospects. Hence, managing the environment in a sustainable manner has become a crucial aspect of the development strategies of LDCs, whose populations often have both

the knowledge and the motivation to manage their environment in a sustainable way, given a supportive legal and institutional context. Furthermore, LDCs are parties to several major UN Environmental Conventions, such as on Biological Diversity (CBD), Combating Desertification (CCD) and Climate Change (CCC).

¶ The EC is committed to helping LDCs face their environmental concerns and implement the UN Conventions to which they are party. Moreover, the integration of the environmental dimension into all aspects of development co-operation has now become an integral part of the EC's new development policy. This process, known as mainstreaming, aims to ensure sustainable development and is included both in the Cotonou Agreement, and in the EC partnerships with LDCs that are not ACP countries.

Poverty and environment – the 1998 initiative

¶ It is often possible to support actions that both alleviate poverty and reduce environmental degradation. In 1998, the European Commission and the United Nations Development Programme (UNDP) launched an initiative to study the link between poverty and the environment. The poverty and environment initiative has allowed the UNDP and the European Commission to create and build upon synergies among commitments made at various UN Conferences.

¶ In 1999, six background studies were conducted on the links between poverty and environment in the following sectors: urban areas, water resources, agriculture, energy, macro-economic reforms and forests. This sectoral review concluded that policies geared towards an improved environment could foster poverty alleviation.

¶ This initiative also contributed to identifying policy options that are considered to be 'pro-poor' and 'pro-environment', including:

- protecting and expanding the current asset base of the poor;
- co-managing resources with the poor and co-investing with them;
- supporting infrastructure development for the poor;
- developing technologies that benefit and employ the poor;
- intervening to overcome deficiencies of the market;
- eliminating subsidies for the non-poor; and
- reforming planning procedures.

¶ In September 1999, lessons from this initiative were discussed at a forum of ministers jointly chaired by the European Commission and the UNDP. Delegates committed themselves to giving greater momentum to the implementation of policy options that reduce poverty and enhance the environment.



Medicinal plants benefit Bhutan

• Bhutan currently produces around 35 tonnes of traditional medicine every year. This has enormously benefited the local communities, giving them readily available health care and larger incomes.

• Traditional medicine is part of the Buddhist culture and is officially included in the national health system. In July 1993, a six-year project began in Bhutan to preserve the country's herbal heritage, promote traditional medicine and improve the health of the local people. The EC initially committed €3.5 million to this project and supplemented it with an additional €0.65 million in July 1997.

• In the project, Bhutanese traditional medicine is encouraged through better use of the raw ingredients available in the country. With the help of local traditional doctors, the European Commission's experts isolated 300 of the most regularly prescribed plants in Bhutan in order to develop their collection and production in a sustainable way.

• The results have provided new activities for high-altitude communities, which are then encouraged to grow these plants as cash crops. Consequently, the incomes of local farmers have risen. A facility has also been built to process and transform these plants into generic medicines, which has not only created more jobs but has also kept the added value of production in the country.

• Moreover, the health system can now rely on local raw materials and expertise, and the environment also benefits from this project as the production of these herbs is monitored carefully.

Forests and development

■ Forests offer a wide range of benefits to local communities in LDCs. They provide wood for cooking and heating, and food, and can provide a buffer for populations at times when they are most vulnerable, such as during droughts. Forests also provide essential social, religious and cultural functions. Furthermore, they are a valuable source of income and are vital for the preservation of bio-diversity – in fact, their existence benefits the whole planet.

■ With developing countries accounting for some 57% of forest cover, the sustainable management of forests is an essential aspect of national, regional and international environmental policies. In 1999, the EC committed €35 million to developing countries for the management and protection of their forests through a tropical forestry budget line.

■ In November 1999, the EC adopted a Communication (policy paper) on Forests and Development, followed by a Council Resolution. The main messages therein were that the multifunctional role of forests must be maintained; the various and sometimes conflicting demands on forests and forest

Fig. 12: Contribution to global warming (industrial CO₂ emissions in 1996)

	% of total emissions	Tonnes per capita	Kg per unit GNP
LDCs	0.3	0.1	0.1
Japan	5.1	9.3	0.4
EU	13.6	8.2	0.4
China	14.8	2.8	1.0
US	23.4	20.0	0.7

Source: World Development Indicators, 2000

Bright future for solar energy in Kiribati

- Rural households, medical clinics, schools and businesses in Kiribati are all benefiting from an EC supported programme to introduce solar power systems.

- The three-year programme, which ended in 1995, has both improved the quality of life for the inhabitants of three of Kiribati's outer islands and created jobs. Some 250 photovoltaic (PV) systems, which can power three fluorescent lights and a radio, were installed in homes in rural areas. Five years later, an independent evaluation found that 95% of the systems were working well.

- PV systems are also being used to power lights and vaccine refrigerators in the local medical clinics, and citizens' band radios for communications with the main island and fishing boats. Some small PV-powered water pumps have been installed to supply drinking water for children at school. The EC funding has also provided training and technical assistance to the Solar Energy Company which installs and maintains solar home systems in Kiribati.

- The setting up of solar power in Kiribati has led to the creation of 13 full-time and 14 part-time jobs for local workers, many of whom clean and maintain the PV systems, which is helping to alleviate poverty in Kiribati. PV energy has also improved the quality of life of the people in the outer islands. The Commission has agreed to a €4 million follow-up project which will provide some 1 500 households on outer islands with solar energy installations. In addition, all community halls on the outer islands, the so-called *maneabas*, can now be provided with solar energy installations for lighting.

- Furthermore, the use of PV lighting is environmentally friendly and reduces the use of fuel oil, thereby cutting CO₂ emissions and reducing the risk of oil spillage during the transport of fuel.

assets need to be reconciled; and good governance is a prerequisite to ensuring sustainable management of forests. The importance of national forestry programmes was also highlighted and will be the framework for future assistance. Given the number of stakeholder groups with an interest in forests, a participatory approach was considered crucial for the success of the programme.

▮ The EC is working together to ensure that individuals – especially women and the rural poor – who live and work in forests and forestry benefit in an equitable way from forest-related products and services produced on a sound environmental basis.

Desertification

▮ Desertification and soil degradation are major environmental problems in many LDCs. In Africa, and especially in the Sahel, deserts or arid zones make up two-thirds of the total land area, and nearly three-quarters of the continent's arid lands are degraded in one way or another. Furthermore, women and children, as well as the socially and economically weak in general, tend to be the hardest hit by the consequences of desertification.

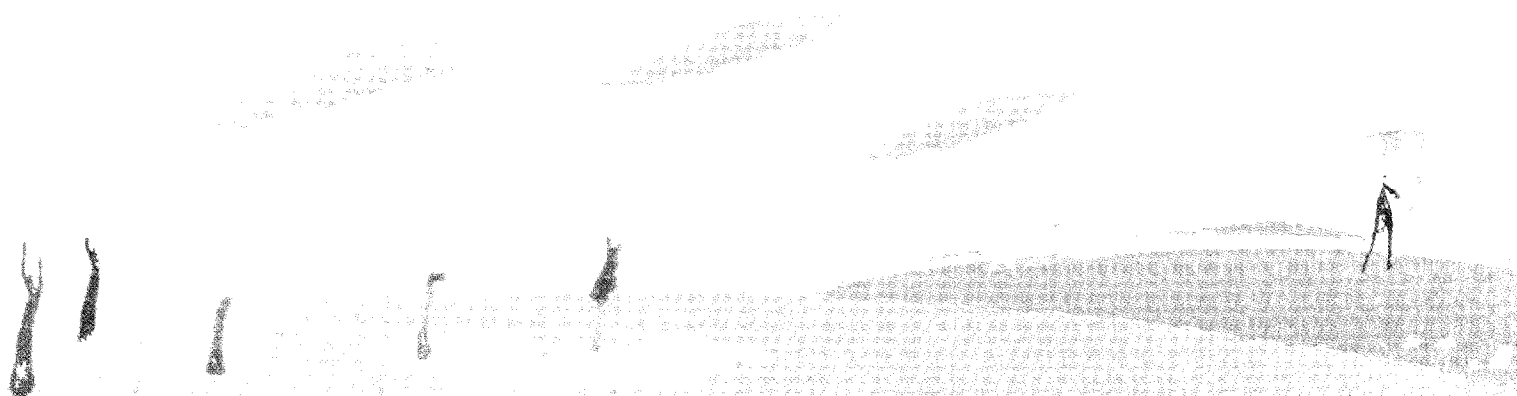
▮ Since 1990, the EC has financed a large training and information programme on the environment to educate Sahelian young people about this problem and to teach them simple methods of combating

desertification. This programme has been planned at regional level and is being implemented in Senegal and eight LDCs: Mali, Burkina Faso, Cape Verde, Chad, Gambia, Guinea Bissau, Mauritania and Niger. However, each country can adjust the programme to its own circumstances. In Gambia, for example, the focus is on the crumbling coast and coastal management. Already, around 1 million primary school students have benefited from this programme in the whole region.

▮ As a party to the UN Convention to Combat Desertification (CCD), the EC believes in acting on a global level to fight this problem. It undertook a review of its policies, programmes, financial instruments and projects to tackle desertification for the fourth UN Conference to Combat Desertification, held in 2000. This review stressed the need to strengthen technical and financial assistance to combat desertification in the most affected and the poorest countries, while attaching particular importance to supporting their own self-help efforts.

Climate change

▮ LDCs only contribute 0.3% to the world's total industrial CO₂ emissions. Emissions per capita and per unit of Gross National Product (GNP) are also very low. However, many LDCs stand to be severely threatened by the negative impacts of climate change. Small island states will suffer from sea level rise.



In many semi-arid and sub-humid areas, reduced rainfall and more erratic rainfall patterns will increase the occurrence of droughts. Consequently, food production might decline considerably creating famines in rural areas. LDCs have the least technical capacity and financial means to adapt their fragile economies to the negative impacts of climate change.

■ The signatories to the UN Framework Convention on Climate Change have recognised the particular situation of LDCs in the context of global warming. Furthermore, LDC Parties to the Convention have established a group of LDC experts seeking to identify their special needs and to make their concerns better heard in the international arena.

Just before COP6 in The Hague, European Union Development Ministers reiterated that *"the adverse effects of climate change on the least developed countries are particularly serious. Their specific needs should, therefore, be taken into account in a spirit of co-operation."* Therefore, *"the EU encourages its partner countries to give priority to integrating climate change considerations in their national agendas, based on their specific priorities and needs"*.

■ The Community is already supporting LDCs in their efforts to combat climate change and to adapt to its adverse impacts. For example:

- the EC contributes to the National Communications Support Programme. Methodologies have been developed for vulnerability and adaptation assessments that are a cornerstone for the integration of climate change concerns into national development strategies. This is particularly beneficial for LDCs. In addition, training workshops are being organised in all regions of the developing world;
- EC assistance to plant breeding of drought-tolerant food crops in southern and eastern Africa will help reduce the likely impacts of climate change on food production;
- clean energy solutions are being promoted, particularly for remote rural areas, e.g. pico-hydro power for small rural villages in Ethiopia;
- Zambia and Uganda are participating in a start-up project for the Clean Development Mechanism ensuring that also LDCs may benefit from this innovative private-sector investment opportunity.

Biodiversity

■ LDCs have large biodiversity resources which both underpin life on a global scale and are of direct importance for the livelihoods of local populations. The sustainable management of these resources requires the tackling of significant policy and market shortfalls, such as adequate pricing of ecosystem services and of products such as timber and medicinal plants.

■ In addition to considering biodiversity in a range of projects and programmes, the EC is funding a number of projects and programmes, which address biodiversity specifically. A common denominator of these programmes is that they seek to integrate nature conservation with the social needs of local populations.

■ The project 'Parks for Biodiversity' analysed experiences in ACP countries and pointed out a considerable development potential based on biodiversity. For example, protected areas in the uplands guarantee freshwater supplies to towns and cities as they protect catchment forests; marine protected areas safeguard vital fisheries which depend on areas near the coast such as coral reefs, sea-grass beds and mangroves where the fish breed.

■ The EC is currently preparing a Biodiversity Action Plan for its development co-operation as part of the overall EU Biodiversity Action Plan.

Pesticides

■ Modernisation of agriculture has encouraged the use of chemical fertilisers and pesticides, and while LDCs account for only a small percentage of the global pesticides market, their capacity and the infrastructure in place to safely manage toxic and hazardous products is underdeveloped and in need of strengthening. Lack of safety precautions has led to many health and environmental problems through water and soil contamination and can contribute to lower yields. There are also large unsafe stocks of obsolete pesticides in many of these countries that present immediate risks to the health of the population.

■ But there are opportunities to build on. Many LDC countries are rich in agricultural biodiversity, and small-scale farmers have developed complex and

sustainable ways of managing their environments. These agricultural systems present fertile ground for using less pesticide-intensive techniques such as integrated pest management, building on the knowledge farmers have on crop pest and predatory ecology, to increase the use of pest resistant varieties, beneficial insects, crop rotation and improved soil management.

▮ As one step towards supporting the use of integrated pest management, the Commission has prepared a toolkit for such techniques. Currently, it is also supporting research on the significance of sustainable pest management for food security, a project which is taking a special look at, amongst others, Benin and Ethiopia.

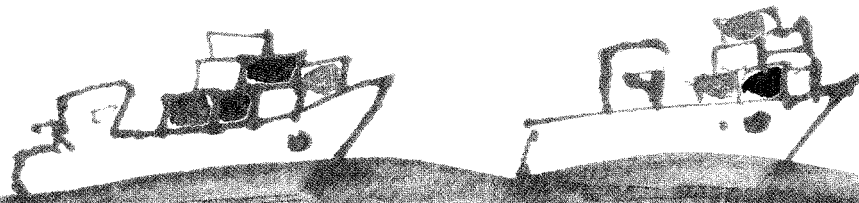
Mainstreaming the environment

▮ The Commission presented a Communication in May 2000 containing elements of a strategy to integrate environment and sustainable development into economic and development co-operation. This document emphasises the crucial role played by the developing countries themselves in integrating environmental concerns, and foresees intensified dialogue on these issues to better identify the areas where EC support could be most beneficial. Specialised budget lines, such as 'Environment in Developing Countries', allow for the implementation of many pilot activities and strategic studies, but the key shared challenge is to mainstream the environment into overall development planning.



Enterprise flourishes in the forests

- The development of eco-timber production and environmentally friendly forestry management is helping South Pacific Islands generate new jobs and income while protecting their natural resources.
- The four-year South Pacific Community Eco-Forestry (SPCEF) pilot project, sponsored by the EC, started in 1997 and, to date, has benefited over 50 South Pacific Communities. It has two distinct parts: eco-timber producing activities in the more heavily forested countries of the Solomon Islands, Vanuatu and Fiji; and environmental awareness-raising and the promotion of positive tree management in the more crowded and resource-poor countries of Tonga and Kiribati.
- In the Solomon Islands, 2 250 people have benefited directly from the eco-timber production project through employment and the sale of wood. There are also an estimated 3 000 people who have gained indirectly from the increased disposable income available in the local communities.
- Certain areas of forest have also been protected from destructive commercial logging in the Solomon Islands (50-70 000 ha) and Vanuatu (around 5 000 ha). In Kiribati, where pressure on land is intense, SPCEF has worked to raise awareness of the need for positive management of declining tree resources. This campaign has included a programme of workshops, school visits and a series of meetings in community halls.
- The project has been implemented by the Foundation for the South Pacific, based in the United Kingdom, and the local South Pacific-based affiliates of the Foundation of the Peoples of the South Pacific International (FSPI). Five Pacific countries were involved, including three LDCs: the Solomon Islands, Vanuatu and Kiribati.



7. Sustaining vital transport systems

Making inroads on providing key transport networks

▮ Efficient transport systems are key to economic and social development. Without adequate, affordable transport systems people cannot reach jobs and essential social services, products cannot reach markets, remote regions are marginalised and urban areas become congested.

▮ Too often, though, the development of the world's poorest countries, including many of the LDCs, is constrained by inadequate or over-sized transport systems. Many LDCs are struggling to operate and maintain over-sized transport networks which place huge burdens on their public finances. Often transport infrastructure has been poorly maintained in the past and is deteriorating, sometimes beyond repair.

▮ Helping developing countries sustain their vital transport systems is now the focus of the European Community's transport sector development co-operation.

A sector facing complex challenges

▮ Large distances, dispersed population centres and low traffic flows mean that infrastructure is often proportionally more expensive in developing countries. Even the minimum infrastructure necessary to link two urban centres or provide import and export corridors for a landlocked country, for example, may have a design capacity far in excess of likely traffic flows during its lifetime. Investment, maintenance and operation costs will be high in relation to usage.

▮ Sixteen of the LDCs are landlocked countries for whom these kinds of links are particularly important. A further ten are small island nations which are highly dependent on airports and ports. Aircraft and ships need a minimum amount of infrastructure to operate effectively and this can be out of proportion for the flights and vessel movement needed to service the needs of the communities involved.

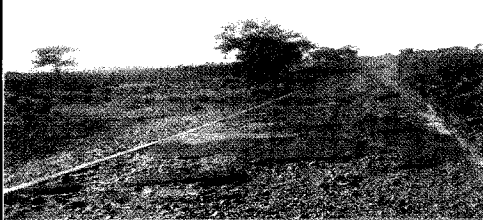
¶ These underlying problems have been exacerbated by a combination of political and economic factors and mistakes from the past. Many countries are now suffering the consequences of the expansion of transport networks that took place, with donor assistance, in the 1960s and 1970s, and which was sometimes based on over-optimistic forecasts of economic growth and transport demand. Countries were left with oversized or over-elaborate infrastructure which they could not afford to maintain and which, by the 1980s, was falling into disrepair.

¶ Other factors have included: deterioration in the macro-economic climate in many countries, inappropriate policies such as underfunding for maintenance, investment planning based on political rather than economic criteria and excessive subsidies for public sector transport agencies, as well as poor

public sector management and inadequate regulatory control. Political and social unrest has also taken its toll severely disrupting transport networks in a number of LDCs including Uganda, Rwanda, Burundi and Mozambique.

The European Community response – developing the sectoral approach

¶ Since the 1980s the European Community, working with the Member States and other donors, has been at the forefront of efforts to find solutions to these problems and to encourage transport policy reform in developing countries. However, in recent years, there have been major changes in the way support to the transport sector has been provided.



Road transport spearheads development in Ethiopia

- A US\$1.2 billion programme to extend and improve an inadequate road transport system is proving a key element in Ethiopia's strategy to restructure its economy from agriculture towards industry.
- Ethiopia's road network is critical for the distribution of food crops within the country and to export markets. Agriculture accounts for around 45% of the country's GDP and some 85% of its employment. In the early 1990s, the government developed an Agricultural Development Led Industrialisation strategy aimed at boosting the productivity of the agricultural sector by the use of modern techniques and technologies. An improved agricultural sector should then spur on the rest of the economy.
- However the inadequate and poor quality road network was identified as a bottleneck in the process. For its land area and population size, Ethiopia's road network density is low and of the 29 571 km of roads in the country only 4 000 km are paved.
- To tackle this problem the government launched a Road Sector Development Programme in 1997. The European Community is giving €265 million to the programme as one of ten donors involved. Germany, Italy, Ireland and the UK are also partners on a bilateral basis. The programme aims to promote efficient, and cost-effective transport services; provide and extend transport services to remote rural areas and develop an effective and sustainable construction industry for road building and maintenance.
- The multi-faceted programme is implementing a new approach to road financing, a radical restructuring of the government agencies responsible for the road network, the introduction of commercial practices and an increased involvement of the private sector in transport. It also involves a raft of civil engineering projects to rehabilitate existing roads and construct new regional and link roads. Project proposals are judged on their ability to enhance access to ports, existing or new resource areas, and areas where there are food shortages while ensuring a regional balance for road infrastructure.
- A review of the programme in 2000 concluded that great strides have been made by the Ethiopian government to boost institutional capacity and introduce a new culture in roads management. There have been concrete improvements on the ground, too. Ethiopia's road network has increased by 24% and the proportion of roads in good condition has increased from 14% in 1995 to 25% in 1999. Road users and transport users alike are reaping the benefits as traffic flow along main roads has increased by 20%.

■ In 1993, the European Commission launched an extensive evaluation of its transport-related activities, a process which led to the gradual adoption of a new approach which looks at the sector and moves away from the previous project-by-project approach. The sectoral approach is based on developing, with partner countries, a strategy for transport – covering all transport modes – and which addresses the country's overall socio-economic needs. An appropriate programme of joint government-donor financed sector interventions is then determined encompassing policy and institutional reforms, capacity building, maintenance programmes, and investments.

■ The aim of this approach is to develop the sector to meet evolving economic and social demands and to create a framework for sustaining transport networks for the benefit of all stakeholders. It requires that the transport sector in a partner country should be assessed in terms of how it can both benefit economic development in sectors such as agriculture or industry and serve the social needs of people in rural and urban areas. The approach requires close dialogue between governments and transport users, and between governments and donors, and frequently involves major structural reforms, such as the commercialisation or privatisation of public sector bodies.

■ The Commission published guidelines in 1996 to provide a methodology for planning and implementing this sectoral approach to transport issues. Proposals for European Community assistance in the sector are, therefore, now examined in terms of whether and how they adopt this approach.

■ The new transport sector approach is fully in line with the development objectives adopted in the Amsterdam Treaty. Specifically it helps to ensure the sector contributes to:

- “the campaign against poverty”, by facilitating the mobility of poorer people, and improving their access to social services and employment opportunities;
- “fostering sustainable economic and social development”, by facilitating economic activity, trade and the delivery of public services; and
- “the integration of the developing countries into the world economy”, by providing improved infrastructure and services to facilitate global trade flows, both within developing country regions and to the developed world. Supporting the improvement of transport corridors to landlocked develop-

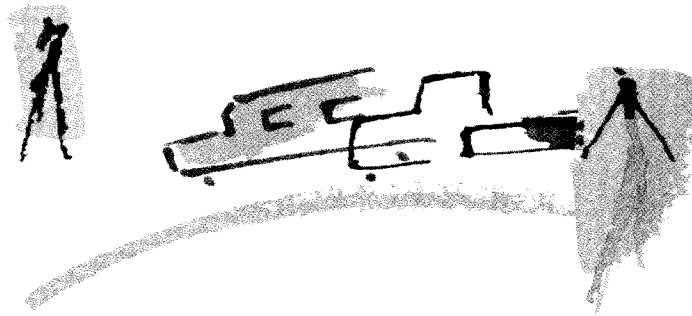
ing countries is a particularly important element of this regional integration process.

■ The European Community's commitment to supporting developing countries in the transport sector was reaffirmed in November 2000 by a joint statement on development policy from the Development Council and the Commission. This statement recognised transport as one of six priority areas for Community development action, noting that the Community has significant experience in supporting the construction and maintenance of transport systems, and is also in a position to mobilise the large-scale investment financing such programmes required.

■ Further impetus was given to the sectoral approach in July 2000 in a Communication from the Commission to the Council and the European Parliament called “Promoting sustainable transport in development co-operation”. This document sets out the European Community's overall aim to promote the development of sustainable transport systems, which are safe, economically, financially and institutionally sustainable as well as environmentally friendly and socially aware. It covers all modes – roads, railways, air, maritime and waterways, and stresses the need to involve all stakeholders in transport policies and plans, including civil society, representatives of transport users, financiers and donors. Dialogue and involvement also helps to build up a sense of local ownership of transport systems.

Other guiding principles include:

- the efficiency of transport provision can be enhanced by commercialisation and privatisation;
- transport's impact on the environment must be minimised;
- transport and travel must be safe and reflect different gender needs;
- transport must have its fair share of national budgets, with funding for maintenance coming first, to ensure sustainability;
- optimising and integrating the use of existing facilities should be given priority over new investment;
- transport regulation demands a new role and new skills for the public sector;
- transit traffic must move freely and journey times must reduce to improve trade competitiveness;



- rural areas must have appropriate infrastructure and services while urban areas need different levels of service that are affordable for the lower paid and urban poor;
- non-motorised and intermediate means of transport need more support; and
- the use of small local contractors and labour-based methods should be encouraged for infrastructure works and maintenance.

▮ Capacity-building measures within the relevant government ministries in the partner countries and reforms of systems and processes are often prerequisites for achieving sustainability, but they must be supported by relevant practical measures on the ground. Looking after and making the most of existing physical assets is also a vital component of a sustainable transport policy. This involves optimising existing facilities before making new investments, stimulating intermodal transport and removing inefficiencies at modal interchanges. Such measures reduce transport costs and increase trade competitiveness.

▮ Giving priority to timely maintenance and clearing the backlog of periodic maintenance rather than new investment projects brings higher returns and delivers benefits to transport users more quickly. To ensure the necessary money is there to make this happen, Road Funds, financed by levies on road users and dedicated to maintenance funding, are increasingly being established, often with donor support.

Achieving sustainable transport

▮ Achieving the goal of sustainable transport requires action on many fronts. Economic sustainability, for example, requires partner countries to have balanced public expenditure, fair competition and rational pricing of services. Financial sustainability depends

on increasing private sector participation in airports, railways and maritime and inland ports, and on securing adequate funding for the maintenance of the road network. The European Community is actively supporting countries that are embracing these ideas and ways of working.

▮ To achieve institutional sustainability, developing countries are encouraged to run railways, ports and airports as autonomous, commercial operations and where appropriate to privatise. Although the scope for private sector involvement in roads – the dominant mode of transport in developing countries – is limited, roads management also needs to adopt commercial practices. For most countries their roads network is their biggest transport asset, but these often extensive networks are not given the careful management they deserve. With encouragement from the European Community the private sector is becoming more involved in road sector management and the role of government is decreasing. The rehabilitation and maintenance of roads, for example, is an area where private sector contractors are becoming increasingly involved.

▮ In the past, environmental and social considerations were given too little focus in the development and implementation of transport projects. Today this is changing, as environmental awareness has grown among donors and partner countries alike. The European Community has encouraged efforts to minimise the environmental impact of all infrastructure projects with a resulting sharpened focus on improved design and impact amelioration measures.

▮ The participatory approach the Community is fostering in its development co-operation activities is also leading to improved consultation with and participation of communities in recipient countries. User and beneficiary participation and a greater awareness of gender issues are helping to ensure that transport initiatives are relevant to local communities and supported by them. Operation and maintenance costs are then reduced with a resulting benefit to country governments.

Working with Member States and other donors

■ To further the cause of sustainable transport policy in developing countries the European Community, Member States and other donors are working together in transport sector programmes to assist partner governments to:

- formulate viable policies and strategies in co-operation with sector stakeholders;
- support environmental mitigation initiatives in transport strategies;
- update and enforce legal institutional and regulatory frameworks;

■ At a regional level the Community and Member States are working with governments, regional bodies and transport organisations to:

- formulate appropriate and affordable regional transport strategies and plans in consultation with stakeholders;
- integrate measures that mitigate environmental impacts in transport operations;
- optimise the use of different modes of transport and improve intermodal efficiency;

Transport – an important investment sector

Transport has long been one of the Community's main investment sectors. The ACP region, and particularly Africa, has been and remains the main recipient of financial support for the sector. Since 1975, the EC has committed €6.7 billion to transport-related projects in Africa alone. Nearly 40% (€2 billion) of the allocations for national and regional indicative programmes under the 8th European Development Fund, support transport.

There are particularly significant transport programmes in a number of African LDCs including Benin, Burkina Faso, Cameroon, Chad, Ethiopia, Guinea, Madagascar, Malawi, Mali, and Tanzania. Transport also features prominently in the four regional co-operation programmes in Africa, particularly for regional roads and transport corridors for landlocked countries. This makes the Community, along with the World Bank, one of the two leading donors for transport in the ACP region.

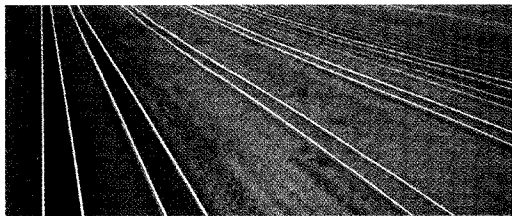
Member States also support transport at a bilateral level as a means of contributing to poverty alleviation and economic and social development. The most active are Austria, Denmark, France, Germany, Netherlands, Italy, Sweden and the United Kingdom. The Netherlands has a particular focus on non-motorised transport in rural and urban areas and inland water transport. Germany has probably the widest geographical support, with France and the United Kingdom focusing on their former colonies. In line with the EU policy, this bilateral support stresses the need for sustainable transport systems, which meet economic demands and give basic access to social services especially for the poor.

- increase opportunities for greater commercialisation and privatisation;
- encourage a growth in private sector consultants and contractors in the management and maintenance of transport infrastructure; develop safety strategies for all transport users; and
- finance and implement improvements in transport infrastructure and services.
- harmonise and enforce transport regulations, standards and procedures;
- encourage the wider adoption of international transport recommendations and UN conventions;
- facilitate transit traffic and cross-border operations; and
- finance and implement regionally agreed programmes to improve regional transport infrastructure and services.

At an international level the Community and the Member States are working with the UN agencies, the World Bank, Member States and other donors in facilitating transport policy change. For example, in Africa support is provided to the Sub-Saharan Africa Transport Policy Programme which is helping many LDCs to develop and implement policy reforms (see SSATP box).

It is clear today that there is a growing consensus among donors and partner countries about the need to establish agreed sectoral strategies and pro-

grammes. These can then be used to guide development of the transport sector and to provide a transparent and coherent framework for planning assistance. There is a shared commitment to ensure that interventions in the transport sector support the overarching aim of poverty reduction by being needs-driven and sustainable. There is also, now, improved co-ordination and co-operation between all the relevant actors which is beginning to bear fruit and bodes well for the future.



Putting transport policy on the right tracks in Sub-Saharan Africa

- Safe, reliable and cost-effective transport systems, which give people access to basic goods and services and allow countries to compete internationally, can only grow out of sound, well-implemented policies.
- This is the guiding principle behind the Sub-Saharan Africa Transport Policy Programme (SSATP) - a regional transport initiative of which the European Community is an active supporter. It is working with 16 other funding partners including the World Bank, the United Nations Economic Commission for Africa and Belgium, Denmark, Finland, France, Germany, Italy, The Netherlands, Sweden and the United Kingdom.
- SSATP works with LDCs in sponsoring practical research publications and conferences on transport issues for the region, disseminating information and co-ordinating initiatives between institutions in Africa and elsewhere. It also acts as an adviser or facilitator to transport policy reform in many African countries. Direct assistance to countries formulating and implementing policy reforms is becoming an increasingly important element of the programme. Donors, NGOs and civil society are working closely together as operations are being decentralised to implement policies on the ground.
- The SSATP has five major components: road management, rural travel and transport, urban mobility, trade and transport and railway restructuring. The European Community has played a key role in supporting road sector policy reform in a number of LDCs including Ethiopia, Malawi and Tanzania and has worked closely with other donors in Burkina Faso, Mozambique and Zambia.
- Other SSATP activities which have benefited LDCs include:
 - working with key stakeholders in reforming the management and financing of the roads sector, which has led to the creation of a Roads Board involving private sector participation and Road Funds dedicated to maintenance in many countries including Ethiopia, Ghana, Malawi, Mozambique and Zambia;
 - working with the African Ministerial Conference on Maritime Transport on reform of African Shippers' Councils and improving African port competitiveness through benchmarking of operational performance standards;
 - developing participatory approaches to ensure transport responds to different gender needs, mitigates environmental impact and promotes intermediate and non-motorised transport as well as developing rural transport strategies in Guinea, Ethiopia, Mali, Malawi and Tanzania;
 - preparatory work for reform of railway policy in the region: some 14 countries are now considering implementing or have implemented railway concessions including Mali, Mozambique, Malawi, Zambia and Tanzania; and
 - supporting research on improving travel for the poorest city dwellers in Burkina Faso and Mali, and developing strategies for reducing vehicle pollution and facilitating clean-air initiatives in a number of countries.

Directory of useful sites

Chapter 1: Introduction and overview

DG Development site: http://www.europa.eu.int/comm/development/index_en.htm
EuropeAid: www.europa.eu.int/comm/europeaid/index_en.htm
Overseas Development Institute: <http://www.odi.org.uk/>
Development Assistance Committee: www.oecd.org/dac/
World Bank: www.worldbank.org
International Monetary Fund: www.imf.org
United Nations Conference on Trade and Development: www.unctad.org
ACP Secretariat: www.acpsec.org

Chapter 2: Governance, Peace and Social Stability

DG Development conflict prevention web site page: www.europa.eu.int/comm/development/prevention/index_en.htm
Humanitarian Aid Office (ECHO): www.europa.eu.int/comm/echo/index.htm

Chapter 3: Rural Development and Food Security

European Community rural policy: <http://rurpol.org>
European Food Security Network (Resal): <http://www.resal.org/>

Chapter 4: Trade

DG Trade: <http://www.europa.eu.int/comm/trade/index>
EBAS: <http://www.ebas.org>
Diagnos: <http://www.diagnos.net>
Centre for Economic Development: <http://www.cdi.be/>
United Nations Conference on Trade and Development: <http://www.unctad.org/>
World Trade Organisation: <http://www.wto.org/>
Integrated Framework: <http://www ldc.org/>

Chapter 5: Social Services delivery

DG Development social services sector web page: www.europa.eu.int/comm/development/sector/social/index_en.htm
The African Virtual University: www.avu.org
(HIV/AIDS Homepage): www.europa.eu.int/comm/development/aids/index/htm

Chapter 6: Environment

DG Development environment web page: www.europa.eu.int/comm/development/sector/environment/index.htm
United Nations Development Programme: www.undp.org
UN Environment Programme: www.unep.org
Poverty and Environment Initiative: <http://www.undp.org/seed/pei/>

Chapter 7: Transport

Transport Sector Guidelines: <http://www.europa.eu.int/comm/development/transport/en/entc.htm>
Sub Saharan Africa Transport Policy Program: www.worldbank.org/af/ssatp/

Development Agencies in the Member States

Austria: Bundesministerium für Auswärtige Angelegenheiten: <http://www.bmaa.gv.at>
Belgium: Belgian International Co-operation: http://diplobel.fgov.be/Cooperation/cooperation_EN.htm
Denmark: Danish International Development Assistance (Danida), Ministry of Foreign Affairs: <http://www.um.dk/udenrigspolitik/udviklingspolitik>
Finland: Ministry of Foreign Affairs, Department for International Development Cooperation: <http://global.finland.fi/english/>
France: Diplomatie: <http://www.France.diplomatie.fr/cooperation/developpe/publique>
Agence française de Développement: <http://www.afd.fr>
Germany: Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung:
<http://www.bmz.de/>
KfW: <http://www.kfw.de/>
GTZ: <http://www.gtz.de/home/english/gtz/aktiv.htm>
Greece: Ministry of Foreign Affairs: <http://www.mfa.gr/>
Ireland: <http://www.ir.gov.ie/iveagh/default.htm>
Italy: <http://www.ice.it/>
Luxembourg: <http://www.lux-development.lu/>
The Netherlands: Netherlands Development Assistance (NEDA), Ministry of Foreign Affairs: http://www.os.minbuza.nl/html_pages/f_explorer.html
Portugal: Ministry of Foreign Affairs: <http://www.min-estrangeiros.pt/mne/portugal/icoop/>
Sweden: Swedish International Development Co-operation Agency (Sida), Ministry of Foreign Affairs: <http://www.sida.se>
Spain: Agencia Española de Cooperación Internacional: <http://www.aeci.es/>
United Kingdom: The Department for International Development: <http://www.dfid.gov.uk/>

European Commission
Directorate-General for Development

Postal address: 200, rue de la Loi - B-1049 Brussels (Belgium)
Office address: rue de Genève, 12 - B-1140 Brussels (Belgium)

Fax +32 (2) 299 25 25
e-mail: development@cec.eu.int
Internet: <http://europa.eu.int/comm/development>



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