



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels 21.6.2007
SEC(2007) 840

COMMISSION STAFF WORKING DOCUMENT

Annex to the

**COMMUNICATION FROM THE COMMISSION TO THE COUNCIL AND THE
EUROPEAN PARLIAMENT**

**Annual Report 2007 on the European Community's Development Policy and the
Implementation of External Assistance in 2006**

{COM(2007) 349 final}

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1. STRATEGIC CONTEXT

1.1. Introduction

2006 was the first year of implementation of the new Development Policy Statement, the European Consensus¹, which was adopted in December 2005. The policy content of the Consensus has been integrated into the new Development and Co-operation Instrument (DCI), as well as into the programming guidelines for the 10th European Development Fund. In addition, the Commission focused on ensuring its objectives and principles are consistently reflected in the regional strategies for the Pacific and the Caribbean Regions.

The year was also an important one for delivering on promises made in preparation of the G8 and World Summit in 2005. These promises included accelerated progress towards the Millennium Development Goals, with the substantial scaling-up of resources for development co-operation, particularly for Africa. Other aspects were the focus on the implementation of European Union (EU) commitments on policy coherence for development: these aim to maximise the contribution that other policies parallel to, but not directly related to, development can make to achieving the MDGs.

In April, an Action Plan on Aid Effectiveness (“EU aid: delivering more, faster and better”) was approved with a comprehensive list of nine time-bound tangible deliverables to be implemented by 2010. These include the regular mapping of EU aid (in the Donor Atlas²) at global, regional and local levels, a proposal for an EU Joint Programming Framework, and a proposal to achieve clear results on progress toward complementarity, as an important element of the implementation of the European Consensus and the Paris Declaration in the field.

The Commission remained a global player, active in over 160 countries. The importance attributed to Africa was illustrated by the implementation of the EU Strategy for Africa³, and the EU's commitment to work on a Joint EU-Africa Strategy, to be adopted at the second EU-Africa Summit in Lisbon in the second half of 2007. A further illustration was the joint working session between the Commission and the Commission of the African Union (AU), the first ever held outside the European continent. It saw several Commissioners, including President José Manuel Barroso, travel to the headquarters of the AU in Addis Ababa, Ethiopia.

The European Neighbourhood Policy (ENP) is one of the top priorities of the EU's external relations, with the aim of promoting good governance and economic development in its vicinity. During the first eighteen months of its implementation, the policy has laid a substantial foundation for strengthened relations between the Union and its neighbours. On 4 December, the Commission set out new proposals to

¹ Joint Statement by the Council and the Representatives of the governments of the Member States meeting within the Council, the European Parliament and the European Commission – 'The European Consensus on Development', December 2005 (OJ 2006/C 46/01)

² http://ec.europa.eu/development/body/publications/descript/pub7_29_en.cfm

³ “EU Strategy for Africa: Towards a Euro-African pact to accelerate Africa's development”. COM(2005) 489 final

strengthen and further develop the ENP. This foresees offering partner countries improved trade and investment prospects, making people-to-people contacts and legitimate short-term travel easier, being more active in addressing frozen conflicts, and opening more possibilities to mobilise funding.

2006 was an effective year for building a strategic partnership between the EU and Latin America. In May, the fourth European Union-Latin America and the Caribbean Summit (EU-LAC) took place in Vienna. This identified two main priorities for co-operation – to increase social cohesion and to promote regional integration.

In view of the region's importance, the EU is also building a strategic framework for EU-Asia relations, based on stronger political dialogue, enhanced trade and a sustained level of development co-operation. The bilateral relations with the two major countries of the region, China and India, have developed into strategic partnerships. The scope of these partnerships is comprehensive, covering both economic co-operation and political aspects such as trade and investment, environment, science and technology, research, migration, human rights and the fight against terrorism. Key dialogues took place in the context of the Asia-Europe Meeting (ASEM) and the ASEAN Regional Forum (ARF).

Thanks to the enlargement policy and the Stabilisation and Association Process, the EU is able to assist prospective countries in gradually integrating into the Union. In 2006, this policy covered Bulgaria, Romania, the Western Balkans and Turkey, and provided assistance to meet the required criteria and conditions for accession through necessary reforms. The greatest achievement this year concerned Bulgaria and Romania, which successfully completed their pre-accession course and joined the Union on 1 January 2007. Accession negotiations have also been ongoing with Croatia and Turkey, while the other Western Balkan countries all made significant progress along the roadmap set out within the Stabilisation and Association process. To reinforce the EU policy for the Western Balkans, the Commission set out concrete measures, aiming in particular at rendering the EU perspective more tangible to the citizens in that region.

Also during the year, the European Community (EC) finalised new external action instruments which set out the framework for a simplified political and administrative structure for delivery of EC assistance over the period 2007-2013. Nine financing instruments replace the existing range of geographical and thematic regulations. These includes horizontal instruments which respond to particular needs – an Instrument for Stability (IfS), an Instrument for Nuclear Safety Co-operation (INSC), a European Instrument for Democracy and Human Rights (EIDHR), and the already existing humanitarian aid and macro-financial assistance instruments.

With regard to geographical coverage, four instruments will implement particular policies – the Instrument for Pre-accession Assistance (IPA), the European Neighbourhood and Partnership Instrument (ENPI), the Instrument for Development Co-operation (DCI), and the Instrument for Co-operation with Industrialised Countries (ICI). Apart from geographical co-operation, the DCI also contains thematic programmes which replace the existing thematic regulations. The co-operation with African, Caribbean and Pacific Countries is still primarily financed through the European Development Fund, as the European Council decided in

December 2005 that the EDF should continue to be funded separately from the budget.

In 2007, the Commission will launch its new programmes under the external action instruments and will further support the negotiation of new agreements (an enhanced agreement with Ukraine and a partnership and co-operation agreement with China). Focus will be also on the implementation of the policy orientations designed in 2005 and 2006. This will include further efforts towards aid effectiveness, particularly where division of labour between the Commission and Member States and decisive progress on joint programming are concerned, and the preparation of the first EU Report on Policy Coherence for Development.

In the case of ACP countries, the Commission will focus on the translation of key policy orientations in the programming of Community aid, on the completion of EPA negotiations and, as said above, on the preparation of the joint EU-AU strategy. In ENP countries, the focus will be on the implementation of action plans in those countries which have adopted them, and on the adoption of new bilateral action plans in those remaining.

Regarding Asia, the Commission will intensify its strategic relations through a comprehensive partnership with critical players – China, India and South East Asia – and will raise the level of engagement with regional organisations (ASEAN, ASEM, SAARC); focus will also be on enhancing relations with Afghanistan, Bangladesh, Pakistan, Nepal and Sri Lanka, so as to contribute to regional stability and economic and political development.

In the case of Latin America, the Commission's overall objective is to promote relations in the political, commercial and co-operation sphere, in order to consolidate a strategic association with the region with the aim of supporting its stable, democratic and prosperous development. The EU intervention in the region is focused on sustainable development in particular, contributing to greater social cohesion and regional integration.

1.2. Annual objectives

In 2006, the Commission's external action was geared to achieving the following objectives:

- assisting the acceding, candidate and potential candidate countries in moving closer to the EU through the implementation of the enlargement policy and the Stabilisation and Association process for the Western Balkans;
- ensuring effective implementation of the European Neighbourhood Policy;
- ensuring constructive engagement in the Middle East Peace Process, through the Quartet structure and in close co-operation with the parties;
- continuing support for regional stability as well as reconstruction and political transition in Iraq;

- continuing the reconstruction and rehabilitation effort in response to the tsunami disaster;
- implementing a new development policy to promote sustainable development and poverty reduction, on the basis of the framework proposed in 2005 and the review of the Millennium Development Goals, including a specific response for Africa;
- reaffirming the European Union's strong commitment to human rights.

As documented throughout this report, considerable progress was made in all of these areas. In addition to the above-mentioned objectives, the Commission also made progress in the following fields, for which it had announced key initiatives in 2006:

- achieving substantial progress in Economic Partnership Agreement negotiations with six ACP regions, in order to allow their entry into force in 2008;
- contributing to the follow-up key initiatives on development, notably on financing, coherence, Africa and international public goods, as a result of the G8 Summit and High Level Plenary Meeting on Millennium Development Goals;
- reinforcing the Commission's response capacity to humanitarian disasters, strengthening its disaster prevention and preparedness strategy, and addressing the EU's contribution to the Global Health Fund for HIV/AIDS, Malaria and Tuberculosis.

1.3. Implementation of the European Consensus on Development

The European Consensus on Development builds on the 2000 European Community Development Policy Statement – in order to ensure policy continuity – while addressing the shortfalls and gaps clearly identified in the Assessment of EC Development Policy⁴ and bringing it up-to-date with new thinking on development. The Consensus provides a firmer and more coherent strategic foundation for EU development co-operation. It reflects global changes that have occurred since 2000 and addresses new challenges, particularly in relation to security, migration and the social dimension of globalisation; it is adapted to the enlargement of the EU to 10 new Member States; it fully integrates the new commitments of the international community; and it clearly states its support for the Millennium Development Goals (MDGs).

The Consensus has introduced major political innovations. The first concerns greater involvement of all EU institutional players in the formulation of a common EU vision of development policy. The second innovation relates to the interaction between individual EU Member State aid and that of the EC. In spite of its overall aid volumes, the EU seldom appears as a single, coherent player on the world stage. The Consensus now provides a common policy vision for both Member States and the EC. The third regards the clarification of the geographical scope of the

⁴ Development Policy Statement Study Report, ECDPM/ICEI/ODI, 18 February 2005
http://ec.europa.eu/development/body/tmp_docs/ecdpdpm_report.pdf

Consensus, through the clear statement that it will guide EC and Member State development co-operation activities in all developing countries.

Since the adoption of the Consensus, the Commission has focused on ensuring its objectives and principles are consistently reflected in the regional strategies under preparation. The EU Strategy for Africa is the first application of the Consensus and the first integrated European political framework designed to improve co-ordination and coherence of EU and Member State policies and instruments. Other strategies (EU-Latin America, EU and the Pacific, etc.) have also drawn upon the Consensus to promote a consistent view of the world, while recognising the need for differentiation. Also in line with the Consensus, the Commission has increasingly focused on the contribution that policies beyond development can make in achieving the MDGs, for instance in the areas of trade, agriculture, fisheries, migration, security, energy, the environment and research and innovation.

The policy content of the Consensus has been integrated into the drafting of the new Development and Co-operation Instrument (DCI) that will regulate aid expenditure in the next EC multi-year budgetary framework, the 2007-13 Financial Perspectives. This amounts to € 10.1 billion for developing countries in Latin America, Asia and South Africa, as well as the thematic programmes. Programming guidelines for the 10th European Development Fund (2008-2013) have also been prepared on the basis of the Consensus, including the definition of areas of EC action and the principle of concentration at country level. With € 22.7 billion worth of funding, the 10th EDF sets the basis for co-operation with countries from Africa, the Caribbean and the Pacific.

1.4. European Neighbourhood Policy

Introduction

The first eighteen months of implementation of the European Neighbourhood Policy have laid a substantial foundation for strengthened relations between the Union and its neighbours. There is a single policy framework, as well as bilateral EU-ENP partner Action Plans establishing firm mutual commitments and enhanced and productive dialogue with almost all partners. The premise of the European Neighbourhood Policy is that the EU has a vital interest in seeing greater economic development and stability and better governance in its neighbourhood. The responsibility for this lies with the countries themselves, but the EU can substantially encourage and support their reform efforts.

Major milestones included the adoption of three new Action Plans with Armenia, Azerbaijan and Georgia, and agreement on Action Plans with Egypt and Lebanon, the adoption of the European Neighbourhood and Partnership Instrument, the informal presentation of the Strategy Papers to the ENPI Committee and the Parliament, and the adoption of a new Communication on “*Strengthening the European Neighbourhood Policy*”⁵. That Communication included a first assessment of the progress made in implementing the first seven Action Plans and

⁵ COM(2006)726 final

made proposals to strengthen the ENP further. TAIEX was also made available to the ENP countries and Russia⁶.

During 2007, implementation of the ENP and ENP Action Plans by both the EU and its partners will continue, as well as further work on the Commission's proposals for the strengthening of the policy.

Progress by partners in Action Plan implementation

There has been good progress in implementing ENP Action Plans across the diverse range of partner countries. The enhanced dialogue on human rights that has taken place with southern partners deserves special mention. There has also been progress by several partners in the reform of electoral systems, in judicial reform and in public-sector governance. The picture is more mixed as regards respect for fundamental rights, however, with less progress by certain partners in addressing issues such as restrictions on press freedom, intimidation of NGOs, political prisoners, ill-treatment in police custody, and extra-judicial killings.

ENP partners have had a mixed macroeconomic experience in the last two years. Some have recorded moderate-to-strong growth throughout the period, while others have recovered after a sharp decline in growth in 2005. Progress in fighting poverty has also been mixed. Some ENP partner countries have made significant progress in strengthening social and human-resource development policies, though further sustained effort by all is required. Most partners have national sustainable development strategies in place or are in the process of reviewing them. Negotiations on trade are progressing with all Mediterranean partners (agriculture and services). Preparatory work is under way with Ukraine and Moldova ("deep Free Trade Agreement" and autonomous trade preferences respectively).

The ENP has been particularly effective with certain partners in addressing the shared challenge of migration. An agreement on re-admission and visa facilitation was initialled with one partner in October, and negotiations are in preparation with two others. Co-operation on combating organised crime, terrorism and drugs has also advanced in a number of cases. Reform and modernisation in transport, energy, public finance management, the information society and the environment is a challenging task, but has been pursued actively by most partners. With the support of the Tempus programme, partner countries have pursued their reform and modernisation efforts in the area of higher education.

Proposal for strengthening the ENP

Many of the tools required for implementing the ENP are in place. However new initiatives are needed in order to strengthen it further. These include:

- a clear perspective for all ENP partners, Eastern as well as Southern, of deep economic and trade integration with the EU, going beyond free trade in goods and services to addressing non-tariff barriers and achieving comprehensive regulatory convergence;

⁶ Council Decision 2006/62/EC of 23 January 2006, OJ L32 of 4.2.2006, p. 80. (see also footnote 41)

- substantially improved visa procedures for certain types of visitors;
- *ad hoc* or regular ministerial and expert level meetings with ENP partners on such subjects as energy⁷, transport, the environment and public health. This multilateral approach can usefully complement the bilateral work on which the ENP is based;
- strengthened political co-operation and more systematic association of ENP partners with EU initiatives (foreign policy declarations, positions in international forums, as well as participation in key programmes and EU agencies);
- a more active role for the EU in conflict-settlement efforts in the region;
- a strengthened regional approach to the East, based on existing Black Sea co-operation.

For 2007-13, the budget foreseen for the countries of the ENP is approximately € 12 billion, 32% more in real terms than in the previous budget period. To maximise the impact and leverage of this EU funding, the Commission intends to create:

- a Neighbourhood Investment Fund, to which Member States will also be invited to contribute and which would be used to leverage additional lending from the European Investment Bank, the European Bank for Reconstruction and Development and other development banks. The contribution from the EC Budget would be € 700 million. It is estimated that this fund could encourage lending up to several times the amount of grant funding. If Member States were to match the EC contribution, the Fund could generate a considerable amount of concessional lending;
- € 300 million will also be set aside for a Governance Facility to provide additional support, on top of normal country allocations, to acknowledge and further the work of those partner countries that have made most progress in implementing their Action Plans.

1.5. Sectoral policy/strategy developments

Governance

The Commission's Communication on "*Governance in the European Consensus - towards a harmonised approach*"⁸ addresses the issue of governance from a multidimensional perspective, including its political, economic, environmental, cultural and social aspects. Democratic governance includes a broad range of issues such as respect for human rights and fundamental freedoms, democratisation and citizen involvement in the political process, the rule of law and access to justice, human security, access to information, management of migration flows, access to public basic services, state institutions which are effective, transparent, responsive and accountable, sustainable management of resources, and also promotion of

⁷ Including the guidelines of the Trans-European Energy Network TEN-E (adopted in September 2006)
⁸ COM(2006)421 final

sustainable economic growth and social cohesion. All levels of governance – local, national and international – are relevant.

All these aspects are interlinked and must be addressed in a holistic, balanced and comprehensive way. Democratic governance processes cannot be reduced to one specific component. The new opportunities offered by political dialogue are emphasised, as well as the whole range of Common Foreign and Security Policy (CFSP) and first-pillar related activities, in promoting democratic governance. These must be rendered more coherent to achieve greater impact and reflect the real weight of the EU in foreign and development policies. Promoting democratic governance – respect for ownership, dialogue between partners and focus on incentives for results-oriented reforms – are the main principles of the Commission's common approach, in the broader context of poverty reduction and sustainable development objectives.

In addition, the Commission has continued to provide support to economic governance, as for instance in the area of public financial management. In addition, the EC has continued to play a key role in the international debate, most notably through its participation in the Public Expenditure and Financial Accountability (PEFA) multidonor partnership⁹. To monitor the quality of public finance management (PFM) systems over time, PEFA has developed a common assessment framework that also provides a unique platform for donor harmonisation and a basis for dialogue with partner countries. Apart from overseeing the initiative as a member of the PEFA Steering Committee, in 2006, the Commission has led or participated in many of the PEFA assessments. In the economic governance field, the Commission has also outlined the importance of reforms in the tax, financial and judicial area.

Human and Social Development

In the field of human and social development, the Commission adopted two communications. 'Investing in People'¹⁰ outlines the policy framework for external action in six core areas of human and social development: (i) good health for all, (ii) education, knowledge and skills, (iii) culture, (iv) employment and social cohesion, (v) gender equality, and (vi) children and youth. An overall budget of more than € 1 billion is foreseen for 2007-2013. The Communication "*A European Programme for Action to tackle the critical shortage of health workers in developing countries*"¹¹ then further develops one of the health components of 'Investing in People'. It outlines EU co-ordinated action to overcome the health workforce crisis - a major barrier to MDG progress - while committing € 40 million of EC thematic funding for human and social development to regional and global initiatives to catalyse a strong international response.

The Commission played an increasing role in global initiatives in health and education, working together with EU Member States and other donors and stakeholders. Since May, the Commission has held the vice-chair of the Global Fund to Fight HIV/AIDS, Tuberculosis and Malaria (GFATM), to which the EC contributed € 90 million in 2006. From July the Commission has also held the co-

⁹ <http://www.pefa.org/index2.htm>

¹⁰ COM(2005) 642

¹¹ COM(2006) 870 final

chair of the 'Education for All – Fast Track Initiative' (FTI), supported by € 63 million from the EC in 2006¹². Both initiatives have focused on demand-driven approaches, donor harmonisation and aid effectiveness.

Food Security

On 25 January, the Commission approved the Communication *"A Thematic Strategy for Food Security – Advancing the food security agenda to achieve the MDGs"*¹³. This new thematic strategy plays a central role in the implementation of EC food security policy, complementing the humanitarian (in crisis situations) and the geographical (development contexts) approaches. The thematic strategy aims at reducing food insecurity worldwide by improving the livelihoods of the rural and urban poor and of the most disadvantaged groups. The programme is intended to work with a range of different public and non-governmental partners, and will support: (i) the delivery of international public goods contributing directly to food security (e.g. agricultural research, food security information systems, trans-regional and continental initiatives, etc); (ii) food security in situations of post-crisis transition and in fragile states; and iii) innovative policies and strategies in the field of food security (pilot projects, support to civil society initiatives promoting South-South and North-South dialogue on food security).

African agriculture

The Commission has enhanced its engagement in agricultural development with African institutions, particularly the African Union Commission and its specialised agencies, the NEPAD Secretariat and other organisations at the continental and regional levels. Areas of involvement include land policy, veterinary disease control (including avian flu), sanitary and phyto-sanitary standards, agricultural research, resource management and early warning systems. Increasingly co-operation will be aligned with Africa's agricultural agenda, as expressed in the principles and orientations of the African Union's Comprehensive African Agricultural Development Programme. To strengthen implementation of the action plans on agricultural commodities and cotton, the Commission approved a Financing Agreement on the Capacity Building Programme for Commodities (€ 45 million, of which € 15 million for cotton).

The Commission continued its work on implementation of the 2004 'EU Land Guidelines', continuing its dialogue with major actors such as the African Union Commission, the World Bank, FAO (particularly within the International Conference on Agrarian Reform and Rural Development/ICARRD), the International Land Coalition and the Commission for the Legal Empowerment of the Poor. The Commission ensured financial support for the project 'Land and Sustainable Development: Linking Secure Land Access to the Implementation of Environmental Agreements' submitted by the ILC.

¹² For more about the Education for All Fast Track Initiative, visit <http://www.fasttrackinitiative.org/>
¹³ COM(2006)21

Environment

There is still a widespread belief that environmental protection equates with the curtailment of economic growth. But continuing environmental degradation undermines the prospects for long-term economic and social development, and will offset short-term gains in poverty reduction.

Early in the year the Commission adopted the 'Thematic Programme for Environment and Sustainable Management of Natural Resources including Energy'¹⁴. The objective is "to integrate environmental protection requirements into the Community's development and other external policies as well as to help promote the Community's environmental and energy policies abroad in the common interest of the Community and partner countries and regions". The programme addresses challenges which have a profound effect on the lives of poor people: rapidly degrading ecosystems, climate change, poor global environmental governance and inadequate access to and security of energy supplies. The main components can be summarised as follows:

- assisting developing countries in making greater progress in integrating environmental sustainability into decision-making and thereby underpinning achievement of all the MDGs: building capacity, supporting the involvement of civil society and developing innovative approaches;
- promoting implementation of EC initiatives and agreed commitments on environment and sustainable management of natural resources, including energy;
- improving environmental integration and promoting coherence in EU policies affecting third countries through methodological work and enhancing expertise;
- promoting EU environmental policies abroad by strengthening international environmental governance, negotiation and monitoring, assisting the operation of Multilateral Environmental Agreements (MEAs); and
- promoting EU energy policies abroad, in particular sustainable energy options in partner countries and regions, by supporting policy development and innovative funding mechanisms.

The Commission continued implementation of the EU 'Action Plan on Climate Change and Development' approved in 2004. A first review of the Action Plan will be undertaken during 2007. The Joint ACP-EU Declaration on Climate Change and Development was adopted at Port Moresby in June: this commits the parties to enhanced dialogue and co-operation at country and regional level.

The Commission co-sponsored the Conference "Integrating biodiversity into European development co-operation", which took place in September in Paris. The Conference underlined the essential contribution of biodiversity and ecosystem services to human wellbeing, particularly for the poor, and established that conservation, sustainable use and equitable sharing of the benefits of biodiversity are

¹⁴ COM(2006)20 final

core development issues. It was agreed to enhance the incorporation of biodiversity and ecosystem services in policy dialogue with partner countries and regions.

In the area of sustainable land management and desertification, the Commission continued to support the reform efforts at the level of the UN Convention on Combating Desertification (UNCCD). It supported strategic partnerships involving the World Bank (Terrafrica) and European NGOs and aimed at linking implementation of the Convention with Poverty Reduction Strategy Papers (PRSPs) and other development strategies.

On the basis of the regulation on Forest Law Enforcement, Governance and Trade (FLEGT), adopted in December 2005, the negotiation process for FLEGT Voluntary Partnership Agreements (VPAs) started with two wood-exporting countries: Malaysia and Ghana. Further work in collaboration with Member States included developing guidance on the technical systems of legal verification, independent monitoring and licensing to underpin the VPAs. Guidance on the Legality Assurance System was completed, while guidance on independent third-party monitoring is under development.

Infrastructure sector

The Commission adopted a Communication on the EU-Africa Partnership on Infrastructure¹⁵ in June, which the Council endorsed in October. The Partnership aims to support programmes that facilitate interconnectivity at a continental and regional level of transport, energy, water and ICT networks. It introduces innovative financing through the EU-Africa Infrastructure Trust Fund, established with the EIB and EU Member States.

Water

At the World Summit on Sustainable Development in Johannesburg 2002¹⁶, the EU launched a Water Initiative (EUWI) as a contribution to the achievement of the water and sanitation MDGs within the context of an integrated approach to water resources management (IWRM). Three years after its launch, the EUWI has made some progress, but it has been slow and prospects for its future development vary from one region to the other. The EUWI underpins many aspects of the Paris Declaration on aid effectiveness and the European Consensus on Development, but greater Member State commitment is necessary if progress is to be made. EUWI action is primarily at country level, where the policy dialogue between the partner country government, concerned stakeholders and the EU is the principal instrument in identifying opportunities, constraints and financial gaps. These dialogues are intended to chart “road maps” to the MDGs, on the basis of which the EU and other donors can align their support.

To date such dialogue processes have been initiated in five African countries (Ethiopia, Zambia, Mozambique, Ghana and Cape Verde) and are set to begin in another five (Rwanda, the Central African Republic, Congo Brazzaville, Mauritania and the Democratic Republic of the Congo). This policy dialogue process is also

¹⁵ COM(2006) 376 final

¹⁶ For results see: http://europa.eu.int/comm/environment/wssd/johannes_achievements_en.html

being developed and adapted to suit the needs of other regional components of the EUWI covering the EECCA, Mediterranean and Latin American regions.

The EUWI also supports policy dialogue on the management of transboundary water resources, involving sub-regional bodies responsible for the promotion of co-operation between countries sharing river basins. Within the Africa-EU Strategic Partnership, a transboundary basins project for the Niger, Volta, Lake Chad, Orange-Senqu and Lake Victoria/Kagera basins has been prepared, financed with € 10 million from the 9th EDF. Regional water resource management is also a strong element of the EU-Africa Partnership for Infrastructure, where a key area for attention will be the current sub-optimal use of scarce regional resources through integrated water resource management and transboundary river basin approaches.

Energy

In addition to regular activities under the EU Energy Initiative (EUEI), the first phase was launched of the ACP-EU € 220 million Energy Facility¹⁷. The energy sector is also supported by the EU-Africa Partnership for Infrastructure: this provides financing for regional power generation and the interconnection of energy systems, thereby increasing Africa's security of supply.

Energy is included as a priority area in the new EU development policy, allowing countries and regions to select it as a focal or non-focal sector for the ongoing programming phase of the 10th EDF. It also featured in various Commission proposals on EU energy policy, of which the external component, including development, is an important part. As previously mentioned under the Environment heading above, the Environment and Natural Resources Thematic Programme includes a component focused on promoting EU energy policies abroad, also covering energy efficiency and renewable energy.

Transport

Delivering safe, affordable and sustainable transport requires a sectoral approach at country level that is coherent with regional and continental strategies developed under the EU-Africa Partnership on Infrastructure. In 2006, the task of improving national transport systems focused on the development of policies and strategies that lead to a Sector Programme coherent with national poverty reduction strategies. Such coherence is facilitated by the Sub-Saharan Africa Transport Program (SSATP), of which the EC is the main financier.

Improved transport at regional and continental level will secure interconnectivity across the continent and its different regions, and address the service delivery issues of intra- and inter-regional trade. In 2006, work on interconnectivity strategies and regional transport protocols was guided by the AU-NEPAD Infrastructure Action Plan that reflects the Regional Economic Communities' (REC) priorities and programmes. Prioritising interventions adopts a corridor approach, which is also supported by the SSATP. Support for transport, mainly road transport, under the 9th EDF amounts to approximately € 2.5 billion. Emphasis has been placed on

¹⁷

See also: http://ec.europa.eu/europeaid/projects/energy/index_en.htm

developing a sector programme financed, where appropriate, by sector budget support (SBS). Several countries have sector programmes but only in Ethiopia and Zambia is there full SBS. Under the 10th EDF, transport continues as a focal sector, with sector programmes linked to Infrastructure Partnership goals.

New Technologies

2006 was a year of consolidation after the World Summit on the Information Society in Tunis. The EU-Africa Partnership on Infrastructure facilitated the promotion of broadband services in East and Southern Africa as a flagship activity of the AU-NEPAD Infrastructure Plan. Similarly in the field of science and technology, the EC contributed to the AU-NEPAD launch of the African Consolidated Action Plan. Meeting the objectives of the World Summit on Sustainable Development requires timely access to accurate and reliable satellite-based information. The African Union and regional organisations are promoting a Global Monitoring Environmental System - Africa, a process in which the EC also participated. A satellite-supported Telemedicine Task Force was also created to enhance delivery of medical services, especially in rural areas.

Trade

The Commission continued its efforts to achieve a development-friendly outcome of the Doha Development Agenda (DDA). Although negotiations failed, the EC remains committed to securing a successful outcome of the DDA for all developing countries, especially the Least Developed Countries and other vulnerable and small economies. The EC continued its efforts in the area of Trade-Related Assistance (TRA) to maximise the benefits to developing countries of trade as an instrument of poverty reduction. The EC also co-ordinated EU input to the WTO Aid for Trade Task Force and participated in the Integrated Framework for Trade-Related Assistance for LDCs. Following Council endorsement, the EC will support implementation of the WTO Task Force recommendations, in particular in shaping a joint EU strategy or “road map”.

Social cohesion and employment

The Commission adopted a Communication on "Promoting decent work for all"¹⁸ in May 2006. The Communication proposes strategies for ensuring that EU policies and actions play a greater part in promoting decent work both within the Union and worldwide. Decent work is based on an integrated approach covering productive and freely chosen work, rights at work, social protection, social dialogue and equal opportunities and can help developing countries fight poverty. The Commission organised a first EU-level conference on effectively implementing decent work through EU internal and external policies, including employment and social affairs, development and trade, in December 2006.

Scientific co-operation

¹⁸

COM (2006)249 final

Europe's international scientific co-operation has been active in most of the thematic areas listed above, in a manner parallel and complementary to external assistance, involving researchers from Europe with their peers in developing countries and emerging and transition economies. The fight against infectious diseases linked to poverty, in particular HIV/AIDS, tuberculosis (TB) and malaria, is a good example of the coherence and synergy between development aid and health research policies. For example, the Commission financially supported health research-oriented EU initiatives such as the European and Developing countries Clinical Trials Partnership (EDCTP) pilot programme on large scale clinical trials in Africa, to which it contributed € 14 million.

Governance, ethics and many other socio-economic issues together with challenges in key social, economic and social sectors are all areas addressed also by Europe's international scientific co-operation and related policy dialogue. The production of and the ability to use relevant scientifically validated knowledge underpin the success of most development efforts.

1.6. Aid effectiveness

The Commission took a leading role in the negotiations on the Paris Declaration. Beyond the Paris Declaration commitments, the EU made four pledges on improving aid delivery, by ensuring that in future i) capacity building assistance will be provided through co-ordinated programmes and multi-donor arrangements; ii) government-to-government assistance will be channelled through country systems as well as budget support or sector-wide approaches; iii) the number of uncoordinated missions will be reduced by 50%; and iv) new project implementation units will be avoided. As evidenced by the set of follow-up actions described below, the EU reasserted its determination to implement and monitor its commitments on aid effectiveness in all developing countries, including setting firm targets for 2010.

1.6.1. Co-ordination and harmonisation

Aid effectiveness is at the forefront of the European Union's political agenda and is referred to in all its recent initiatives. Both the Joint Development Policy Statement¹⁹ and the new Africa Strategy emphasise the importance of delivering not just more aid, but better and more effective European aid. The 10th EDF agreement contains a clear statement in support of aid effectiveness and the Paris Declaration.

A significant aspect of strengthening ownership and alignment is the move towards providing aid in the form of direct budget support, so that it is administered entirely within the partner country's own systems. This trend has been officially sanctioned by the European Consensus which identifies general and sector budget support as "the preferred modality where conditions allow". Taking the latter as a reference, the EC has increased its use of country systems through untargeted general or sector budget support, representing just over 35% of programmable aid in the EDF between 2003 and 2005.

¹⁹ OJ 2006/C 46/01

In December 2005, the Commission conducted a survey of its Delegations. This provided a valuable baseline on the four EU commitments and also highlighted the need to continue raising awareness among partner country, Member State and Commission officials. This resulted in the introduction of aid effectiveness guidelines and training measures. All Commission staff are now systematically trained in aid effectiveness issues and initiatives, and all field officials will be taking an active part in the OECD/DAC survey and process.

The Commission presented Member States with a proposal, still subject to Member States approval, to adapt the Financial Regulations in accordance with the principles and objectives of enhanced aid effectiveness. At the EC level, the Commission has also proposed a major simplification, harmonisation and reduction of its financial instruments, also subject to Member States approval.

Within the Commission, the Directorates-General for External Relations, Development and EuropeAid each host a dissemination unit. At EuropeAid, a unit is dedicated to implementing aid effectiveness at the operational level. In DG Development, a new unit is in charge of monitoring the aid effectiveness strategy within the European Union.

1.6.2. Policy coherence for development (PCD)

Today, it is widely agreed that development policy alone will not bring sufficient results and that a number of other policies can have a major impact on progress towards the MDGs. The coherence of non-development policies with development policy is therefore an issue of growing importance for the EU, the aim being to maximise the positive effect of policies while minimising their negative impact on developing countries.

The commitment to PCD has a firm legal basis in the EC Treaty (Art. 178) which states that the EC "shall take account" of development objectives in all its non-aid policies "which are likely to affect developing countries". The work on PCD was strengthened by a Commission Communication of April 2005²⁰, which resulted in Council conclusions of May 2005 that agreed on EU commitments in 12 areas²¹: trade; environment; climate change; security; agriculture; fisheries; social dimension of globalisation, employment and decent work; migration; research and innovation; information society; transport; and energy. The Council conclusions also called for improved procedures, mechanisms and instruments at the level of the Council, the Commission and Member States. The European Consensus on Development confirmed the high level of attention devoted to PCD.

An important step towards strengthening PCD was the elaboration, under the impetus of the EU Presidency, of a rolling work programme on PCD for 2006-2007 to identify common priorities for organisational and thematic action on the 12 PCD commitments. In October, the Council adopted conclusions covering both the Presidency's work programme and the integration of development concerns in the

²⁰ Commission Communication on "Policy Coherence for Development – Accelerating progress towards attaining the Millennium Development Goals" – COM(2005)134 final of 12 April 2005

²¹ May 2005 General Affairs and External Relations Council (GAERC) Conclusions on the Millennium Development Goals (Doc. 9266/05)

Council's decision-making processes²². The Commission made progress in a number of areas of PCD, in particular negotiation of Economic Partnership Agreements (EPAs) with ACP countries that aim to foster trade and regional integration as an engine for long-term development. Considerable progress has also been made in the area of migration with the adoption, within the framework of the EU Strategy for Africa, of a Communication on migration and development in September 2005 and the launch of a Thematic Programme for Migration for the period 2007-2013 with a € 380 million budget.

Progress was also achieved on security, with support for security sector reform in partner countries. In the field of agriculture, initiatives have improved the impact of the Common Agricultural Policy on developing countries in specific areas, for example import license management for ACP bananas and proposals for reform of the fruit and vegetables regime. Where negative impacts were identified, mitigation measures (e.g. accompanying measures on sugar reform for ACP countries) were put in place.

The Commission is also actively promoting PCD amongst its services through the following mechanisms:

- An Inter-Service Group on PCD was created in July 2006, comprising participants from all Commission services working in the 12 areas of PCD commitments. The main aims of the Group are to identify and reinforce the development perspective, particularly in the early stages of formulation of new Commission policy proposals, as well as to monitor progress made on each of the 12 EU PCD commitments.
- Inter-Service Consultations are carried out routinely to allow Commission services to express their views and demands on policy proposals that may have an impact on development policies and/or developing countries. A list of proposals to be reviewed is drawn up annually.
- In 2002, the Commission introduced an Impact Assessment System to evaluate the possible consequences of policy proposals and assess alternatives.
- An informal EU PCD network was created in 2003 on the initiative of the Commission's Directorate-General for Development. It provides a forum for information and discussions between the Commission and EU Member States, and is an important tool for building capacity and expertise on PCD issues.

Another major step concerns accountability and transparency in the follow-up to EU PCD commitments. The Council gave the Commission a mandate to monitor progress on commitments on the basis of a biennial EU PCD Report²³. The aim of this report is to encourage further development of PCD, taking into account feedback from developing countries, civil society and the European Parliament, and to serve as a public information tool. It will cover progress achieved by EU Member States, the

²² April 2006 Council Conclusions on PCD Work Programme 2006-2007 (Doc. 8387/06); October 2006 GAERC Conclusions on Integrating Development Concerns in Council Decision-making (Doc.14072/06) and on a Rolling PCD Work Programme 2006-2007 (Doc. 14075/06)

²³ May 2005 GAERC Conclusion

EU Council of Ministers and the Commission. The last-named has developed a questionnaire, in close collaboration with all concerned services and Member States, in preparation for the first EU PCD Report, to be issued by the Commission in 2007.

Environment and climate change

Environment and climate change are among the twelve priority areas on which the EU made explicit commitments in 2005. During 2006 a number of practical steps were taken to improve coherence, including establishing an inter-service group on integration of environmental issues in development co-operation. Environmental Profiles are now prepared as background for all Country and Regional Strategy Papers, and Environmental Impact Assessments are systematically undertaken to help design those programmes that affect the environment. Strategic Environmental Assessments are increasingly used on sector-wide programmes.

Preparations are in hand to increase assistance to developing countries through Multilateral Environmental Agreements (MEAs). In May 2005 the Commission adopted an action plan to strengthen support for biodiversity and ecosystem services in EU external assistance, helping partner countries and regions to integrate biodiversity in their development strategies. The Commission also promotes mechanisms to protect developing countries from obsolete pesticides.

Work on policy coherence in the area of climate change builds on the 2004 EU Action Plan on Climate Change and Development, fostering four strategic priorities: raising the policy profile of climate change; supporting adaptation to climate change; supporting mitigation and low greenhouse gas development paths; and capacity building. Specific support projects have been funded so far under the environment and tropical forest budget line and include, for example, capacity building and training. As from 2007 onwards projects will be funded under the new Environment and Natural Resources Thematic Programme.

During 2006, international forums and new analyses, for example the Stern report, underscored the importance of early action. One area where insufficient action would have a disproportionate effect on developing countries, especially the poorest ones, is the extreme weather phenomena – an area where the Commission is working on a strategy for disaster risk reduction. Other initiatives are to limit deforestation and to assist developing countries, especially in Sub-Saharan Africa, in benefiting from the Clean Development Mechanism.

1.6.3. Complementarity

Excessive fragmentation of development assistance has led to dispersion, duplication and even contradiction in aid activities, reducing their potential impact through the accumulation of unnecessary administrative costs, and increasing the burden on the partner countries: the EU Donor Atlas underlines the gaps and duplications. Greater complementarity of activities is a key factor in increasing aid effectiveness. The recent evaluation of the 3Cs²⁴, jointly undertaken by the evaluation services of the EU²⁵, reports that "*... Member States and the Commission have a remarkably low level of performance ... they apply ill-equipped processes, tools and systems that*

²⁴

Co-ordination, complementarity and coherence

²⁵

Evaluation of Co-ordination and Complementarity of European Assistance for Local Development, 14/10/2006. The Evaluation of the 3Cs is composed of 6 studies co-ordinated by a Task Force composed of Heads of Evaluation Services from the European Commission, the United Kingdom, Belgium, France, Germany, The Netherlands, Ireland, Sweden, Portugal, Italy, Czech Republic and Poland. The chair (Sweden) of the Task Force is supported by a small Secretariat (EC, Belgium, and Netherlands)

underperform in dealing with today's complex ODA environment... Complementarity constitutes a clear (overt) management objective for EU donors and cannot be reduced to the simple strategy of avoiding overlap in ODA efforts between Member States and the Commission, currently the most common practice in place. In other words, it is intrinsic to the co-ordination function to seek complementarity in an effort to add value to the resources at management's disposal."

Aiming at a coherent system where all actors, including new donors and civil society, contribute to the construction of an efficient development effort is one of the ultimate goals of co-ordination and harmonisation. Committed to moving from words to action through the adoption in April 2006 of a package of measures to deliver "more, better and faster", the EU agreed to achieve clear results in progressing on complementarity, as an important element in implementation of the European Consensus and the Paris Declaration.

The EU dimension created by the European Consensus, which merges the Community and bilateral spheres, is a new process. It requires an appropriate and participatory working methodology, based on the collective work undertaken on decisions related to EC aid. The process – evolved, since 2004, over seven EU presidencies – has resulted in a work plan developed jointly by the Commission and the Finnish, German and incoming Portuguese and Slovenian presidencies. A detailed mandate was adopted in the General Affairs and External Relations Council of October 2006, setting up the political framework and guiding principles for further progress on complementarity. Within this framework, the Commission will produce an EU Code of Conduct, comprising operational principles on the division of labour between donors, for adoption in 2007. Implementation and monitoring of the agreed principles should follow during the Portuguese and Slovenian presidencies.

1.7. Enhancing impact on poverty and inequality in middle-income countries

Middle Income developing Countries (MICs), with an average income per capita of just US\$3.80/day²⁶, account for two-thirds of world population, constitute over 90% of GDP of developing countries, and are home to over 80% of the developing world's population and over 70% of its poor people (those who live on 1 dollar a day or less). The Commission recognises that growth is an essential precondition for social development and poverty alleviation strategies, but is not sufficient on its own. In many fast-growing MICs, technological change, globalisation, demography and demand for skilled labour have contributed to the widening of the income distribution gap, due to the fact that such growth has not been accompanied by an effective fiscal, pro-poor policy agenda. The risk of a MIC retrograding to low-income country (LIC) status should not be underestimated. Further well targeted and policy/performance-driven Official Development Aid (ODA) is essential if fragile or potentially unstable MICs are to stabilise their economies, support reform and promote development, trade integration and social cohesion.

Given shared cultural values and common objectives on many important policy issues, and long-standing political, economic and co-operation links, the EU has established strategic partnerships with many countries in the Neighbourhood, Asia

²⁶

World Bank, 2006

and Latin America. This co-operation includes political dialogue, stimulating economic growth and commercial exchange, encouraging regional integration, tackling inequality and promoting social cohesion, and tailoring development and aid policy more closely to real conditions. Poverty alleviation and especially social cohesion is at the heart of the Commission's aid and co-operation policy for the period 2007-2013. The EC also encourages certain leading MICs to play an 'anchor' role at regional level, notably within the framework of deeper South-South trade integration and partnership.

The EC provides significant support to MICs to attain the Millennium Development Goals and implement better fiscal and public expenditure policies through the new financial instruments (DCI, ENPI, and the Stability Instrument). Most EC aid to Lower Middle Income Countries includes budgetary and sectoral support programmes that focus on poverty reduction and social cohesion. In particular, the Commission is active in sectors such as health, education, democracy and human rights, food security and sustainable development. This holistic approach creates the preconditions for sustainable poverty reduction and promotes the successful integration of poor people in society.

1.8. Preparations for new financial instruments

2006 was an important year for the finalisation of negotiations between the Commission, the Council and the European Parliament on the new external action instruments for delivery of EC assistance for the period 2007-2013. Negotiations started following the Commission's Communications of February 2004 ("*Building our common Future*")²⁷, of 14 July (*Financial Perspectives 2007-2013*)²⁸, and of 29 September²⁹: these set out the framework for a new and simplified political and administrative structure. Until 2006, it had at times proved difficult to manage the EC's programmes with such a mixed and complex set of instruments.

Nine financing instruments will now replace the geographical and thematic regulations that had evolved in an *ad hoc* manner, with significant differences in programming and comitology. In addition, the European Council of December 2005 had decided that geographic co-operation with the ACP countries, except South Africa, and the Overseas Countries and Territories (OCTs) should not be budgetised, but should continue to be funded through an inter-governmental European Development Fund. However, the time horizon of the 10th EDF (total funding € 22 682 million) was aligned with the financial perspectives and extended to 2013.

Four instruments will implement specific policies on geographical coverage: the Instrument for Pre-accession Assistance (IPA), the European Neighbourhood and Partnership Instrument (ENPI), the Instrument for Development Co-operation (DCI), and the Instrument for Co-operation with Industrialised Countries (ICI). As a complement to these, five horizontal instruments will address particular needs: an Instrument for Stability (IfS), an Instrument for Nuclear Safety Co-operation (INSC), and a European Instrument for Democracy and Human Rights (EIDHR), plus the

²⁷ COM(2004) 101
²⁸ COM(2004) 487
²⁹ COM(2004) 626 to 630

already existing humanitarian aid and macro-financial assistance instruments which remain unchanged.

The DCI covers geographical co-operation with developing countries with the exception of the African, Caribbean and Pacific (ACP) countries where financial co-operation is still primarily through the European Development Fund. The DCI also covers also five thematic programmes: 'Investing in People'; 'Environment and Sustainable Management of Natural Resources, Including Energy'; 'Non-State Actors and Local Authorities'; 'Food Security'; and 'Migration and Asylum'. Thematic programmes benefit not only DCI-eligible countries but also ENPI and ACP countries, including the Overseas Countries and Territories (OCTs). Both the DCI and the 10th EDF are based on the European Consensus on Development, and both incorporate the principles of aid effectiveness and donor co-ordination.

Co-operation will be implemented through country, regional and thematic strategy papers and multi-annual indicative programmes, as well as annual action programmes, which are subject to the new democratic scrutiny procedure established under the Inter-Institutional Agreement. This procedure foresees that the Commission will systematically inform and consult the European Parliament and the Council by sending draft country, regional and thematic strategy papers. The Commission has undertaken to enter into a regular dialogue with the European Parliament on the strategy papers and to take due account of the position of the European Parliament when implementing the strategies.

The programming for Asian, Latin American and European Neighbourhood countries was largely completed and, in order not to slow down delivery of assistance in 2007, an informal dialogue between the institutions on the ENPI and DCI draft strategies was launched once political agreement had been reached. The dialogue for the strategies covered by democratic scrutiny will continue in 2007, following the formal entry into force of all these instruments. Detailed Communications defining the approach and contents of each thematic programme were approved in January, and this was followed by a detailed programming process for each thematic programme. The process will be completed in early-2007 to allow implementation soon thereafter.

Programming with ACP countries was launched early in the year during the regional seminars that brought together the Commissioner for Development, Louis Michel, the National and Regional Authorising Officers of each of the regions, Commission and European Investment Bank staff members, and representatives of the Member States. The programming dialogue is in progress and should culminate in Country and Regional Strategy Papers ready for signature by mid-2007, with implementation starting in January 2008.

IPA (total funding € 11 468 million) supports the membership perspective of candidate countries (Croatia, Turkey, the former Yugoslav Republic of Macedonia) and potential candidate countries (Albania, Bosnia and Herzegovina, Montenegro, Serbia and Kosovo under UNSCR 1244), and is managed by the Directorate-General for Enlargement.

ENPI (total funding € 11 181 million) aims to build a privileged partnership with neighbouring countries, bringing them closer to the Union. The instrument covers 17 countries from the Mediterranean (including Jordan), Eastern Europe, Russia and Caucasus.

DCI (total funding € 16 897 million) covers geographical co-operation with developing countries with the exception of the African, Caribbean and Pacific Countries (ACPs). In addition to geographical co-operation, the DCI also contains thematic programmes which replace the existing thematic regulations and also apply to countries that are eligible for funding under the ENPI and the EDF.

ICI (total funding: € 172 million) relates to co-operation and exchange programmes with 15 industrialised countries and high-income territories, and is managed by the DG for External Relations.

IFS (total funding: € 2 062 million) has two objectives: crisis response and preparedness, and longer-term challenges with a stability or security aspect. IFS cover all third countries, except industrialised countries, and will be complementary to the geographical instruments, providing assistance designed to establish the necessary conditions for the normal implementation of assistance.

EIDHR (total funding: € 1 103 million) aims at supporting human rights and democracy, including civil society institutions, and includes the funding of election observation missions. EIDHR covers all third countries.

INSC (total funding: € 524 million) provides the means to support the promotion of a high level of nuclear safety and radiation protection, and the application of efficient and effective safeguards for nuclear material in third countries. Assistance under INSC is complementary to any assistance provided under the other external co-operation instruments.

Humanitarian aid and macro-financial assistance are managed respectively by the DG for Humanitarian Aid (ECHO) and the DG for Economic and Financial Affairs.

2. GEOGRAPHICAL FOCUS

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

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

2.1. Western Balkans

2.1.1. Introduction

Considerable progress was achieved throughout the Western Balkans: this was reflected in the progress of the countries of the region in their course towards the EU. A settlement on the future status of Kosovo remained a major challenge. In the accession negotiations with Croatia, five negotiating chapters were opened, of which two were provisionally closed. In June, Albania signed the Stabilisation and Association Agreement (SAA), and an Interim Agreement on trade and trade-related issues entered into force on 1 December. Negotiations for a SAA with Serbia were put on hold in May due to lack of full co-operation with the International Criminal Tribunal for Yugoslavia: these have not yet resumed. Following its independence, Montenegro started separate negotiations with the EU on a SAA in September, while SAA negotiations with Bosnia and Herzegovina continued: the technical negotiations for SAAs with these two countries concluded in December. In December, the European Council expressed its full support for UN Special Envoy Martti Ahtisaari's efforts to achieve a sustainable solution on the status of Kosovo, a solution that would promote a multi-ethnic and democratic society based on the rule of law and would also contribute to regional stability³⁰. An EU representative to the Kosovo status process was appointed earlier in the year, and the Commission has been providing technical input and expertise.

Important political developments took place in 2006. Montenegro became independent following a referendum on 21 May, and parliamentary elections were held on 10 September. Serbia adopted a new constitution after the referendum on 28-29 October. Parliamentary elections also took place in Bosnia and Herzegovina (1 October) and in the Former Yugoslav Republic of Macedonia (5 July), when a new government was formed.

³⁰ Presidency Conclusions Brussels European Council, CONCL3 16879/06, 15 December 2006

Economic growth in the region continued. In Montenegro GDP rose by over 6% year-on-year. In Serbia, GDP increased by 5.4% and the inflation rate fell. Albania's stable macroeconomic environment was maintained, characterised by solid growth of GDP and moderate inflation while, in Bosnia and Herzegovina, industrial production expanded significantly. In Croatia and the former Yugoslav Republic of Macedonia, private as well as foreign direct investment increased significantly, mainly driven by privatisation, but imbalances in external accounts and institutional weaknesses remained a problem. In Kosovo, the decline in donor support and the reduction in the presence of the international community continued to have a negative effect on economic development. However, this was partially compensated by a significant increase in the number of new businesses registered and by higher tax revenues.

In terms of the evolution of EU co-operation, the partnership between the EU and the Western Balkans has been progressing since 1999 within the framework of the Stabilisation and Association Process (SAP). The SAP helps beneficiary countries to complete their transition to democracy and a market economy, to approach European standards and to develop regional co-operation in the perspective of their eventual accession to the EU. In January, the Communication of the Commission *"The Western Balkans on the road to the EU: consolidating stability and raising prosperity"*³¹ set out firm measures to reinforce EU policy and its instruments for the Western Balkans. The Commission's Progress Reports of November 2006 acknowledged the commitment and the significant steps taken by both candidate³² and potential candidate countries³³, and reaffirmed the EU perspective on the region.

EC support of some € 5.1 billion was provided to the region in the period 2000-2006 through the CARDS³⁴ programme, with the purpose of fostering institution-building, investment, social development, regional co-operation and other reforms. Croatia as a candidate country was eligible as of 2005 for the full range of enlargement pre-accession financial instruments, Phare, ISPA and SAPARD³⁵, all of which are implemented in a decentralised manner. From January 2007, the EU will provide financial support to the Western Balkans and Turkey through the newly established Instrument for Pre-Accession Assistance (IPA)³⁶ which is to replace CARDS as well as all previously established enlargement pre-accession instruments.

³¹ COM(2006) 27

³² Croatia and the former Yugoslav Republic of Macedonia

³³ Albania, Bosnia and Herzegovina, Montenegro, Serbia and Kosovo under UNSCR 1244

³⁴ Council Regulation (EC) No 2666/2000 of 5 December 2000. Since 2001 the CARDS programme (Community Assistance for Reconstruction, Development and Stabilisation) has been the main EC financial instrument underpinning the objectives and mechanisms of the Stabilisation and Association Process (SAP), which is the EU policy framework for Western Balkans until their eventual accession.

³⁵ Created in 1989, Phare is one of the three pre-accession instruments financed by the EU to assist countries in approaching the European *acquis*, especially in the field of institution-building and social and economic cohesion. ISPA (Instrument for Structural Policies for Pre-Accession) deals with large-scale environment and transport investment, while SAPARD (Special Accession Programme for Agricultural Development) supports agricultural and rural development

³⁶ Council Regulation (EC) No 1085/2006 of 17 July 2006 establishing an Instrument for Pre-Accession Assistance (IPA)

2.1.2. *Regional co-operation and integration*

The development of regional co-operation is a key factor in establishing political stability, security and economic prosperity in the Western Balkans, and is therefore a cornerstone of the EU's policy framework for that region. It was decided to transform the EC-financed Stability Pact for South-East Europe, which supported the region's efforts to enhance stability, democracy, prosperity and regional co-operation as a whole, into a new more regionally owned framework, built around the existing South East Europe Co-operation Process (SEEC). A Regional Co-operation Council was to be established, bringing together representatives of South-East Europe with those of the international community. Trade, energy and transport were areas where regional co-operation was significant. In 2006, this co-operation included the signing of a regional free trade agreement (new CEFTA), the entry into force of the Energy Community Treaty³⁷, the preparation of a Memorandum of Understanding for the development of a social dimension of the Energy Treaty, and the signing of the Agreement on a European Common Aviation Area.

Regional co-operation is instrumental in addressing the security challenges, e.g. organised crime, corruption, illegal migration and the challenge of achieving integrated border management. The EC therefore decided to support the establishment of a network among prosecutors in the region to improve their capacity to investigate and prosecute trans-border crimes, as well as the creation of a monitoring instrument for Justice and Home Affairs institutions to enable the countries to have a clearer view of the criminal situation in the region. During the year a project aimed at the establishment of EU-compatible legal, regulatory and institutional frameworks in the fields of asylum, migration and visa matters was implemented in all the Western Balkan countries.

The public administration sector saw the establishment of an EC-financed Regional School for Public Administration (ReSPA), whose aims are to improve regional co-operation in the field of public administration, strengthen administrative capacity in accordance with the European integration process, and develop human resources in line with the principles of the European Administrative Space. The European Fund for South East Europe (EFSE) was created at the end of 2005 and, in June 2006, the Commission confirmed its participation by providing € 46 million out of a total of € 213 million. The purpose of the EFSE, which is innovative in that it attracts funding from private investors, is to help small businesses to develop economic activities through loans, and this volume of funds is expected to reach € 500 million within the next five years. Support to civil society has been one of the priorities of EC support to the region: as an example, the EC financed eight small projects in the media sector, all aiming at co-productions and documentaries by media producers in the region.

³⁷ Council Decision of 29 May 2006 on the conclusion by the European Community of the Energy Community Treaty

2.1.3. Implementation

Currently, Commission Delegations implement CARDS assistance in Albania, Bosnia and Herzegovina, and Croatia³⁸, while the European Agency for Reconstruction (EAR) manages EC assistance in the former Yugoslav Republic of Macedonia, Montenegro, Serbia and Kosovo. The CARDS regional programme is implemented by the Commission in Brussels. The European Agency for Reconstruction (EAR) manages EC assistance in the former Yugoslav Republic of Macedonia, Montenegro, Serbia and Kosovo. As the essential tasks of post-conflict reconstruction have been attained in the region, the EAR will be phased out and implementation of assistance in the region will be handed over to the Commission Delegations. However the mandate of the EAR has been extended to 31 December 2008³⁹, in order to phase out activities under CARDS gradually and to allow a smooth take-over by the Commission Delegations. Projects in the region vary both in terms of scope and geographical location, as can be seen in the small selection of examples below.

Institution-building

The government of newly independent **Montenegro** was assisted by the EC in the reform of public administration. A main focus was the implementation of the new Law on Civil Servants. Technical assistance was provided in order to complete a new ethics code and to allow the training of 1 200 civil servants within the new framework. Personnel from the Human Resources Management Authority and the Ministry of Justice were provided with advice on organisational issues, recruitment procedures and the training of civil servants, and were helped in the development of an electronic Personnel Information System.

In **Kosovo**, the EC provided extensive support to enhance the Provisional Institutions of Self-Government. A major EC-funded project is strengthening the capacity of Kosovo's institutions to prepare for the outcome of the status talks, and is supporting the government in implementing EU-compatible reforms. The EC also played a key role in the international monitoring and observation mission covering preparation of the population census, and provided expert advice and training to the secretariat of the Assembly of Kosovo, co-operating with the parliaments of France, Germany, Belgium, and Slovenia. The Association of Kosovo Municipalities also received support in strengthening its capacity to be an effective forum for inter-municipal co-operation, for dialogue between the municipalities and central government, and for advancing local government reform.

³⁸ Since 2005, Croatia is receiving pre-accession assistance under the Phare, ISPA and SAPARD programmes, all of which are implemented by the national authorities under a decentralised implementation system. With the exception of SAPARD, the Commission Delegation continues to exercise *ex-ante* controls for tendering and contracting. In addition, part of the CARDS 2003 and CARDS 2004 programmes available to Croatia have also been de-centralised while maintaining *ex-ante* controls. Commission Decision PE 2006 148 of 7 February 2006.

³⁹ Council Regulation (EC) N. 1756/2006 of 28 November 2006 amending Regulation (EC) N. 2667/2000 on the European Agency for Reconstruction

Justice and Home Affairs

The Commission focused its assistance on strengthening the capacities of judicial institutions at the State level. In **Bosnia and Herzegovina**, the EC supported the Ministry of Justice in improving its internal organisation and administrative capacity, including the deployment of a wireless communication network interconnecting all Courts and the Prosecutor's Office. EC funds were also allocated to support the establishment and operation of the Directorate for the Implementation of Police Restructuring. The **former Yugoslav Republic of Macedonia** is also receiving assistance on the establishment of a new Department for Prosecuting Organised Crime and Corruption, through a twinning programme with Italy. Another twinning project, this time with Spain, aims to provide support for the development and consolidation of a functional and effective system against money laundering.

Economic and Social Development

In **Croatia**, EC funds contributed to the removal of barriers to SME development and to improvement of the job market through vocational training and employment creation projects, as evidenced by collaboration with the Croatian Employment Service.

Introduction of VAT (Value Added Tax) in Bosnia and Herzegovina

One of the main achievements of the EU-CAFAO mission in Bosnia and Herzegovina was the design and introduction of Value Added Tax (VAT) in January. This has been an important reform in the move toward a single economic space and the reduction of the 'grey economy'. As a result, total indirect tax revenue increased by 30% in the first seven months of 2006, compared with the previous year. The increase in revenue is an important factor in meeting the huge current account deficit that affects Bosnia and Herzegovina's finances.

In **Serbia**, EC funding was instrumental in unlocking the economic potential of the Danube river system, an important element of an infrastructure that had suffered during ten years of conflict and economic sanctions. Activities included such projects as reconstruction of the Danube Locks and the design of a River Information System and a System Transport Master Plan for Serbia.

In the field of education, the Commission continued to implement the Tempus programme in the Western Balkans; this supports the modernisation of higher education and promotes regional co-operation by funding university projects in the areas of curriculum development, university management and institution-building. Tempus also supports structural measures that directly target the higher education systems in the partner countries. The programme promotes the implementation in the region of the Bologna process – the creation of a European Higher Education Area by 2010. The Commission made € 12.7 million available for Tempus in 2006.

Environment and Natural Resources

An EC-funded project is supporting **Albania** in drawing up a National Environmental Strategy, which defines the targets, actions and resources needed to comply with the environmental *acquis* in the long term. The project supports the

Ministry of Environment, Forests and Water Administration in developing environmental laws to be included in the National Plan for Approximation of Environmental Legislation, in fields including hazardous waste management, environmental protection, air pollution and coast protection.

In **Bosnia and Herzegovina**, the EC focused on raising capacities for the application and implementation of environmental legislation. Reform of the water sector was successfully initiated, complying with Water Framework Directive requirements. Environmental NGOs were provided with grants to promote awareness-raising initiatives that range from eco-mobility to waste recycling. The EC engaged in waste recycling pilot projects, encouraging Bosnia and Herzegovina to explore new sustainable mechanisms and procedures.

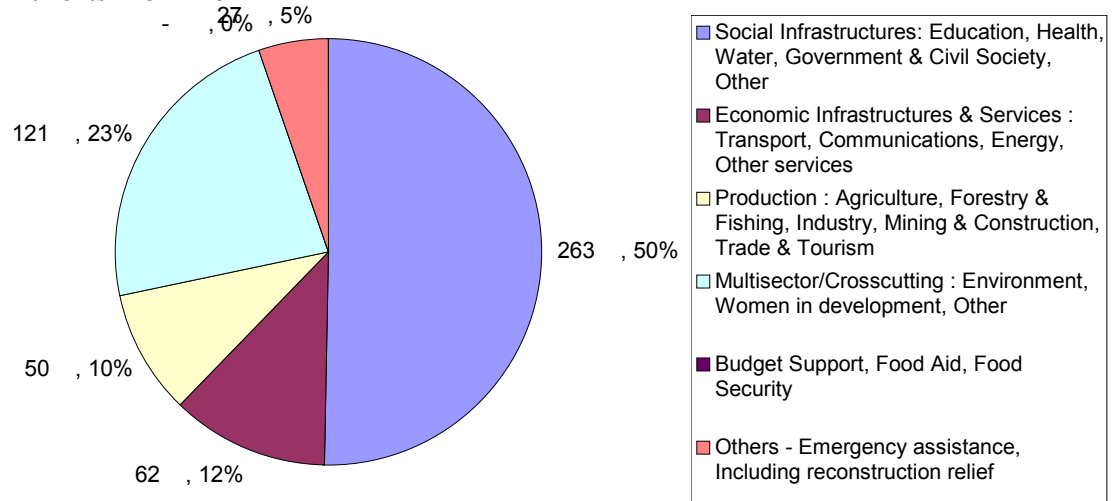
A Voice for Youth - Serbia and Kosovo, March 2005-May 2006

Following the unrest of the 1990s, youth in Kosovo and Southern Serbia became a particularly vulnerable category, often alienated from society and exposed to the risks of social exclusion and prejudice, as well as future unemployment. With the involvement of two local NGOs, this EC-funded project encouraged young people to become constructive community actors and supporters of such essential values as tolerance, democracy and dialogue among communities.

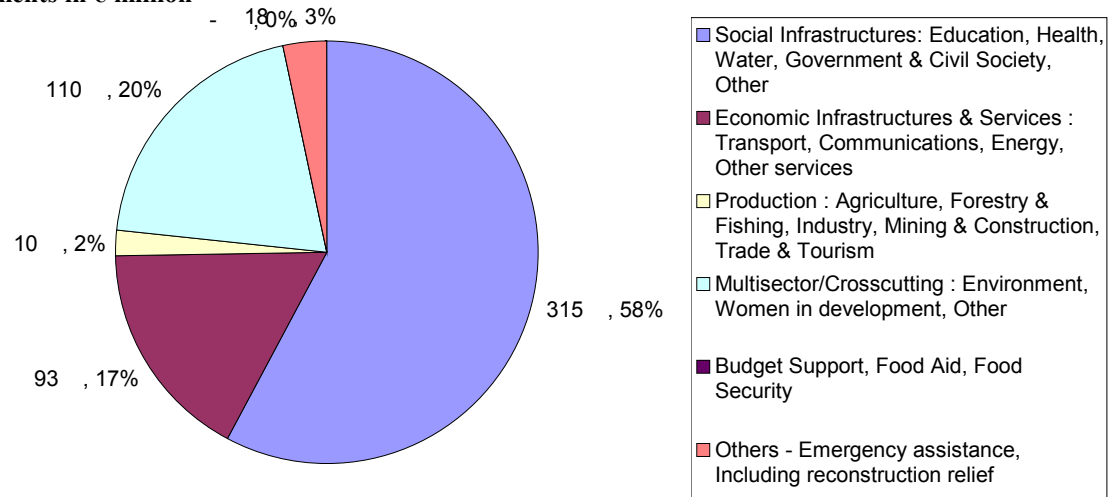
As a result of training courses, seminars and capacity-building activities carried out within the project framework, over 130 young people became socially engaged in their local environment, taking an active interest in advocacy and local government policies and approaching new job opportunities within the local context. The capacity of the local partner NGOs to apply for grants and manage funding resources was also reinforced, thus increasing their long-term viability.

Table 1 Western Balkans. Breakdown by sector of external aid financed on the General Commission Budget managed by Enlargement in 2006

Commitments in € million

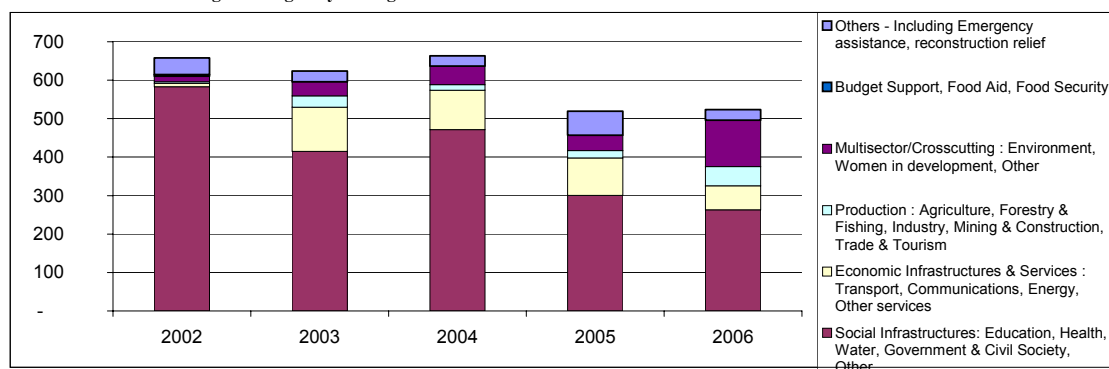


Payments in € million



Bilateral and Multilateral ODA/OA (Enlargement).
Region identified following geographical budget lines

Table 2 Western Balkans. Breakdown by sector of external aid financed on the General Commission Budget managed by Enlargement. Commitments 2002-2006



Bilateral and Multilateral ODA/OA (Enlargement). Amount in € million.
Region identified following geographical budget lines

Table 3 Western Balkans. External aid financed on the General Commission Budget managed by Enlargement 2000-2006

M€	2000	2001	2002	2003	2004	2005	2006
Commitments	863	705	658	624	663	519	524
Payments	677	845	619	425	510	345	547

Bilateral and Multilateral ODA/OA (Enlargement). Amount in € million.
Region identified following geographical budget lines

2.1.4. Governance

The EC-financed **SIGMA**⁴⁰ programme has provided support to the reform of public institutions in the Western Balkans. The main focus of this programme is to review legal drafts, design the Public Administration Reform strategy, introduce civil service management instruments, establish justice and administrative dispute laws, and provide support to administration in legal drafting and financial management issues and quality control. Through **TAIEX**⁴¹, a total of 128 expert missions, study visits, bilateral and multi-beneficiary seminars were organised on the EU *acquis*. These were attended by 5 589 civil servants, members of the judiciary, and economic actors, as well as civil society representatives. Various aspects of EU legislation were presented to them by Commission and Member State officials. These events covered various areas including agriculture, justice, freedom and security, transport, energy and a large number of subjects relating to Internal Market policies.

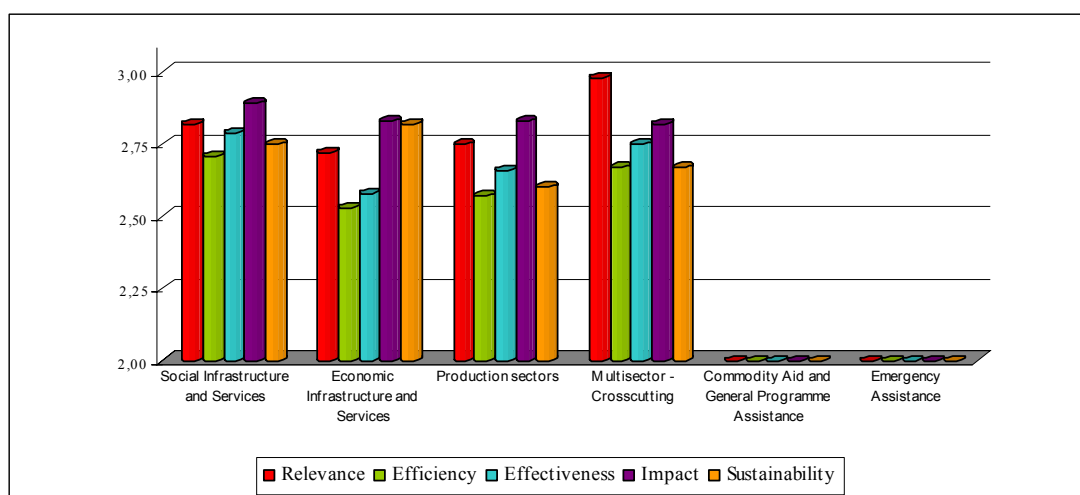
⁴⁰ SIGMA or Support for Improvement in Governance and Management is a joint initiative of the OECD and the EU and is principally financed by the EU.

⁴¹ TAIEX or Technical Assistance and Information Exchange is an instrument of the Directorate-General Enlargement of the European Commission. TAIEX helps countries with regard to the approximation, application and enforcement of EU legislation. It is largely demand-driven and channels requests for assistance and contributes to the delivery of appropriate tailor-made expertise to address problems at short notice.

In order to encourage candidate countries to undertake the necessary reforms to align with the EU *acquis*, one of the main conditions in recent negotiations is the strengthening and consolidation of the democratic institutions. The return of refugees to their pre-war homes, protection of minorities, support to civil society organisations, and free and independent media, are among the key priorities.

2.1.5. Overview results-oriented monitoring

Table 4: Western Balkans Monitoring Results per ODA sector⁴²



Independent monitors generated 150 monitoring reports for 117 ongoing projects, covering a total budget of € 188 million in the Western Balkans region. Project performance shows an improvement between 2004 and 2006, rising from an average of 2.69 to 2.76. A stable upward trend on *impact* can be observed, while *relevance/quality of design* has also continuously improved in recent years. However, the analysis of the *sustainability* sub-criterion confirms a trend of low *economic and financial viability* over the last few years.

The sector *social infrastructure and services*, mainly comprising legal approximation to EU standards and institutional capacity-building for government as well as civil society projects, represents 60% of projects and 55% of the financial volume monitored. This sector, which shows good results with an average of 2.79 (with a target parameter of 2.5 for 'on track'), reflects the main aim of the CARDS programme, which is to promote stability within the region whilst facilitating closer association with the European Union in prospect of potential EU candidate status. The strongest criterion was *impact* and the lowest *efficiency*, illustrating the overall trend within the region.

2.1.6. Donor co-ordination

Efforts directed at improving donor co-ordination in the Western Balkan region produced significant results, although the most tangible ones remained those achieved at country level. In **Bosnia and Herzegovina**, the Commission Delegation

⁴² Only samples of minimal 10 monitoring reports are considered statistically relevant, therefore no information is provided for those sectors having less than the minimum number of monitoring reports.

established a Co-ordination Committee within the government structures, bringing together selected donors and representatives from various state entities to encourage increased involvement and assumption of ownership from local beneficiary institutions.

In addition, a joint initiative financed by the EC and UNDP aimed at establishing an aid co-ordination database within the Ministry of Finance, to be fully integrated in its budget system. The EAR organised regular co-ordination meetings and helped create the Donor Aid Co-ordination Unit in the Ministry of International Economic Relations in Serbia and the Donor Co-ordination Centre in Kosovo. Through these institutions, important work was carried out in prioritising and programming the future allocation of EU funds within the framework of the Instrument for Pre-accession Assistance (IPA) for the period 2007-2009.

The EC launched the International Financial Institutions (IFIs) advisory group, which should be operational in early-2007 as the main co-ordination point of programmes and activities for the IFIs involved. The Joint Office for South East Europe, established by the EC and the World Bank in 1999 to improve the co-ordination of international assistance, continued its work with particular focus on poverty reduction and economic and social development. Co-operation with Member States during regularly scheduled meetings embraced both the sharing of information and experiences and more practical co-operation on projects and programmes in co-financing operations. The twinning instrument was increasingly used as a mechanism for the transfer of knowledge, expertise and experience from EU Member State institutions to judicial and administrative bodies in the Western Balkan countries.

2.1.7. Conclusions and perspectives

In the course of the year, all Western Balkan countries made progress in following the 'road map' put forward by the Commission last year, with each country advancing on its own merits. Important steps were also made in regional co-operation. EU assistance continued to support these countries in developing stronger institutions, more reliable judicial and police systems, and better infrastructures. The EU remains committed to supporting the Western Balkans and therefore ensures that its policy priorities are backed with sufficient funds. The EU will continue to finance projects in the Western Balkans through the remaining funds from the CARDS programme and through the IPA.

The latter will mainly focus on priorities identified in the Accession and European Partnerships. The IPA consists of five components: transition assistance and institution building; cross-border co-operation; regional development; human resources development; and rural development. The components that finance transition and institution-building, as well as regional and cross-border co-operation, will be open to candidate and potential candidate countries. The remaining three components (financing regional and human resources, and rural development), precursors to the EC structural funds, require a high degree of financial administrative capacity adapted to the EU system and are therefore reserved for candidate countries.

The budget allocated for the IPA for 2007-2009 amounts to € 4118.9 million. The assistance aims to strengthen democratic institutions and the rule of law, reform

public administration, carry out social and economic reforms, promote respect for human as well as minority rights, promote gender equality, support the development of civil society, advance regional co-operation, as well as reconciliation and reconstruction, and contribute to sustainable development and poverty reduction in these countries. It should therefore be targeted at supporting a wide range of institution-building measures.

2.2. Eastern Europe and Central Asia

2.2.1. Introduction

There was positive co-operation between the EU and **Ukraine** on foreign policy, with Ukraine aligning with EU positions on many issues. Agreements on visa facilitation and readmission have been successfully negotiated and initialled. Progress was made in various trade and trade-related areas but a clearcut economic policy is still lacking, there are specific concerns about loose monetary and fiscal policies, and significant further steps are needed to improve the business climate. Substantial progress was achieved on energy co-operation, although Ukraine still needs to take further steps in relation to nuclear safety. Implementation of reform strategies slowed during the year, mostly due to long pre- and post-election periods of political instability.

Faced with an extremely difficult internal and external situation, **Moldova** has begun implementation of the ENP Action Plan. Overall, while progress has been made since 2005, implementation of reform strategies remains a problem. Progress was made with regard to Moldova-Ukraine border management, as well as in the area of co-operation with international financial institutions (IFIs) and poverty reduction. Moldova reached an agreement with the International Monetary Fund (IMF) allowing for IMF and World Bank financing. On trade, Moldova is working to fulfil the conditions that would permit additional autonomous trade preferences (ATPs) by the EU. Progress was also noted in the fight against organised crime, including trafficking, but implementation still lags behind. Moldova made some progress in improving the investment climate, but overall much more needs to be done to improve the conditions for starting and operating businesses.

In **Belarus**, the March presidential elections were marked by serious violations of election campaign rights of registered candidates other than the incumbent. In the months preceding the election, pressure exerted on NGOs, dissident political actors and the media increased. Peaceful protests by the opposition following the election were put down and opposition leaders arrested. An OSCE report on the election, in which official results put Mr Lukashenko at over 82% of the vote, referred to “serious violations of election standards”. The European Union called the presidential elections in Belarus “fundamentally flawed”. Meanwhile NGOs continue to suffer increased difficulties, including forced closure, intimidation and prosecution for minor irregularities. There is also concern over systematic infringements of fundamental rights and freedoms, such as the rights of assembly, association and freedom of expression, and over the lack of positive action by the Belarus Government in implementing the 12 recommendations of the 2004 ILO Commission of Inquiry.

Co-operation between the EU and **Russia** aimed at fostering the political and economic stability of the Federation; maintaining a stable supply of energy; co-operation in the fields of justice and home affairs, environment and nuclear safety, in order to combat ‘soft’ security threats; and greater co-operation on the Southern Caucasus and the Western NIS to ensure the geopolitical stability of the CIS region, including in the resolution of ‘frozen’ conflicts. Chechnya and these conflicts were a major concern for the EU: in seeking to play a beneficial role, it recognised that the

Russian Government had to take the lead in ensuring a peaceful and durable settlement of these conflicts and in fostering a regional socio-economic recovery,.

The balanced development of the South Caucasus region continues to be hampered by the ‘frozen’ conflicts in **Nagorno Karabagh**, **South Ossetia** and **Abkhazia** and by tensions in relations between Georgia and Russia. In **Armenia**, the adoption of a new Constitution provided the basis for a better distribution of powers between the political, executive and judiciary branches. Energy relations with the region, and in particular Azerbaijan, will continue to play a primary role in the near future. The Commission has signed Memorandums of Understanding with **Azerbaijan** and **Kazakhstan** aimed at establishing -partnerships on energy. At the second Ministerial Conference on Enhanced Energy Co-operation (Astana, 30 November 2006), a common strategic vision for energy co-operation in the form of an Energy Road Map was agreed which aims at an EU-Black Sea-Caspian Sea common integrated energy market in the long term. In **Georgia**, reforms signalled progress in public finances, the judiciary and the fight against corruption, but half of the population is still below the poverty line.

Important developments in Central Asia were the sudden demise of President Niyazov of **Turkmenistan**, the re-election of President Rachmonov of **Tajikistan**, the political struggle in **Kyrgyzstan**, culminating in 2006 with a caretaker government and a new Constitution, the start of the new seven-year term of President Nazarbaev of **Kazakhstan**, and the ongoing difficult relations with **Uzbekistan** following the Andijan events of 2005 and the ensuing deterioration of human rights.

High on the agenda were the OSCE Chairmanship of Kazakhstan in 2009 and WTO accession. Economic performance is picking up, mostly due to increased world prices for hydrocarbons, mineral resources and cotton, as well as migrant workers’ remittances for Tajikistan and the **Kyrgyz Republic**. National income is unevenly distributed and delays in economic reforms and poverty reduction remain core issues. An EU-Central Asia regional political dialogue took place at high-officials level in April, reflecting the mutual interest in enhancing relations and co-operation and in underpinning the priorities for regional assistance programmes with the region, which are now oriented along lines similar to those of the European Neighbourhood Policy.

2.2.2. Regional co-operation and integration

TACIS assistance for regional co-operation focused on the domains of transport, energy, border assistance and sustainable management of natural resources, with support for water-related activities as a priority: the Commission has continued to work with partner IFIs to leverage funding for investments in the water supply and sanitation sector through Project Preparation Facilities and grant co-financing mechanisms. Other environment projects have dealt with issues such as biodiversity and trans-boundary river management. In the field of transport, the TRACECA programme has continued to foster regional integration: major projects support data collection to enable traffic forecasts along the TRACECA corridor. Furthermore, maritime training in a number of countries bordering the Black and Caspian Seas contributes to shipping safety, prevention of marine pollution and environmental awareness. Funding was also made available for the rehabilitation of the railway line

between Tbilisi and Yerevan, and for the supervision of road construction projects in **Azerbaijan**.

The INOGATE programme, providing continued support for the integration of energy networks, had two priorities in 2006: harmonisation of gas and oil standards, and the safety and security of the main gas transit infrastructures in the region. In the area of border management, the EU Border Assistance Mission to Ukraine and Moldova (EUBAM) has successfully completed its first year of existence and has produced a significant decrease in the illegal movement of goods and cargo. In the Central Asian republics, progress in border management and co-operation between border agencies continued to develop within the framework of the Border Management Programme for Central Asia project (BOMCA). The Commission has also worked on improving the economies and social links between border regions through a series of specific Neighbourhood Programmes involving EU Member States and partner countries. Cross-Border Co-operation (CBC) will be completely overhauled with the introduction of the European Neighbourhood and Partnership Instrument (ENPI).

2.2.3. *Implementation*

Institutional, legal and administrative reform

Promoting a transparent, efficient and professional civil service is one of the EU's main priorities. Thus, in the **South Caucasus**, the focus of support was mainly on the partner countries' ministries. In **Georgia**, for example, not only the Ministry of Justice but also the Parliament feature in major projects to boost reforms, as do key ministries in **Armenia** and **Azerbaijan**. In **Kazakhstan** EC support aims to increase citizens' awareness of the quality and quantity of public service to which they are entitled.

Statistical data that meet international standards are a prerequisite for the success of reforms. Therefore, in the **South Caucasus** and the **Central Asian** countries, the TACIS Statistics Programme has continued to strengthen the capacities of the National Statistical Offices. Building on the success of a project to combat money laundering in **Ukraine**, a follow-up project is enhancing the country's capacities to fight both laundering and terrorist financing. The same initiative now exists in **Moldova** and has been embarked on in **Russia**, where the Kaliningrad Oblast was the centre of attention for a project fighting organised crime, including through border management initiatives. Border management, which was high on the agenda for EU assistance, is also the focus of a major project in **Belarus**.

Ukraine is the first country in the region for the launch of the EU Twinning Programme – an important tool in the ENP, along with TAIEX, to approximate a partner country's legislation to EU legislation. Both programmes are now running in **Ukraine** and **Moldova**, where more than 20 twinning projects are in the pipeline. Progress was also made in other partner countries, such as **Azerbaijan**, **Armenia** and **Georgia**, where the objective is also to launch the twinning instrument. The short term technical assistance provided by TAIEX can also be instrumental to the identification of twinning projects.

Projects aimed at better managing borders and migration flows, including asylum, were promoted in Ukraine, Belarus and Moldova, with the focus on increasing travel document security, equipping the most sensitive border areas, and supporting the development of migration and border services.

Support to the private sector and assistance on economic development

TACIS support provided high-level guidance on trade, economic and budgetary policy; helping align legislation with international practice in areas such as competition, banking, and supervision, accounting and quality standards. In **Ukraine** and **Moldova**, the focus was on introducing tools and systems for the free movement of goods and financial services – with specific attention, for instance, to competition rules in Ukraine. In **Russia**, assistance was provided on the development of export-oriented and innovative SMEs. The EU also provided support for vocational education and training in **Tajikistan**, **Uzbekistan**, **Georgia**, **Armenia**, **Ukraine** and, from 2007, in **Azerbaijan**. In **Moldova**, major funding was made available to encourage exports as well as attract foreign direct investment. Similarly, in **Azerbaijan**, support was given to the Investment Promotion and Advisory Fund in order to foster a favourable investment climate, as well as to contribute to the balanced development of economic activity.

Accessible and reliable municipal services promote social stability and sustain economic development. In **Ukraine** an extensive programme to enhance sustainable local development concentrates on accessible and reliable municipal services like water supplies, waste treatment, and public transport and heating, including the installation of more effective boilers, pumps and piping systems.

The social consequences of transition

Tacis provides support in the areas of health, education and social services. In **Russia**, **Ukraine** and **Moldova**, wide-ranging projects are strengthening regional social services focusing on vulnerable population groups, and continued support was given to health care. In **Georgia**, the EU is funding the refurbishment of health facilities in the Kakheti Region and, in **Russia**, a comprehensive programme concentrates on the North Caucasus, improving health care provision in Chechnya. In **Moldova**, a major programme has been initiated to strengthen management capacity in the health and health insurance systems.

On the education front, significant funding has been granted to support students from **Belarus** who are deprived of higher education at home, e.g. through scholarships giving them access to higher education in neighbouring countries. In **Russia**, the European Studies Institute opened its doors to its first 54 master's students: the institute is a joint project which brings together eminent Russian and European professors. **Tajikistan**, the **Kyrgyz Republic** and **Uzbekistan** saw the continuation of Pilot Poverty Reduction Schemes, targeted at the most vulnerable groups.

In the Tacis region, the Commission continued to provide support to the higher education sector through the Tempus programme. A total of € 18.25 million was made available in 2006 to finance projects promoting the reform and modernisation of the higher education systems. The programme thereby continued to promote

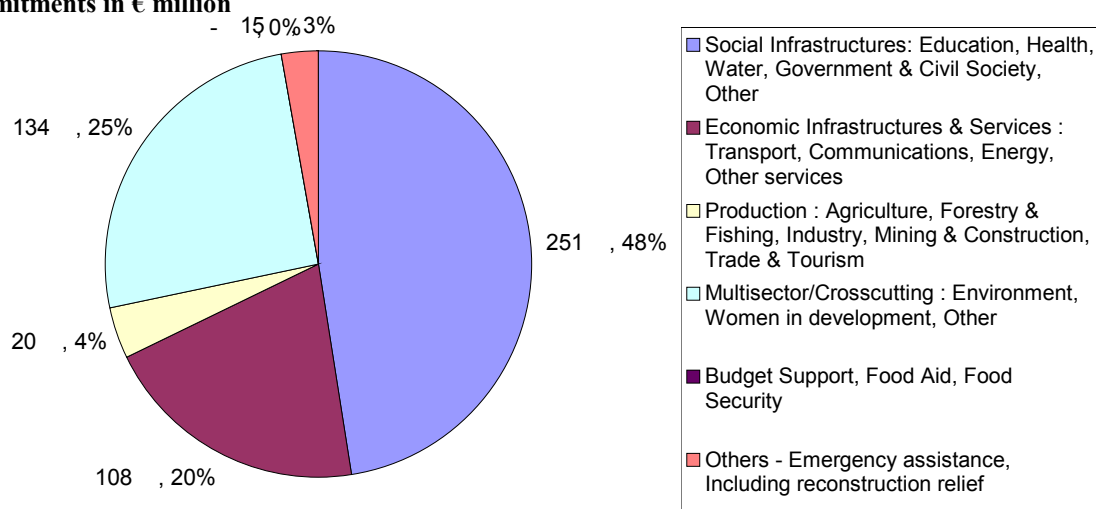
voluntary convergence with EU developments in the field of higher education deriving from the Lisbon agenda and the Bologna process.

Nuclear Safety

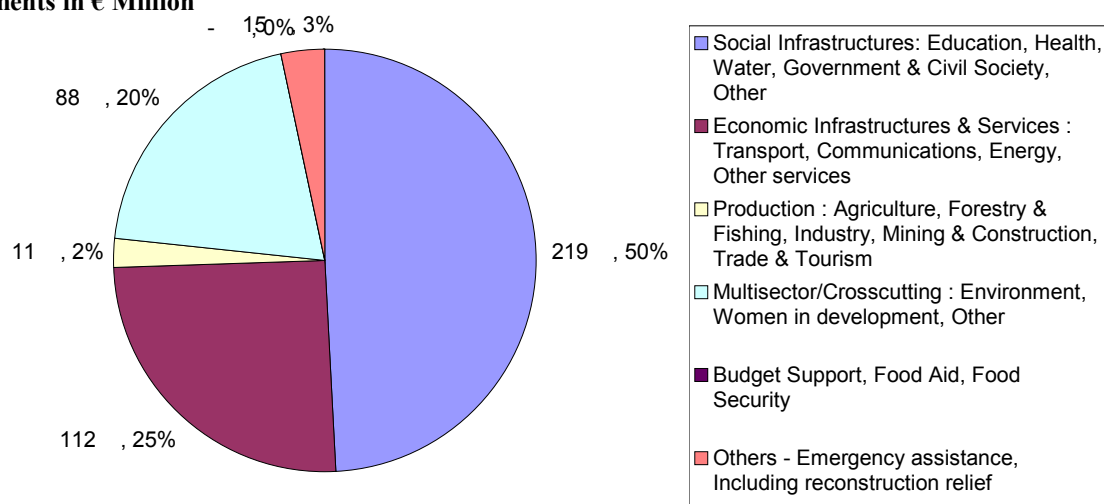
The EU continued its support of enhanced nuclear safety in **Russia** and **Ukraine**. In Russia, the main challenges are strengthening the regulatory authority, ensuring the safety of running reactors, and developing the management of spent fuel and radioactive waste. Ukraine's main challenges are to strengthen the regulatory authority and modernise its nuclear plants, particularly through the Chernobyl New Safe Confinement project and waste projects. The Commission paid the first part of the pledge of € 49.1 million on the New Safe Confinement project, but the latter has been delayed by difficulties in awarding a contract, although successful stabilisation measures are being implemented in the meantime. The **Armenian** Medzamor power plant, which seems likely to continue operating for some years in view of the economic situation, is also a matter of concern. As the overall safety situation still has to be improved, the EU will continue to provide on-site assistance and support to the Armenian Regulatory Authority.

Table 5 NIS. Breakdown by sector of external aid financed on the General Commission Budget managed by EuropeAid in 2006

Commitments in € million

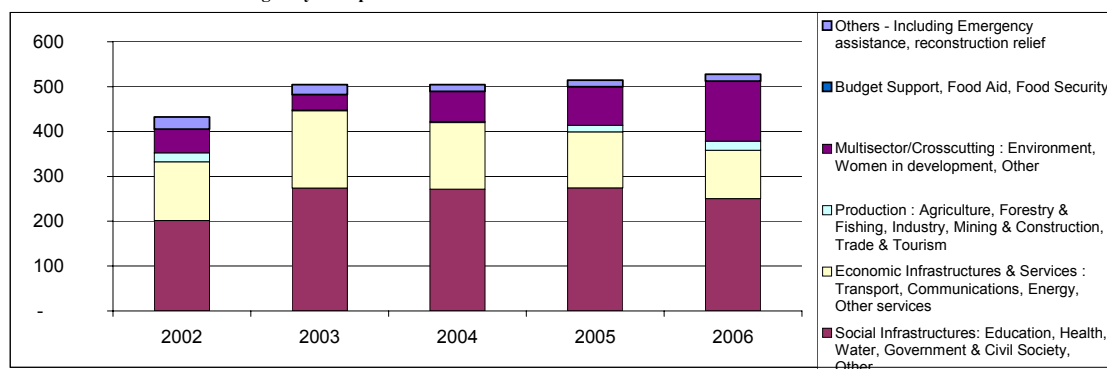


Payments in € Million



Bilateral and Multilateral ODA/OA (EuropeAid only).
Region identified following geographical budget lines

Table 6 NIS. Breakdown by sector of external aid financed on the General Commission Budget managed by EuropeAid. Commitments 2002-2006



Bilateral and Multilateral ODA/OA (EuropeAid only). Amount in € million.
Region identified following geographical budget lines

Table 7 NIS. External aid financed on the General Commission Budget managed by EuropeAid 2000-2006

M€	2000	2001	2002	2003	2004	2005	2006
Commitments	449	426	432	504	504	515	528
Payments	468	402	384	396	359	432	445

Bilateral and Multilateral ODA/OA (EuropeAid only). Amount in € million.
Region identified following geographical budget lines

2.2.4. Working towards the MDGs

EU external aid contributes in one way or another to the fight against poverty – from the extensive Food Security Programmes for the **South Caucasus** and **Moldova**, **Tajikistan** and the **Kyrgyz Republic** to projects supporting civil society or promoting investment and export. **Georgia** in particular benefits from the specific Poverty Reduction Programme for Rural Communities of the Kvemo-Kartli region. In combating child mortality and improving maternal health, support for public health care reform is strong in **Georgia**, and a project in **Armenia** is promoting health care that is equitable, affordable and accessible. A number of projects in TACIS partner countries concentrated on child welfare, also on gender equality, with the first comprehensive project on women's rights in **Ukraine**. Preventing and combating HIV/AIDS was a priority for EU support in **Ukraine** and **Russia**. In terms of the Environmental Sustainability MDG, a sizeable proportion of EU assistance concentrated on water management initiatives in the region.

2.2.5. Governance

Progress in governance in the region was mixed. While **Ukraine** and **Moldova** made progress in conforming with international electoral standards, both still face challenges in the functioning of democratic institutions, the independence of the judiciary, corruption, and, in the case of Moldova, ensuring respect for human rights. In Ukraine, considerable steps were taken towards consolidating respect for human

rights and the rule of law, but progress is being hindered by endemic corruption and by the lack of a truly independent judiciary.

For **Russia**, the EU placed emphasis on the promotion of democracy, the rule of law and good governance in general, as well as respect for human rights and fundamental freedoms. In 2005, President Putin had declared his intention to bolster democracy, human rights and fundamental freedoms, to protect property rights and counter widespread corruption. EU policy focused on working towards a stable, secure and prosperous Federation with accountable institutions and an independent judiciary, a free market system integrated with the rest of the European economy, and a strong civil society. The legal environment for work with NGOs deteriorated and pressures on opposition groups and the media inhibited progress in this area. In **Belarus**, flawed elections, arrests of opposition candidates, state control of the media, increasing repression of civil society and peaceful protests, and infringements of labour rights all point to a worsening situation with regard to governance.

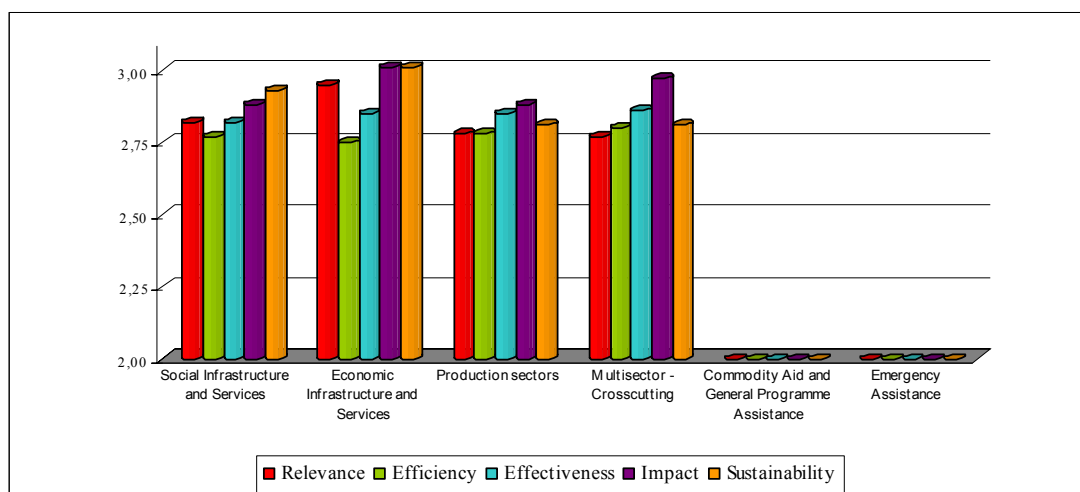
In Central Asia, serious progress in governance is needed. **Kazakhstan**'s progress in democratisation and protection of human rights is significantly slower than its progress in establishing a market economy. With **Uzbekistan**, the main aspects of EU restrictive measures remain in place (arms embargo, visa ban), although technical-level PCA meetings were resumed. In line with the Council conclusions on Uzbekistan, the Commission re-oriented its assistance to put increased focus on poverty reduction in the Ferghana valley, civil society and support for good governance, rule of law as well as higher education.

In **Kyrgyzstan**, the government poverty alleviation targets (which concern 40% of the population) cannot be achieved without a commitment to economic and social reform. The fragile internal political situation, with in-fighting for control over power sharing, undermines the reform process. The EC is a major donor to **Tajikistan** and mainly focuses on institutional and economic reforms, the fight against drugs, and poverty alleviation. Even though the general situation has improved over the last years, Tajikistan's economy remains extremely poor and vulnerable. The most important support to the national economy is provided by remittances of Tajik workers abroad (Russia and Kazakhstan) and drug trafficking.

2.2.6. *Overview results-oriented monitoring*

Table 8: Eastern Europe and Central Asia Monitoring Results per ODA sector⁴³

⁴³ Only samples of minimal 10 monitoring reports are considered statistically relevant, therefore no information is provided for those sectors having less than the minimum number of monitoring reports.



314 projects with a total budget of € 570.2 million were monitored, producing 386 reports in the Eastern Europe and Central Asia regions. The positive trend in these regions continued, with a good overall average of 2.85 (2.84 in 2005 for a target parameter of 2.5 for 'on track'). The *economic infrastructure and services* sector, with projects in *energy generation and supply* – dominated by *nuclear safety* projects – and *transport* scores best with an excellent 2.91. The *production* sector, mainly composed of *agriculture, mineral resources, mining and industry*, scores relatively weakly but is still well above target (2.82).

The projects monitored promise excellent *impact and sustainability* (2.93 and 2.92). However, in Central Asia *financial and economic viability* continues to remain problematic, often with shortcomings in the institutional framework to support projects after the end of external support. The *efficiency* criterion scores relatively weak in the regions with an average of 2.77, although still well on track. Insufficient *availability of means/inputs* is structurally influencing the overall average efficiency in projects, sometimes with delayed start-up, and a difficult infrastructure and institutional environment.

2.2.7. Donor co-ordination

With a substantial number of countries and international organisations providing development aid, co-operation is vital in order to maximise impact. Strong donor co-ordination is central to EU assistance in the partner countries, and all Delegations maintain a regular dialogue with EU Member States, the International Financial Institutions and other major donors – from programming to project level. A case in point is the project to support trans-boundary management of the Kura river basin in the **South Caucasus**, where the EU has co-operated very closely with other donors to reduce water pollution levels.

Consistency of regional programming with TACIS national programmes is also ensured. **Moldova** is a signatory country to the Paris Declaration, which commits its adherents to pursue efforts in harmonisation, alignment and management of aid. The government of **Ukraine**, too, supports the Paris Declaration. As a consequence, an official donor co-ordination structure has been established and is operational. In **Belarus**, with the Commission in the lead, all assistance proposals are discussed with other donors to avoid overlapping, from environment and education projects to the

rehabilitation of Chernobyl-affected areas. In **Armenia**, donor co-ordination is making good progress. One of the most successful examples is in the domain of energy, where a decommissioning strategy for the Medzamor nuclear power plant is being prepared jointly by the Commission and other donors. The Commission Delegation in **Russia** has set an example by hosting the monthly Inter-Agency meetings on Health Sector Co-ordination, facilitating the exchange of information between donors, consultants and NGOs.

In **Kazakhstan**, the Commission Delegation has taken the lead in donor co-ordination efforts in the sectors of energy and transport. Donor co-operation has been on the active agenda of the **Kyrgyz Republic** since it was designated a Paris Declaration pilot country in early 2003 and is institutionalised through a Donor Co-ordination Council, a Donor Core Group and a Donor Secretariat. In **Tajikistan** a donor co-ordination mechanism was officially founded in January along the same mandate and structure as the Kyrgyz Republic. Donor co-ordination has been especially successful in relation to the Food Security Programme. In **Uzbekistan** there is a formal donor co-ordination mechanism in the education sector, while co-ordination in other sectors takes place on an *ad hoc* basis. International organisation and Member States representatives in **Turkmenistan** recently agreed on the establishment of a permanent donor co-ordination committee to ensure complementarity between donor activities.

2.2.8. *Conclusions and perspectives*

While TACIS partner countries face different challenges, progress was made in fields like border management and trade-related issues. In other domains, for instance economic growth and civil society development, performance was varied. Many challenges remain, from poverty reduction to the fight against corruption and the approximation of legislation.

The last TACIS Annual Action Programmes were drafted, preparing the transition to the new European Neighbourhood and Partnership Instrument (ENPI). This will introduce new implementation modalities, to ensure better ownership and effectiveness on the beneficiary side. Furthermore, from 2007, Central Asian countries will be covered by the new DCI instrument.

Finally, within the framework of ENPI, a new Cross Border Co-operation (CBC) programme will be introduced on the basis of the former Neighbourhood Programmes, which will be replaced. For the first time, assistance to Member States and partner countries will come from a single and common budget, through a common programme, with increased funding and simplified implementation mechanisms. EuropeAid has started to prepare the new CBC programmes to be established along the EU's external border, stretching from the North of the Finnish/Russian border to the South around the Mediterranean Sea basin. Each programme will implement projects addressing four key objectives: economic and social development, common challenges, efficient and secure borders, and people-to-people co-operation.

Sustainable Development of Caspian Coastal Communities

The project is managed by the Central Asia Regional Environmental Centre, in co-

ordination with the Caucasus and Russia Regional Environmental Centres. EC funding amounts to € 1.6 million.

The Caspian Sea presents an extraordinary mixture of possibilities and threats. Threats to its unique quasi-marine environment, yet possibilities through its heritage of flora and fauna, its resources of oil and gas, and the potential to link the five countries of the Caspian Sea through increased trade and maritime development.

The Commission has been supporting projects designed to help the environment of the Caspian Sea since the late 1990s and the programme has been a good example of multi-donor co-operation. But one problem has remained: how to relieve the burden on the Caspian's natural resources, whether fisheries, land or water. It became clear that a new approach was needed, and that villages and other communities needed support to move away from the uncontrolled poaching of sturgeon, tree-felling leading to further desertification, migration to towns where people could not find work, and uncontrolled toxic effluent into the Caspian Sea from old industries.

The overall objective of the project, to enhance sustainable development, was prepared within the framework of the multi-donor Global Environmental Programme for the Caspian Sea, and carried out with the co-operation of the Ministries of Environment of Azerbaijan, Kazakhstan, Russia and Turkmenistan. Local oblasts were particularly supportive of the programme and made many constructive suggestions at an early stage of its design. Major towns were excluded from the grant scheme, so that the resources could be focused on smaller communities in need.

The project proved successful. It received a high rating from independent monitoring experts for effective and efficient management, and high impact. Experts helped train grantees and communities in sustainable economic growth, and monitored the projects. 572 permanent jobs were created, not including family members working in small enterprises. The example of this programme, with its low cost and efficient local management, has influenced other donors and international financing organisations.

The Commission hopes to have initiated a 'virtuous circle', whereby examples of successful small businesses in this unpromising physical and economic landscape can inspire others to imitate them.

EU Border Assistance Mission to Moldova and Ukraine (EUBAM): building confidence on the border

The Mission provides on-the-job training and advice to Moldovan and Ukrainian officials, enabling them to carry out ever more effective border and customs controls and border surveillance. The training covers a variety of topics, from Integrated Border Management to Falsified Documents, Car Trafficking, Enhanced Passport Controls/Profiling, and Search and Control Techniques.

Through its work, the Mission will contribute to strengthening cross-border co-operation and building confidence, contributing to the search for a solution to the conflict in Transdnistria. EUBAM has moved on at full speed from its first anniversary in November, and has been successful. Customs revenue in both Moldova and Ukraine has increased. Risk analysis is another area of improvement, facilitating the implementation of intelligence-led operations, which in turn have led to a decrease in illegal activities. Inter-agency co-operation within each state and across the border is

also flourishing, with agencies now working together on a daily basis.

The Mission has helped to establish and monitor a customs regime to international standards on the section of the border adjoining the Transdnistrian region of Moldova. Its role as a neutral and objective observer has allowed it to put objective information in the public domain, counteracting accidental or deliberate disinformation harmful to regional security.

2.3. Mediterranean and Near and Middle East

2.3.1. Introduction

Dialogue with countries of the region was stepped up, in order to facilitate the transition from MEDA to ENP instruments and allow the implementation of the European Neighbourhood Policy Action Plans.

The MEDA programme has been the EU's principal financial instrument for the region. The legal basis of the MEDA Programme is the 1996 MEDA Regulation⁴⁴ which was amended in November 2000 and is usually called MEDA II. The main areas of intervention and objectives are directly derived from those of the 1995 Barcelona Declaration. The programme offers technical and financial support measures to accompany the reform of economic and social structures in the Mediterranean countries. For the period 2000-2006 € 5,350 million were earmarked. The funds are mainly channelled bilaterally to the partners through national indicative programmes.

There were intense negotiations between the EU and **Egypt** on the text of the ENP Action Plan for that country, but delays were experienced both in creating the structure for the Association Agreement and Action Plan and in furthering the liberalisation of trade in agricultural products. The entry into force of the Association Agreement in 2004 had resulted in a significant increase of bilateral trade, the pace of implementation of MEDA bilateral assistance had significantly improved and new programmes were approved, including a programme of € 88 million to support reform of the health sector, the EU-Egypt co-operation agreement on science and technology (€ 11 million) and a programme to support social development (€ 20 million). Progress in economic reforms brought Egypt back on the path of economic growth (accelerated from 4.2% in fiscal year 2003-2004 to 5.1% in fiscal year 2005-2006). However, social reform is still lagging.

Despite the unstable regional geopolitical context, EU-**Israel** relations continued to intensify and good progress was made on the implementation of the EU-Israel ENP Action Plan. Several technical events were held covering a large spectrum of issues, including human rights, combating financing of terrorism, and the fight against racism, xenophobia and anti-Semitism. Israel continued to be an active participant in the 6th Framework Programme of Science and Research. Negotiations were opened on the liberalization of trade in services and agricultural goods. Israel now participates in the pan-Euro-Mediterranean cumulation of origin, and EU-Israel trade has increased further, with more than 30% of Israeli exports going to and 40% of imports coming from the EU.

Dialogue with **Jordan** accelerated with the organisation of a number of sub-committee meetings that reviewed progress in the implementation of the Action Plan and identified priorities for co-operation. A debate on reforms was articulated around the "We Are All Jordan" initiative, but implementation was delayed. The economic situation remains fragile with a large fiscal deficit (-4.3%, including grants).

⁴⁴ Council Regulation no EC/1488/96

Unemployment declined but remains high at more than 14%. EC financial assistance focused on educational reform and research.

Following the 34-day hostilities in **Lebanon** that caused substantial human suffering and considerable damage to the country's infrastructure and economy, the EC mobilised a total of € 107 million in various aid instruments. This sum included humanitarian assistance and other emergency aid, assistance to reconstruction and rehabilitation of the infrastructure, assistance to reform in key sectors and job creation. The EU-Lebanon Association Agreement came into force on 1 April. An ENP Action Plan was also negotiated, but its ratification by Lebanon was delayed until January 2007 due to the political turbulence of the second half of the year.

EU assistance to the **Palestinians** had to be adjusted to the political situation resulting from the legislative elections in January. Pending acceptance of the Middle East Quartet principles by the Hamas-led Government, some traditional EU assistance programmes had to be redirected so that they could directly target the Palestinian population. In June the EU and the World Bank set up a Temporary International Mechanism (TIM) to contribute to alleviating the socio-economic crisis: this mechanism channels allowances directly to vulnerable Palestinians, provides funding for fuel to operate hospitals and water installations in Gaza, and operates a Trust Fund to pay for the operating cost of social ministries. Together with the support granted through international organisations such as UNRWA and numerous NGOs, EC support to the Palestinian people reached € 340 million in 2006.

Political relations between the EU and **Syria** remained tense. No progress could be made on the signature of the Association Agreement, the technical preparations for which had been finalised in October 2004. However, the government continued to use the draft agreement as a guideline for its economic reform process, notably in the field of trade liberalisation (tariff reform). In May it adopted a reform agenda that should mark the country's transition from a planned to a social market economy: this agenda, developed with assistance from MEDA, could form the basis for future ENP negotiations. Support for private-sector development continued with the transformation of the Syrian-European Business Centre into a new national institution for SME promotion, the Syrian Enterprise and Business Centre.

The strong partnership between **Algeria** and the EU was given tangible expression by the entry into force of the Association Agreement on 1 September 2005. In 2006 priority was given to putting this Agreement's potential into practice, and the first Association Council meeting on 16 May was an opportunity to draw up a positive political agenda. Since then, even before finalisation of the procedure to set up formal subcommittees, there was an initial meeting of an informal 'trade, industry and services' working party in Brussels on 7 November, followed by a "justice and home affairs" working party in Algiers on 5-6 December. Algeria is taking full advantage of the potential of the Agreement, so it would be premature to anticipate the adoption of a Neighbourhood Action Plan until Algeria considers this opportune.

The various technical subcommittees established jointly with **Morocco** under the Association Agreement met regularly and worked effectively, creating a valuable framework for sectoral dialogue and ensuring consistency between sectoral-policy issues and co-operation. They also provided an opportunity to make balanced

progress on all aspects of the Action Plan, though with varying degrees of ambition, and helped strengthen mutual confidence. This enhanced political dialogue provided a forum for increasingly open political debate. Many political reforms, plus those designed to improve the transparency of the economy, have helped to improve governance in Morocco.

Improving the living conditions of the population remained an ongoing priority of **Tunisian** government policy. Most of the economic and social reforms and sectoral measures provided for in the Action Plan have made good progress, with meetings of five subcommittees, but there was less progress on dialogue and political co-operation. The establishment of a subcommittee on human rights and democracy is still at rules-of-procedure stage, the MEDA justice project signed in December 2005 is not yet operational, and progress on civil society projects is slow.

Libya and the EU are not yet linked by agreements. Their relations, which are currently based on a policy of reciprocal engagement, remain informal. Dialogue concentrates on the issues that both parties perceive as most urgent and strategic, namely migration and co-operation on HIV/AIDS. However, there is important potential to be developed once remaining issues are solved. In the area of illegal migration, Libya benefits from two EC co-funded projects under the Aeneas Programme (2004 budget), with a total EC contribution of about € 3.5 million: their objective is to improve controls at the Libya-Niger border and to improve management of transit immigration. On HIV/AIDS, the EC initiated an Action Plan for Benghazi in 2005, mobilising medical, psychological and technical assistance in order to tackle the consequences of a major infection in that city in 1998. At the end of the year, the total EC contribution to Libya amounted to € 2.5 million.

In the **Mashreq** countries of the Middle East, the Commission played an important role in the preparation of the International Compact for **Iraq**, launching negotiations for a Trade and Co-operation Agreement and implementing the 2006 Assistance Programme, with particular emphasis on helping the government deliver basic services. Progress in other fields was hampered by the weakness of the Iraqi administration and the worsening security situation. The Commission also enhanced dialogue with Iraq by appointing its first Head of Delegation to the country.

Potential areas for greater collaboration with the **Gulf Co-operation Council** were identified in the course of adoption of the Instrument for Industrialised and High-Income Countries, and progress was achieved in the negotiation of the Free Trade Agreement. Support to **Yemen** was strengthened through the deployment of an Electoral Observation Mission covering the September 2006 Presidential elections, an increased focus on domestic political and economic reform, and active EU participation in the Donor Consultative Group meeting in London in November. The regular annual meetings of the EC-Yemen Joint Cooperation Committee (Sana'a, February 2006) and the EU-Yemen Political Dialogue (Sana'a, November 2006) also provided opportunities for frank and open exchanges. The Commission continued to support the EU3 negotiations with **Iran** and pursued its efforts to engage with Iranian civil society.

2.3.2. *Regional co-operation and integration*

The dialogue at regional level between the EU Member States and the Mediterranean countries was constant throughout the year, mainly thanks to Euromed Ministerial Meetings (Industry in Rhodes, Environment in Cairo, Women in Society in Istanbul; Foreign Affairs in Tampere) and high-level forums (Euro-Mediterranean Energy Forum and the Marrakech Civil Forum on Gender Equality). In particular, the Ministerial Conference in Istanbul on the role of women in society was a key moment for dialogue, with the EU and its Mediterranean neighbours agreeing on a set of actions for the promotion of women's rights and gender equality.

Major programmes were initiated through the Regional Financing Plan 2006, namely Justice and Home Affairs (MEDA JAI II, € 15 million), Maritime Safety and Security (Safemed II, € 5.5 million), Euromed Satellite Navigation (GNSS II, € 4.5 million), Support for the Euro-Mediterranean Energy Market Integration (€ 4.6 million), TEMPUS programme for Education (€ 18.5 million), technical assistance under FEMIP (€ 30 million) and a programme on avian influenza and global influenza pandemic preparedness in the region (€ 10 million).

Regional programmes such as Euromed Market, Euromed Quality, Euromed Innovation and Technology, FEMISE and the Euromed network of investment promotion agencies, ANIMA, reinforced co-operation on competitiveness, market access, innovation and investment in the region. FEMIP continued its support to the private sector as well as strengthening the involvement and ownership of Mediterranean partner countries through an enhanced advisory mechanism. The regional programme "Euromed Bridge Programme on Civil Protection" was an important political measure promoting co-operation and interaction between regional and local authorities, civil populations and civil society. With terrorism and enhancement of security as important concerns, EuropeAid participated with EU Member States and the Mediterranean partners in the preparation of a Code of Conduct on Countering Terrorism.

A number of significant sub-regional projects are being pursued in the context of developing a Euro-Mediterranean energy market: these include the progressive integration of the Maghreb countries' electricity market with the EU electricity market, the integration of gas markets in the Mashreq region, and improvement of energy efficiency in the Mediterranean area. EuropeAid also initiated a number of activities in the transport sector, including a new MEDA GNSS project on pre-industrial demonstrations of the Galileo signal in the Mediterranean region, and a civil aviation reform project aiming to harmonise aviation safety and security rules and prepare the ground for a common aviation area. The 'Mediterranean Motorways of the Sea' initiative will contribute to the extension of the European transport networks towards its southern neighbours, while the SAFEMED project will help combat pollution in the Mediterranean sea. Projects funded principally under the regional SMAP programme are setting out steps for implementing Horizon 2020, the Mediterranean de-pollution initiative.

In order to help the MEDA countries participate in the Cross Border Co-operation programmes that are foreseen within the European Neighbourhood and Partnership Instrument (ENPI), EuropeAid signed three Financing Agreements to fund the participation of MEDA partners in EU structural funds programmes (INTERREG).

The intercultural dialogue was strengthened through activities carried out in regional programmes such as Euromed Heritage, Euromed Youth, Euromed Audiovisual II (aimed at strengthening the Euro-Mediterranean audiovisual sector) and within the framework of the Euro-Mediterranean Anna Lindh Foundation for dialogue between cultures. The European Commission also made available a total of € 18 million for university co-operation projects involving higher education institutions from the Mediterranean countries. EuropeAid is also contributing, through a new regional programme, to the promotion of the full participation of women in economic life in the Euro-Mediterranean region. Regional projects within the Information and Communication programme aim to increase the visibility of the EU in the Mediterranean media through the participation of high-ranking officials in debates and interviews, as well as through the preparation of information for the media.

Finally, the year saw a consolidation in Mediterranean neighbouring countries of the institutional twinning instrument, which is now also available to other countries under the European Neighbourhood and Partnership Instrument. These programmes, linking administrations in beneficiary countries with partner administrations in Member States, are in place in Egypt, Jordan, Lebanon, Morocco and Tunisia; 15 twinning contracts have already been signed and 80 more are in the pipeline. These contracts, together with the TAIEX operations launched in 2006, cover such fields as trade and customs, taxation, transport, health norms and consumer protection, money laundering, migration, competition, and land tenure.

Mitigating damage to Mediterranean coastal eco-systems and landscapes

More than 50% of the Mediterranean countries' population is concentrated on the coastline and more than 30% of world tourism is attracted to the Mediterranean region. Existing pressures from human activity cause enormous damage to coastal eco-systems and landscapes, and emissions from municipalities and industries generate pollution problems in marine waters. There is growing awareness of the need to tackle these issues before it is too late.

The regional SMAP programme has implemented various projects to help resolve these problems. Among them, a regional "Project for the Development of Marine and Coastal Protected Areas in the Mediterranean Region" aims to support conservation and promote sustainable management of Mediterranean marine and coastal biodiversity through seven pilot initiatives. Algeria, Cyprus, France, Israel, Italy, Spain, Malta, Morocco, Syria and Tunisia are collaborating to establish and manage Mediterranean marine and coastal protected areas, to launch inventories of natural sites for conservation and to publish practical guides on species in need of special care (marine turtles, cetaceans, monk seals, etc.)⁴⁵.

2.3.3. Implementation

This was the last year of the MEDA programme and also another record year in terms of budgetary execution and operational implementation. Total commitments under MEDA amounted to € 816.7 million and total payments reached € 891 million. For the third consecutive year, payments exceeded forecasts and confirmed that the Commission's efforts to improve implementation of MEDA are paying off. The

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<http://www.smaponline.net/EN/index.php?subdir=sma&page=sma.php>

payments/commitments ratio for all Mediterranean and Middle East budget lines has now reached 105 % (€1 218 million/€ 1 158 million).

Co-operation with the Maghreb countries

In its last year of operation, the MEDA programme continued to provide **Maghreb** countries with substantial technical and financial support for their agenda of economic and social reforms. In **Tunisia**, human resources development is one of the main priorities of EC co-operation: building on the achievements of a previous programme, the Commission committed € 30 million to the *Manform II* programme to support the national vocational training system. A further € 41 million was committed through the *Programme d'appui à la Compétitivité* to support reforms in the fields of public administration and public financial management.

In **Morocco**, the Commission launched a major programme supporting the ambitious fiscal reform undertaken by the government. Endowed with € 80 million, the *Programme d'appui à la réforme de la fiscalité* will accompany, over the next three years, the much needed process of simplification and rationalisation of the fiscal system, focusing in particular on VAT reform. In the critical area of the environment, two new programmes were adopted in the field of water and waste water policy, namely *Assainissement des eaux usées et appui institutionnel au secteur de l'eau* (€30 million) and *Assainissement des villes moyennes II* (€ 10 million). In the transport sector, a horizontal aviation agreement and a global aviation agreement, as well as a co-operation agreement on Galileo, were signed.

In recent years, Morocco has been successfully carrying out an important process of democratisation. In 2006, the traditionally strong support of the Commission to this process came through the earmarking of € 3 million for the project *Appui aux actions de réparation en faveur des régions touchées par les violations des droits de l'homme*. €30 million were also earmarked for the strengthening of an ongoing programme supporting migration management policy, a major priority of Euro-Moroccan co-operation.

The Commission pursued its co-operation with **Algeria** essentially through technical assistance. The main objectives of this co-operation are to support the Algerian government's efforts in implementing the EU-Algeria Association Agreement, modernising public administration and improving public services. To this end, the Commission adopted the following programmes: support to the transport sector (€ 20 million); support to management of the economy (€ 20 million); support to implementation of the Association Agreement (€ 10 million); trade facilitation (€ 5 million); and support to rural development (€ 11 million).

Co-operation with the Mashreq and Middle East countries

The deepened relationship with the **Mashreq** countries, together with the evolution towards sector-reform-oriented operations in 2005, led to improved co-operation with the five partner countries, mainly within the framework of the MEDA programme. **Egypt** remained one of the main beneficiaries of this programme with a major allocation of € 129 million, bringing to € 592 million the total cumulative funding under MEDA since the year 2000. Priority was given to the improvement of the health sector with the aim of accompanying the ongoing reform of the national

health system: € 88 million were committed for this purpose. In addition, € 20 million were allocated for social development, €11 million for research, development and innovation, and €10 million for an interest-rate subsidy relating to a project on pollution abatement.

In **Syria** two existing programmes, the Syrian-European Business Centre (SEBC) and the national Small and Medium Enterprises Support Programme, provided the ground for implementing a € 12 million Quality and Standards Programme in the key co-operation area of industrial modernisation. Complementary to other ongoing actions (HIBA: Higher Institute for Business Administration and VET: Vocational and Educational Training) in the education sector, a new € 10 million MEDA Upgrading Higher Education Programme was launched to address the important challenges for the development of an effective higher education system.

In **Lebanon** the war between Israel and the Lebanese Hezbollah significantly affected co-operation objectives. In the aftermath of the war, during the Stockholm Conference in August, the Commission pledged more than € 100 million (€ 54 million for humanitarian assistance and € 42 million for short-term needs). The Commission also assisted in the evacuation of some 50 000 persons with an amount of € 11 million. Based on the findings of the damage assessment missions, € 18 million worth of projects were reoriented under the 2006 National Financing Plan, and up to € 50 million from the Multi-annual Indicative Programme 2007-2010 will be used for reconstruction and recovery. These interventions include a € 15 million Commission contribution to assist a € 100 million European Investment Bank global loan in support of SMEs directly or indirectly damaged by the war.

In **Jordan**, the EC continued to support the reform efforts of the government by approving a National Financing Plan representing € 67 million worth of grants. This assistance will contribute € 42 million to Jordan's National Education Strategy programme and broaden educational opportunities for the most vulnerable groups. A second programme – worth € 20 million and reflecting the good performance of Jordan in terms of democratisation – will encourage fulfilment of the conditions essential to the effective implementation of the National Agenda of reforms. Finally, a € 5 million action plan agreed in 2006 will support research and technological development in a promising area not already covered by other international donors.

Following the crisis situation in the **Palestinian territories of West Bank and Gaza**, the EC allocated a total of € 339 million for the benefit of the Palestinian people, a considerable increase on previous years: EU assistance has been averaging € 260 million annually since the outbreak of the second *intifada* in 2000. This increase in aid was a response to the deteriorating humanitarian and socio-economic situation in the West Bank and Gaza resulting both from a fiscal crisis that worsened significantly after the formation of the Hamas-led Palestinian Authority (PA) government in March and from the subsequent decision of Israel to withhold the tax and custom revenues they collect on behalf of the PA: these revenues represented broadly two-thirds of the PA budget.

Early in the year, the Commission made € 64 million available to the United Nations Relief and Works Agency (UNRWA) to provide health, education and social services to Palestinian refugees. An emergency contribution of € 40 million was also made to ensure essential public utilities, in particular electricity supplies to the

Palestinian community. A further € 84 million in humanitarian aid was provided by the DG for Humanitarian Aid (ECHO), and € 26 million was also allocated for food aid and food security, much of it implemented via UNRWA and the World Food Programme. An additional € 10 million was provided to improve the living conditions of Palestinian refugees in Lebanon, Syria and Jordan.

In June, the Commission, with the World Bank, put in place a Temporary International Mechanism (TIM) to help alleviate the socio-economic conditions that were continuing to deteriorate. This mechanism, developed by the EU at the request of the Quartet (EU, US, UN and Russia) and endorsed by the European Council, permitted direct delivery of assistance to the Palestinian people while avoiding financial links with the PA government. The Commission contributed € 110 million in 2006 with further contributions totalling € 87 million coming from EU Member States. Other projects include a € 12 million package to support the Office of the President and more than € 3 million, allocated through NGOs, for the promotion of human rights and the implementation of social projects.

Successful implementation of the TIM

On 9 May 2006, the Quartet addressed the humanitarian situation in the Palestinian Territory and asked the European Union to propose a Temporary International Mechanism (TIM). This mechanism was subsequently developed under the responsibility of European Commissioner Benita Ferrero-Waldner and was endorsed by the European Council. The main objective was to maintain the provision of essential public services and to protect ordinary Palestinians from the socio-economic crisis that intensified following the establishment of the Hamas-led Palestinian government.

The TIM is a European operation composed of a team of officials from the European Commission, staff from EU Member States, and experts. The TIM Management Unit (TIM-MU) processes the financial contributions from the European Commission, EU Member States and other donors. Its work, which started in Jerusalem on 26 June 2006 for a period of three months, was extended for a further three months until the end of 2006. Over the past year, the World Bank and the European Commission have supported it with a total of € 205 million; 14 Member States and Norway have contributed with a total amount of over € 94 million, the remaining funds coming from the Commission budget.

Under the TIM, essential support has been provided for the uninterrupted supply of public utility services (electricity, water treatment and supply, and health facilities), especially in Gaza following the bombing of the power plant end-June. The TIM paid over € 88 million in social allowances to 71 000 public-sector employees and pensioners with low incomes. Over € 23.7 million was channelled directly to 73 000 poor and vulnerable Palestinians seriously affected by the crisis. In November, the European Council extended the TIM for a further three months to end-March 2007, when it is set to be reviewed.

The following three non-Mediterranean countries were not eligible for MEDA, and co-operation was therefore implemented through dedicated programmes:

Aid to the reconstruction in Iraq

Since 2003, the EC has contributed to the alleviation of daily difficulties in **Iraq** as well as to better governance in the country, with an amount totalling € 718.5 million.

As part of a multilateral and cooperative effort with other donors, EC aid has been channelled mainly through the International Reconstruction Fund Facility for Iraq (IRFFI), despite the extremely difficult operating conditions in the country, the instability and the increasing lack of security. The Commission approved (on 12 July and 21 November) two packages to support Iraq reconstruction, bringing EC support to Iraq in 2006 to € 200 million.

These measures include assistance in improving the living conditions of Iraqis, furthering democracy and supporting the priorities set by the Iraqi government on reconstruction. EC-supported actions have focused so far on education, health, aid to the UN role in the political and constitutional process in Iraq, water, sanitation and income-generating activities for the vulnerable. Support to primary and intermediate school education has provided better learning conditions for about 100 000 students, and enhanced teaching capacity for about 20 000 primary teachers. Health services have also been enhanced, with improved immunisation services throughout the country. Finally, the EC has supported job creation through such projects as the Iraq Reconstruction and Employment Programs (IREP).

Co-operation with Yemen

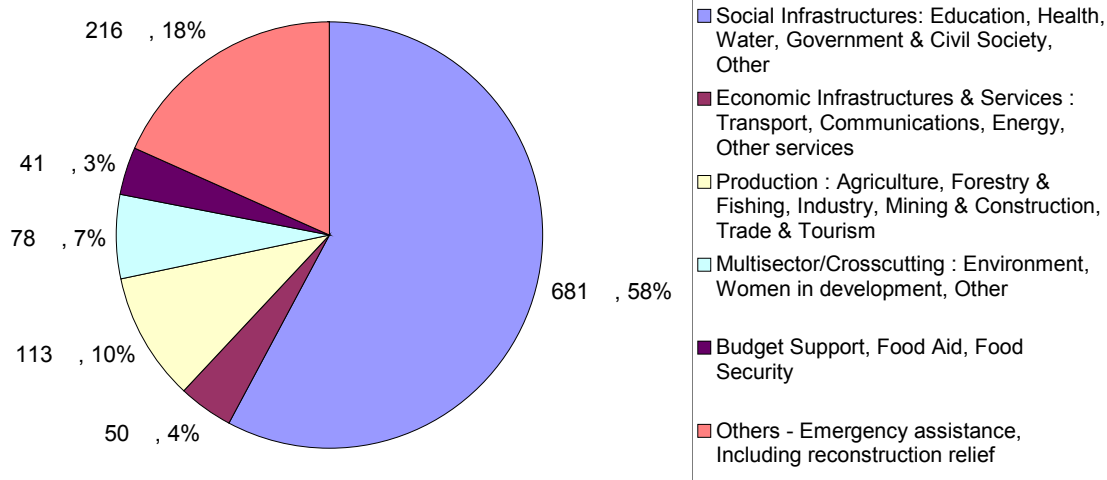
The EC played a particularly important role in **Yemen**, with an EU Election Observation Mission supporting the country's presidential and local elections in September 2006, an openly-contested electoral process. This milestone in the democratic development of Yemen was followed by a major Donors Consultative Group Meeting in London in November, where the EU reaffirmed its crucial support by making the most important non-Gulf contribution to Yemen's 2007-2010 development plan. Complementing its important contributions in the health sector, the Commission approved a new reproductive health and population programme of € 10.5 million: high mortality and fertility rates have indeed been identified as the main constraints to sustainable development in what remains one of the poorest countries of the world. In addition, an allocation of € 6 million was made under the food security budget line. At the end of the year, the Commission and the Yemeni authorities reached agreement on the 2007-2010 strategy for EC development co-operation.

Co-operation with Iran

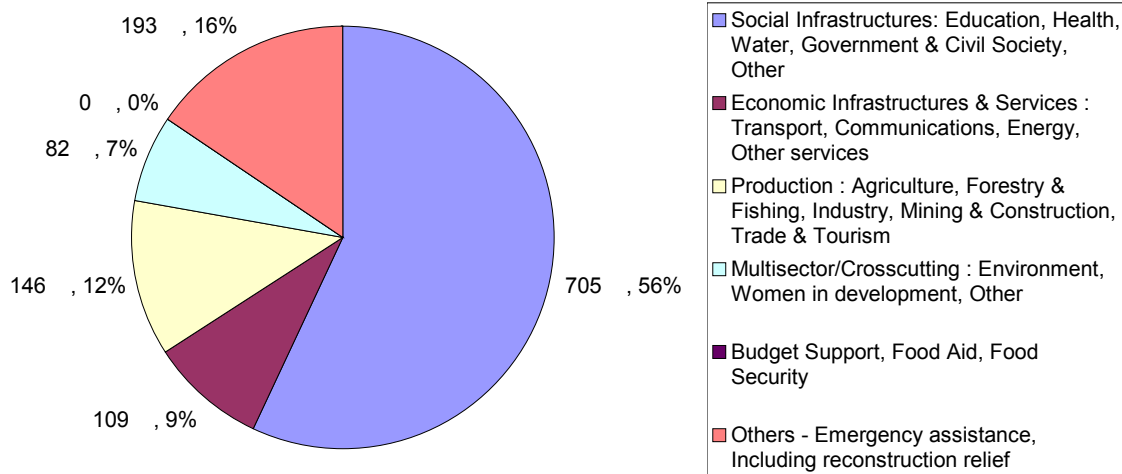
The prospects for a deepening of the EU strategy in **Iran** were hampered by the deterioration of the domestic situation and by the attitude of the Iranian authorities towards the EU and the international community in general. Despite growing difficulties, efforts continued in implementing activities supporting Iran's civil society. In particular, four projects promoting the values of good governance and human rights, mainly carried out through UN agencies, progressed satisfactorily during the year.

Table 9 MEDA. Breakdown by sector of external aid financed on the General Commission Budget managed by EuropeAid in 2006

Commitments in € million

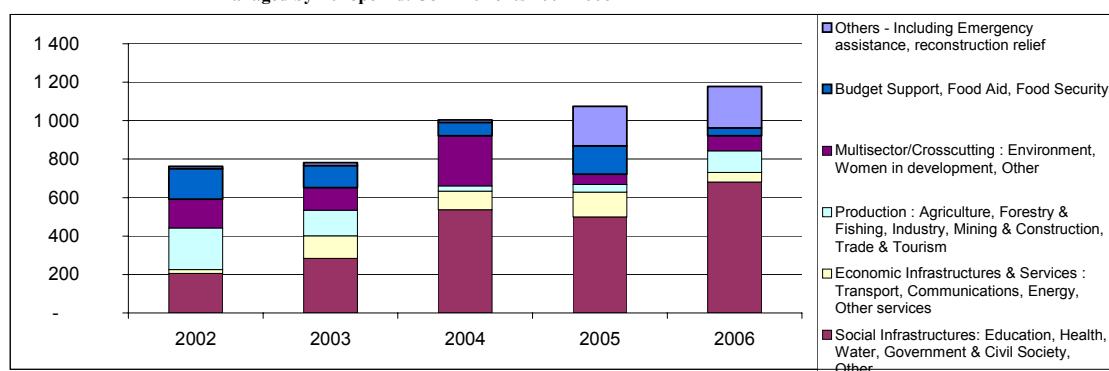


Payments in € Million



Bilateral and Multilateral ODA/OA (EuropeAid only).
Region identified following geographical budget lines

Table 10 MEDA. Breakdown by sector of external aid financed on the General Commission Budget managed by EuropeAid. Commitments 2002-2006



Bilateral and Multilateral ODA/OA (EuropeAid only). Amount in € million.
Region identified following geographical budget lines

Table 11 MEDA. External aid financed on the General Commission Budget managed by EuropeAid 2000-2006

M€	2000	2001	2002	2003	2004	2005	2006
Commitments	731	709	762	782	1 003	1 075	1 178
Payments	459	488	707	700	1 125	1 122	1 235

Bilateral and Multilateral ODA/OA (EuropeAid only). Amount in € million.
Region identified following geographical budget lines

2.3.4. Working towards the MDGs

Defined in the context of the Barcelona Process, the EU's objectives for the Mediterranean and Middle East Region (MED) are in line with the United Nations' Millennium Development Goals set in 2000 and revised in 2005. Launched in 2004, the European Neighbourhood Policy is complementary to Euro-Med co-operation and offers to draw neighbours much closer to the EU. Complementing the framework of the Barcelona Process, the ENP offers bilateral incentives and opportunities for the further economic and social integration of the Mediterranean countries, within the perspective of a Free Trade Market to be implemented by 2010. To this end, the ENP aims to reduce the emergence of new dividing lines between the enlarged EU and its neighbours, and to enhance co-operation in numerous areas of vital and common interest: economic, social, immigration, justice, environment, and so on.

Based on the outcomes of the annual monitoring exercise, 75 projects (out of a total of 150 monitored projects) directly or indirectly addressed one or more of the MDGs. Even if in absolute terms this figure is lower than the previous year, this still represents 50% of the total Mediterranean portfolio. Moreover, the projects monitored directly addressed seven out of eight MDGs – one more than in 2005 – including eradicating extreme poverty and hunger, achieving universal primary education, promoting gender equality and empowering women, reducing child mortality, improving maternal health, ensuring environmental sustainability, and

developing a global partnership for development. The 6th MDG - combat HIV/AIDS, malaria and other diseases – was the only one not addressed by these projects.

MDG 8, the creation of a global partnership for development, received the most attention in the MED region. In the context of a Free Trade Area by 2010 and the sustained political dialogue with Mediterranean countries, the EU was able to increase the number of good governance projects and extend co-operation to new areas, such as justice and migration, with a total of 36 projects that directly serve the partnership for development. More specifically, the objectives for a global partnership for development were pursued in no less than 16 projects focusing on trade enhancement and support to the private sector.

In addition, 10 projects in the area of institutional capacity-building and good governance focused on institutional support for the implementation of the Association Agreements and the reinforcement of social and financial systems. Overall, the global partnership for development targeted activities totalling € 875 million. Twenty projects to a total value of € 200 million directly addressed environmental sustainability issues, the 7th MDG. Fifteen monitored projects also ally issues of food security and sustainable development with a strong element of community based development and gender empowerment.

Performance analysis

EU assistance in the region provided a significant contribution towards the achievement of the Millennium Development Goals. As analyses based on performance indicators for 2006 show, projects related to the MDGs in the Mediterranean area are performing satisfactorily. The best-performing MDG-related projects served the second goal: Achieving Universal Primary Education. The best-performing monitored projects were located in the Palestinian Territories, followed by Algeria and Syria.

2.3.5. Governance

Democracy Facility

The Commission provided additional funding through a Democracy Facility to Jordan and Morocco, the two partners who had made most progress in implementing the agreed reform agenda set out in their ENP Action Plans. Based on an assessment of progress in implementing governance aspects of the ENP Action Plans, this funding was made available as a top-up to national allocations to support key elements of the reform agenda. The EC allocated an additional € 30 million to a border management programme in Morocco, which will in particular help train border police on migrants' rights and foster respect for the relevant international conventions. In Jordan, the EC supported the national reform process through a € 20 million programme underpinning the "We Are All Jordan" initiative. This includes establishing monitoring mechanisms and reinforcing the capacity for reform implementation.

Support for NGOs in Algeria

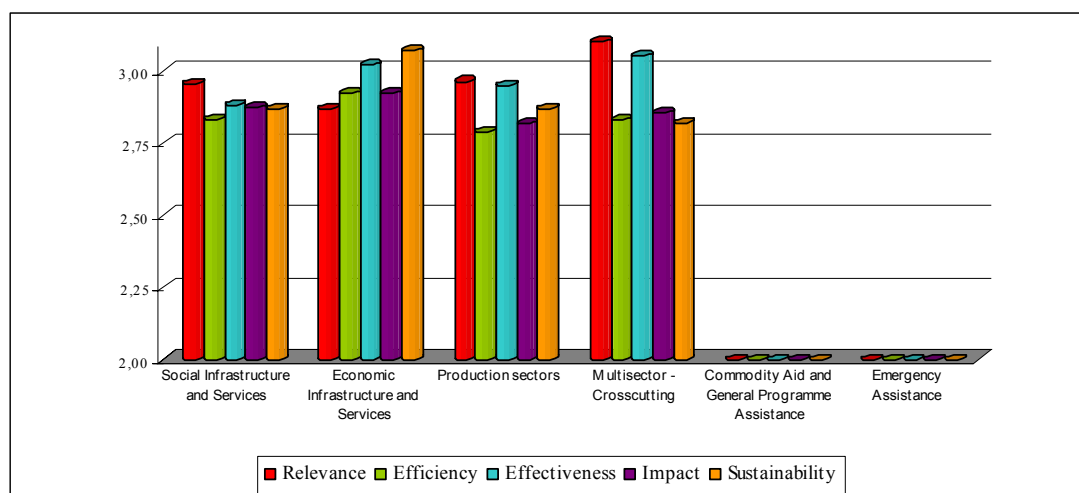
Since 2000 the Commission has supported civil society through the MEDA programme.

The NGO I project was very favourably evaluated, while NGO II started up during the year. The overall objective of the programme is to promote the role of civil society in Algerian development. The expected results are:

- associations will be assisted to ensure their viability and their operational independence;
- management capacity will be consolidated;
- at least 150 associations additional to those that benefited under NGO I are financed on the basis of calls for proposals;
- impetus is given to interaction between local and Mediterranean associations, in particular those involving young people and women;
- link-ups and inter-association exchanges on specific projects, in particular those involving young people and women, are organised and financed;
- grassroots networks are encouraged and supported in specific areas of interest.

2.3.6. Overview results-oriented monitoring

Table 12: Mediterranean and Near and Middle East Monitoring Results per ODA sector⁴⁶



150 ongoing projects for a total budget of € 1 886 billion were monitored in this region, producing 180⁴⁷ monitoring reports. Project performance shows a continuous improvement from 2.81 in 2002 to 2.89 in 2006. *Efficiency*, although still the poorest performer among the five criteria, has continuously improved from 2.65 in 2002 to 2.83 in 2006. When considering only projects re-monitored from 2004 to 2006, this

⁴⁶ Only samples of minimal 10 monitoring reports are considered statistically relevant, therefore no information is provided for those sectors having less than the minimum number of monitoring reports

⁴⁷ Including regional programmes for which more than one component is monitored. This explains the difference between projects monitored and reports

positive evolution is confirmed, with a strong increase between 2004 and 2005 (from 2.60 to 2.79) and an average score of 2.81.

The *social infrastructure and services* sector, which represents more than half of the projects as well as of the budget monitored, shows good overall performance (2.88 for a target parameter of 2.5 for 'on track'). The best performance is in the *economic infrastructure and services* sector (23 projects for € 429 million) with an impressive 2.96.

2.3.7. Donor co-ordination

As pointed out in the Paris Declaration, excessive fragmentation of aid impairs aid effectiveness. A pragmatic approach to the division of labour and burden-sharing among donors was therefore necessary to increase complementarity and reduce the transaction costs for partner countries. Concern for aid effectiveness is fully reflected in Commission co-operation with Mediterranean partners and translates into systematic co-ordination with other donors.

Working together with International Financial Institutions such as the World Bank and the African Development Bank is a long-established practice, ranging from the exchange of information and analytical work to joint preparation and implementation of programmes. The Commission is also increasingly committed to improving co-operation with the EU Member States. Thematic working groups in areas as varied as health, education, water, immigration, and gender issues meet regularly, chaired by representatives of the Member States and co-chaired by Commission Delegations. An example of best practice in the framework of the government's poverty reduction strategy is Morocco where the Commission, France's Agence française de développement (AFD) and the German KfW are jointly carrying out the identification of the INDH programme (National Initiative for Human Development).

A good example of co-ordination and co-operation by donors was the successful implementation of the Temporary International Mechanism (TIM). Thirteen EU countries and Norway contributed to the TIM with a total allocation of nearly € 95 million, while other Member States provided human resources in support, increasing the need for co-ordination between donors. Since its inception, the TIM initiative has closely involved potential donors, through common meetings and individual contacts, in putting in place the structures and processes needed to deliver direct support to vulnerable Palestinians. Officials are regular participants in EU and donor co-ordination forums in the West Bank and, in the past six months, TIM has organised two donor conferences, a consultative group meeting and two local donor meetings.

Ad hoc briefings were set up for a number of visiting delegations, including from the House of Commons, the German Ministry for Economic Co-operation and the European Parliament. TIM established structures and processes to facilitate donor contributions and identifies payment needs on the basis of established criteria, allocating donor contributions accordingly. Monitoring and auditing procedures for all operational activities ensure an efficient employment of donors' contributions and precise follow-up of expenditures. Donors are regularly informed through both monthly reporting and *ad hoc* information on the disbursement of funds and payments to beneficiaries.

2.3.8. *Conclusions and perspectives*

This was the last year of the MEDA programme, launched in 1995 as the main operational instrument for EC co-operation with the southern Mediterranean countries. Twelve years on it can be said that, reflecting the ambitious objectives set at the Barcelona Conference in 1995, major achievements have been achieved in a wide range of areas: political dialogue has been reinforced in an unstable international context and essential institutional reforms have been implemented in several countries; and important breakthroughs in trade and regulatory reforms, including measures to prepare partners for a stake in the Internal Market, have been realised. Significant results have also been achieved in the fight against poverty, providing the poorest with better access to health and education systems. Lastly, in this not-exhaustive list, convincing results have been recorded in the fields of justice and home affairs, energy, transport and environment, as well as regional integration.

The following figures reflect the success of the Barcelona process and the positive results obtained through the MEDA Programme. In 2006, more than 50% of regional trade was with the EU, which was also the final destination for 70% of many of the southern Mediterranean countries' exports. The EU is the largest foreign direct investor, with almost 40% of total FDI, and the region's largest provider of financial assistance and funding, with almost € 3 billion per year in loans and grants.

The operational start-up of the European Neighbourhood and Partnership Instrument on 1 January 2007, replacing both the TACIS and the MEDA Programmes, represents an enhancement of EU-Med co-operation policy. An ambitious strategic programme is foreseen, with heightened objectives in all areas of co-operation for 10 Mediterranean countries over the period 2007-2013. To address its objectives, the ENPI's financial envelope for these 10 Mediterranean countries will amount to some € 3.2 billion over the first three-year period of the new programme (2007-2010).

The ENPI will enhance relations with the Mediterranean partners, based on common vital interests. It will address challenges such as worldwide economic integration, sustainable development, immigration, the fight against terrorism, conflict resolution and better understanding between neighbours sharing a common historical and cultural heritage around the shores of the Mediterranean basin.

2.4. ACPs and OCTs

2.4.1. Introduction

Development finance co-operation with the African, Caribbean and Pacific States (ACPs) for the period 2000-2007 is funded from the 9th European Development Fund. The principal focal areas across the ACP countries are support to infrastructure development, social sectors, agriculture and governance. Regional co-operation has been focused on economic integration and infrastructure. Another major element of the 9th EDF has been devoted to Intra-ACP funds, which support initiatives of interest to the ACP Group of States at large. Its initial envelope of € 300 million reached € 2.5 billion in 2006, funding the Africa Peace Facility but also new initiatives like the Water Facility and the Energy Facility.

Assistance under the 9th EDF has been implemented at a sustained rate, benefiting in particular from efficiency gains from the devolution of aid management to Commission Delegations: virtually all funds will have been committed by end-2007. The ACP-EU Joint Council of 1 June agreed on a reallocation of € 110 million within the 9th EDF, including in particular a € 60 million contribution to the newly set up Trust Fund for Infrastructure. The EC has also intensified its political and policy dialogue with ACP countries.

In December 2005, EU Member States agreed on an overall € 22.7 billion envelope for the 10th European Development Fund, representing a 30% increase in real terms on the 9th EDF envelope. The preparation of the 10th EDF started in February with six regional seminars organised by the European Commission, with participation by ACP countries and EU Member States. The strategic framework of EC assistance has also been updated on the basis of the European Consensus and the strategies for Africa, the Pacific and the Caribbean. The poverty focus of the EDF has been confirmed and the importance of optimising the contribution of the 10th EDF to the Millennium Development Goals highlighted. To increase the poverty impact of EC aid, emphasis has been placed on a number of principles and initiatives.

Policy Coherence for Development (PCD) is seen as key: in twelve EC policy areas, including migration and fisheries, ways and means of ensuring greater coherence with development goals are being examined. Better co-ordination with Member States and other donors is also a major principle of 10th EDF programming, leading to joint programming in a number of instances. Good governance is a prerequisite for efficiency and effectiveness, and a 'Governance Initiative' was adopted by the EC in August: this consists primarily of a new incentive mechanism to promote domestic reforms and comprises the promotion of important issues such as good governance in the tax, financial and judicial areas. Programming guidelines have been established in social sectors, with specific orientations on health, education, gender, HIV/AIDS and children, and two communications on 'Investing in People' and the shortage of health workers. Last, but not least, the development dimension of the Economic Partnership Agreements has been elaborated on further, markedly in the context of the joint ACP-EU Regional Programming Task Forces.

Like development finance co-operation with ACP States, co-operation with the Overseas Countries and Territories (OCTs) for the period 2000-2007 is financed

from the 9th EDF and will be funded from the 10th EDF for the period 2008-2013. Implementation of the 9th EDF for OCTs got off to a slow start, but has now reached cruising speed and can be judged satisfactory. Funds from the 9th EDF reserve were also used to make new allocations on the basis of the development of the needs and performance of the OCTs. Meanwhile the Overseas Association Decision⁴⁸ has been revised to ensure continued OCT access to thematic budget lines and horizontal programmes for the period 2007-2013 and to introduce the amendments needed for co-operation under the 10th EDF, the programming exercise for which has already started. In addition, an in-depth discussion on future OCT-EU relations is under way, with the view to preparing a Green Paper on the issue.

2.4.2. Regional co-operation and integration

The regional co-operation and integration agenda for ACP countries was dominated by the uninterrupted negotiations on Economic Partnership Agreements (EPAs) for all six EPA regions: Eastern and Southern Africa, the Caribbean, the Southern African Development Community, the Pacific, West Africa and Central Africa. All negotiations have made progress and, during the year, negotiations on specific aspects of the agreements were initiated.

Several EDF-financed activities were carried out to support the negotiating process. They were implemented at all-ACP, regional and national levels to support and accompany the negotiations with analysis, capacity-building and logistics. Joint EU-ACP Regional Preparatory Task Force (RPTF) or equivalent meetings took place, with the aim of ensuring the link between the negotiation process and development co-operation programming. Work started on regional programming for the 10th EDF, with major attention to trade and EPA-related support.

In its October conclusions on Aid for Trade, the Council recognised that increased and more effective AfT is needed to help the ACP countries take full advantage of increased trading opportunities, including those provided by future EPAs, and underlined the need to ensure that a substantial share of the EC and Member States' newly pledged increase in trade-related assistance will be devoted to the ACP countries.

2.4.3. Implementation

The Commission finances most development programmes in ACP countries and in EU Member States' OCTs through the European Development Fund, with EU Member States contributing jointly. The Commission also funds some programmes from the general EU Budget, for example those in South Africa and those supporting the banana and sugar exporting states. The Commission provides increasing amounts of aid directly to ACP governments as budget support, rather than on individual projects. To receive payments, these governments must fulfil clear goals.

⁴⁸ Council Decision 6104/07 of 27 February 2007 on the association of the Overseas Countries and Territories

Table 13 European Commission development aid to ACP countries – total amounts, 2006 (€ m)⁴⁹

Funding source	Indicator	2005	2006		
			Target	Result	% change year-on-year
EDF	Commitments	3 511	3 360	3 358	- 4
	Payments	2 456	2 643	2 719	+ 11
EC Budget	Commitments	182	-	194	+ 7
	Payments	150	-	129	- 14
EDF + EC Budget	Commitments	3 693	-	3 552	- 4
	Payments	2 606	-	2 848	+ 9

The Commission again cut the amount of money committed for specific programmes but not spent ('unspent commitments'): over €590 million was decommitted in 2006. The Commission also continued to pay special attention to unspent commitments that were made more than five years ago but remained unspent, and/or were committed but neither contracted for nor spent in over two years. At the start of the year, these unspent commitments amounted to € 1.96 billion. By year-end, this figure had been cut by over 40% to € 1.15 billion, beating the year-end target of € 1.22 billion.

– **Better aid – innovating to address new challenges**

The Commission is committed not just to delivering more aid, faster – but also to using the money to deliver better programmes with a greater impact on poverty. It constantly looks for new ways to support ACP countries. A few examples are given in the paragraphs that follow.

The Commission agreed to provide a further € 50 million for the Africa Peace Facility. Launched in 2004, the Facility has so far helped fund African Union peace operations in Darfur in Western Sudan and in the Central African Republic. The Commission approved a € 60 million grant to the new EU-Africa Infrastructure Trust Fund, part of the EU-Africa Partnership for Infrastructure agreed in 2005.⁵⁰ The Fund should help spur a major increase in the infrastructure spending that Africa needs to boost growth. In addition, the Commission approved € 220 million for a

⁴⁹ Financing sources: figures show aid to ACP countries financed from (i) the 9th European Development Fund (EDF) and (ii) the general EU budget. The EDF also finances the Africa Peace Facility. However, figures in tables 13-16 exclude this funding, since it falls outside the definitions of ODA and OA. The EC Budget also funds certain programmes implemented throughout the developing world, including ACP countries (and referred to as "Thematic Budget Lines"). These programmes are not ACP-specific, so are not included in the figures in this chapter.

⁵⁰ For more information, visit: http://www.europe-cares.org/africa/partnership_en.html

new ACP-EU Energy Facility⁵¹ and sought more proposals for financing from the € 500 million ACP-EU Water Facility⁵².

The Commission also launched a € 40 million initiative on migration from, and development in, African countries. To tackle bird flu, the Commission set up a new ACP-wide programme (€ 30 million).

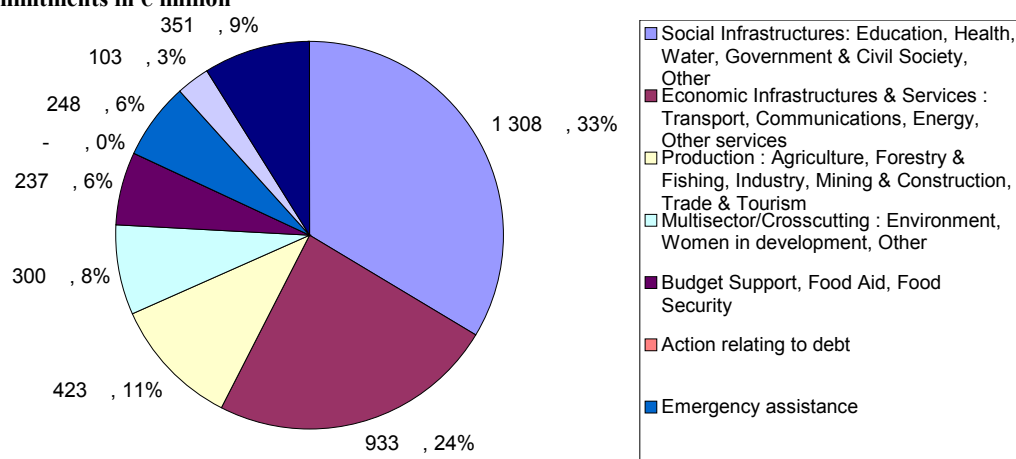
Since 2001, the Commission has provided over € 850 million in aid-for-trade to ACP countries. The existing EU-ACP trade regime expires in 2008, so aid-for-trade has included substantial support to ACP countries in their negotiations of new Economic Partnership Agreements (EPAs) with the EU. The Commission has also approved: a four-year € 45 million programme to help those countries heavily reliant on exports of cotton, bananas and other commodities to become more competitive, as well as major new funding to boost co-operation between ACP countries: € 55 million to strengthen the African Union and a € 41 million programme in support of Caricom, the Caribbean's regional co-operation body.

⁵¹ For more about the ACP-EU Energy Facility, visit:
http://ec.europa.eu/europeaid/projects/energy/index_en.htm

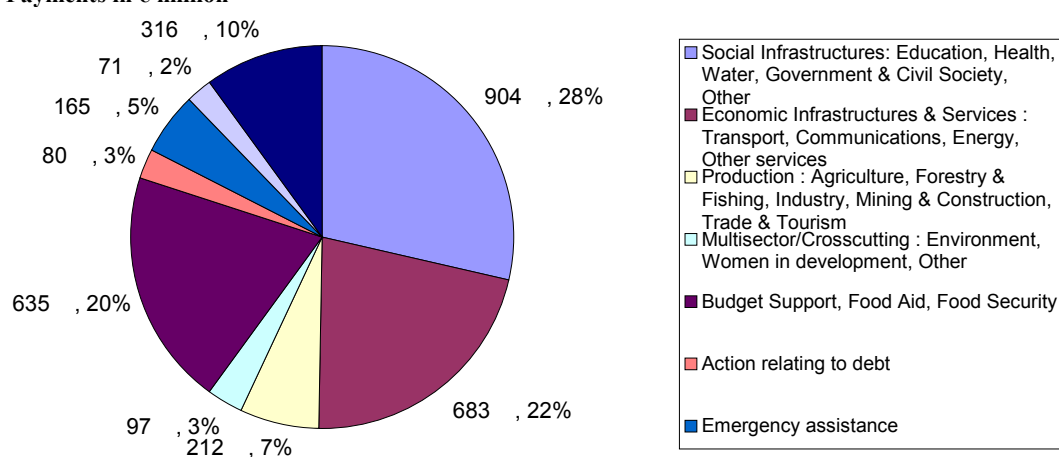
⁵² For more about the ACP-EU Water Facility, visit:
http://ec.europa.eu/europeaid/projects/water/index_en.htm

Table 14 ACP-1. Breakdown by sector of external aid financed on the General Commission Budget and the European Development Fund (EDF) managed by EuropeAid in 2006

Commitments in € million



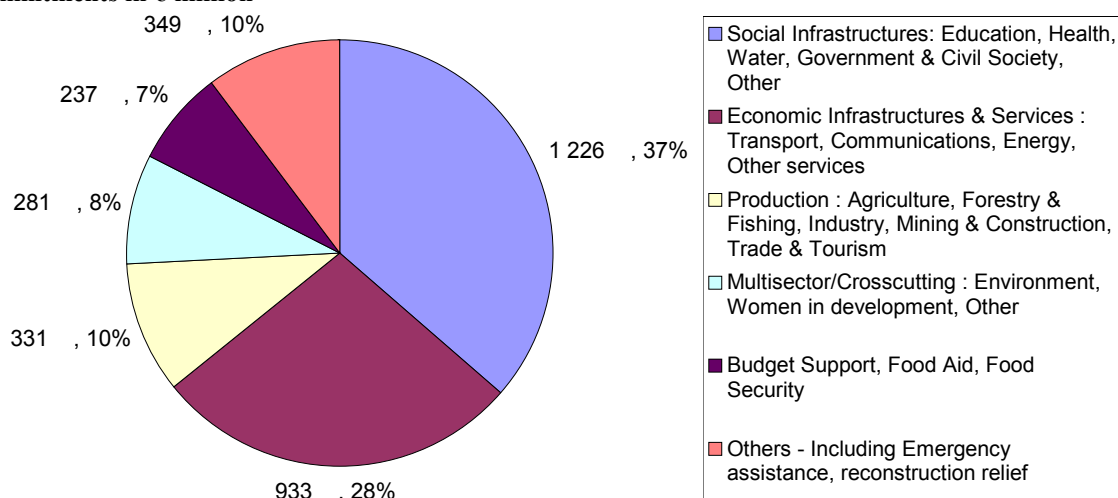
Payments in € million



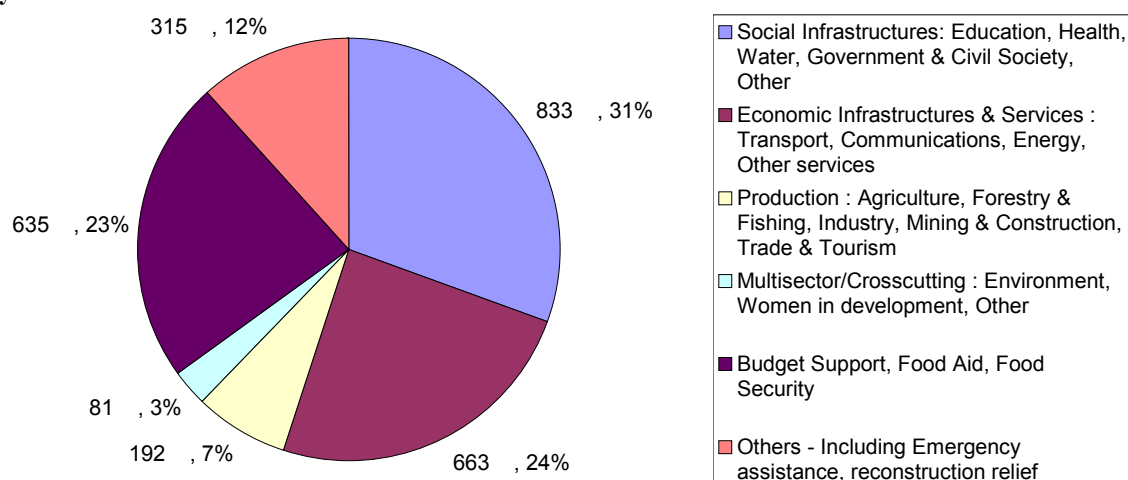
Bilateral and Multilateral ODA/OA (EuropeAid only). Excl non-ODA/OA resources (Peace Facility,...).
Budget lines South Africa, Bananas, Sugar and EDF included

Table 15 ACP-1 EDF. Breakdown by sector of external aid financed on the European Development Fund (EDF) managed by EuropeAid in 2006

Commitments in € million

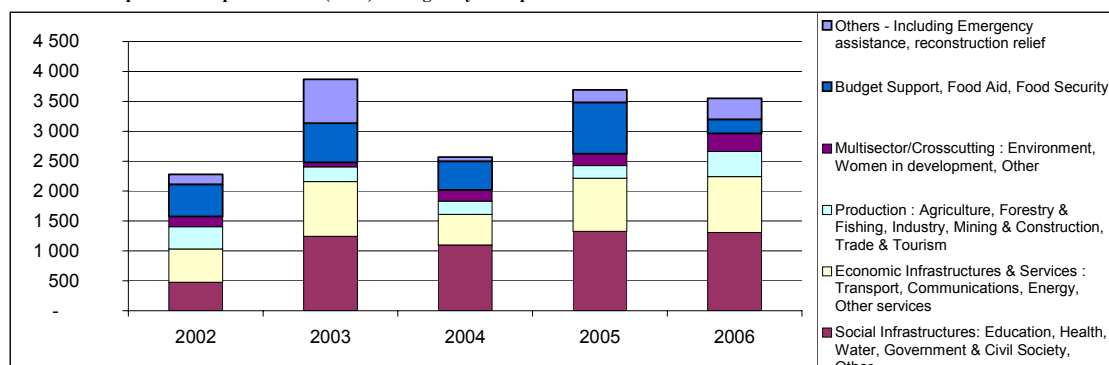


Payments in € million



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

Table 16 ACP-2. Breakdown by sector of external aid financed on the General Commission Budget and the European Development Fund (EDF) managed by EuropeAid. Commitments 2002-2006



Bilateral and Multilateral ODA/OA (EuropeAid only). Excl non-ODA/OA resources (Peace Facility,...). Amount in € million.
Budget lines South Africa, Bananas, Sugar and EDF included

Table 17. External aid financed on the General Commission Budget and the European Development Fund (EDF) managed by EuropeAid 2000-2006

M€	2000	2001	2002	2003	2004	2005	2006
Commitments	4 207	2 092	2 278	3 867	2 570	3 693	3 552
Payments	1 789	1 913	2 087	2 484	2 528	2 606	2 848

Bilateral and Multilateral ODA/OA (EuropeAid only). Excl non-ODA/OA resources (Peace Facility,...). Amount in € million.
Budget lines South Africa, Bananas, Sugar and EDF included

Table 18. ACP-4. External aid financed on the General Commission Budget and the European Development Fund (EDF) managed by EuropeAid in 2006

	Commitments			Payments		
	Budget + EDF	EDF	Budget	Budget + EDF	EDF	Budget
Africa	2 702	2 553	149	2 221	2 100	121
Caribbean	307	268	40	182	174	8
Pacific	31	27	4	59	59	-
Overseas Countries & Territories	76	76	-	35	35	-
ACP Unallocated	436	434	2	351	351	0
Total	3 552	3 358	195	2 848	2 719	129

Bilateral and Multilateral ODA/OA (EuropeAid only). Excl non-ODA/OA resources (Peace Facility,...).
Budget lines South Africa, Bananas, Sugar and EDF included

2.4.4. *Working towards the MDGs*

Poverty eradication and the MDGs are among the core priorities of EU development policy as enshrined in the European Consensus on Development. The MDG focus is of particular relevance to Sub-Saharan Africa, which has seen the slowest progress towards most of the MDG-related targets and indicators. According to the United Nations' 2006 MDG Report, the proportion of people living in extreme poverty and suffering from hunger is only declining marginally in Sub-Saharan Africa, and is still increasing in absolute numbers.

In Sub-Saharan Africa, the poverty rate declined marginally, though the number of people living in extreme poverty increased by 140 million. Regarding universal primary education, the region has made significant progress in the last 15 years, yet the net primary enrolment rate is still the world's lowest at 64% in 2003/04. Sub-Saharan Africa also has the world's largest gender gap in education.

As far as the under-five mortality rate is concerned Sub-Saharan Africa, with only 20% of the world's young children, accounted for half of total deaths, a situation that shows only modest improvement. Similarly, maternal mortality rates record little

change in terms of where most deaths occur. The HIV/AIDS epidemic still centres on the region: with just over 10% of the world's population, it is home to 64% of HIV-positive people and 90% of under-15 children living with the virus. Finally, Sub-Saharan Africa is the world's most rapidly urbanising region, and almost all this growth is taking place in slums where people lack access to water and sanitation.

The MDG focus of EC development co-operation is reflected in the 10th EDF programming process for the countries of Africa, Caribbean and the Pacific (ACP); this was initiated in 2006 and will determine the priorities of EC development aid in ACP countries, as well as the funding modalities. Early on in the year, the Commission provided programming guidelines *inter alia* on health, education, gender equality, HIV/AIDS and children in development co-operation. The 10th EDF country and regional strategies will be the basis of the EC's bilateral co-operation with ACP countries for the six-year period 2008-2013, and represents € 22.7 billion of funding over the period.

Meanwhile, the EC pursued its action aimed at supporting progress towards the MDGs in ACP countries under current 9th EDF programming which covers the period 2002-2007. EC general budget support, representing around one-quarter of country aid, is focused on poverty reduction, with a direct link to progress measured against MDG-related indicators. Education and health, which represent five of the eight MDGs, have been prioritised in the poorest ACP states. Support to the MDGs involves ensuring that accurate and appropriate data on the MDG indicators are produced and published.

This effort is complemented by the EU Strategy for Africa, which sets out the steps the Union will take to help Africa achieve the MDGs. This strategy is based on the conviction that progress towards the MDGs can only be achieved in a context conducive to economic and social progress. The EU's contribution to the creation or consolidation of such an environment is based on two pillars: on the one hand, actions aimed at achieving lasting peace, respect of democracy and fundamental freedoms, and good governance; on the other, actions focused on supporting trade, regional integration and interconnectivity. A third pillar is specifically devoted to the MDGs, with particular emphasis on education, health, gender equality and the environment.

2.4.5. Governance

In the ACP region, the Commission intends to put the policy principles contained in the Communication *"Governance in the European Consensus – towards a harmonised approach"*⁵³ into practice through a detailed, structured and innovative "Governance Initiative". This new incentive mechanism will give ACP partner countries access to additional funding in line with their commitments to achieving firm results in their democratic governance reform programmes. € 2.7 billion from the 10th European Development Fund will be reserved for such incentives. Through this Governance Initiative the EU will also provide political and financial support to the African Peer Review Mechanism, while showing due regard for African countries' ownership of the process. The Governance Initiative is a participatory self-

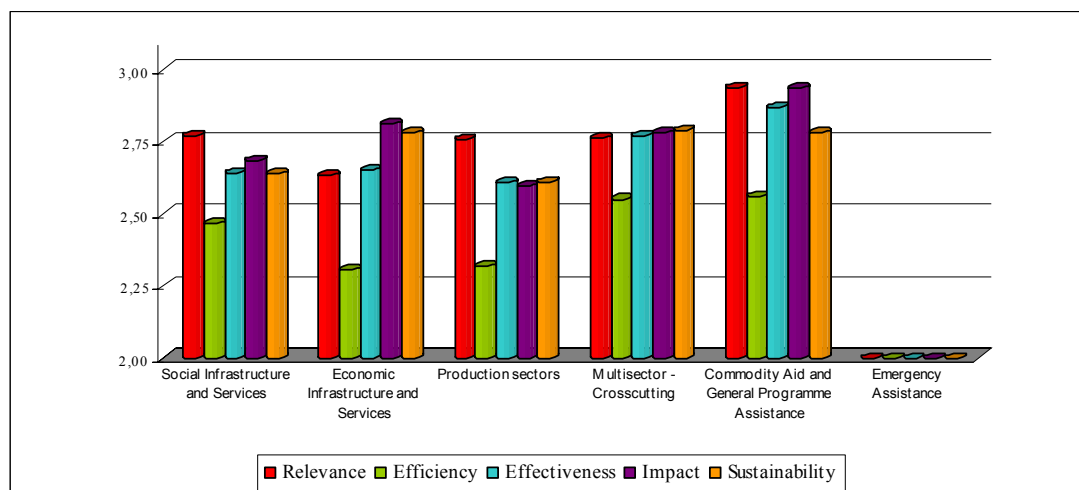
⁵³

COM(2006)421 final

assessment tool designed to promote reforms, mutual learning and enhanced ownership. The EU is prepared to continue support for the process and the reforms it generates at the national level.

2.4.6. Overview results-oriented monitoring

Table 19: ACP Monitoring Results per ODA sector⁵⁴



561 projects with a total budget of € 5,218.5 million were monitored in the ACP region, producing 511 monitoring reports. 50 projects were the subject of a monitoring note. The overall performance in ACP increased significantly and is the best since ROM started (2.65), with all five criteria improving, most remarkably on *impact* (2.70), up from 2.45 in 2005. Projects are *relevant* with a continuously high score (2.76 in 2006). In general results in Africa are better than in the other sub-regions (Caribbean and Pacific), especially concerning *effectiveness* and *impact*. Most of the sectors in ACP score poorly on *efficiency*, pointing at an overall problem in this region – a situation that has prevailed in recent years. The results will be closely analysed.

Half of all the projects monitored in the ACP region are in the *social infrastructure and services* sector, composed of *education, health, water supply, government and civil society*. These projects show a good overall performance (2.64 for a target parameter of 2.5 for 'on track').

2.4.7. Donor co-ordination

The Commission worked closely with EU Member States to programme funds from the 10th EDF, running from 2008 to 2013, identifying priority policy areas in which to invest, such as governance and rural development. Commissioner Michel launched the process in regional meetings with officials from ACP countries, EU Member States and the Commission. The Commission and Member States together reviewed conditions in ACP countries and regions, assessed past co-operation, and considered ACP countries' current existing strategies to tackle poverty and ensure that aid

⁵⁴ Only samples of minimal 10 monitoring reports are considered statistically relevant, therefore no information is provided for those sectors having less than the minimum number of monitoring reports

donors work together. The Commission then worked with EU Member States to draft the country and regional strategy papers, which set priorities for EC aid.

2.4.8. *Conclusions and perspectives*

The Commission faces several challenges in delivering more, better and faster aid to ACP countries in 2007 and beyond. Firstly, it will need to commit – and in some cases recommit – all remaining funds from the current EDF, the 9th, in the little time left before this expires at the end of 2007. It must also ensure that, by the start of 2008, an initial set of proposals for funding from the 10th EDF is ready so that it can start deploying aid right away. Secondly, to match this timetable, the Commission must update and simplify its procedures, notably by revising the EDF Financial Regulation and by reviewing with ACP states arrangements for implementing development programmes.

Relieving suffering, working for peace: addressing the crisis in Darfur

The crisis in Sudan's Darfur region continued in 2006. Progress was achieved: the government and some rebel groups signed a peace agreement, and African Union peacekeepers saw their mandate extended to year-end.

But the fighting continued to take its toll, threatening the stability of neighbouring states, notably Chad and the Central African Republic, and forcing people to flee. At year-end the number of people displaced by the conflict so far was estimated at over two million.

Since the crisis started, the European Commission has consistently played a leading role in helping to restore peace and alleviate suffering in Darfur. Indeed, the Commission has allocated:

- over €350 million in humanitarian aid;**
- over €240 million to fund an African Union (AU) peacekeeping force (AMIS) - the bulk of international funding;**
- €100 million through UN agencies and NGOs to help families earn a livelihood.**

In 2006 the Commission built on this support. It:

- provided almost €100 million in additional humanitarian aid;**
- financed implementation of a new Darfur Peace Agreement (DPA) and encouraged those rebel groups which had not done so to sign up;**
- supported the UN Human Rights Council's mission to Darfur; and**
- funded the extension of the AU's peacekeeping mandate to year-end.**

Upholding democracy: funding DR Congo's first free elections in 40 years

Voters in DR Congo turned out in huge numbers in July 2006 to vote for their choice of president and MP - the country's first free elections in over 40 years.

In a country almost ten times the size of the UK, with nearly 24 million voters and few paved roads, the elections presented a real challenge to organisers. They had to ensure over 1000 tonnes of ballot papers, listing candidates for both presidential and legislative elections, were properly distributed and cast.

The European Commission contributed €165 million to the process – more than any other donor – and the EU sent its largest ever election monitoring team, which concluded that the elections had been free and fair.

2.5. Asia

2.5.1. Introduction

Enhancing security and stability to cope with significant threats for the EU and the world, as well as stimulating sustainable development, were the primary objectives of EU-Asia relations in 2006. The European Union delivered support to initiatives for peace in several countries and for poverty alleviation in a region which is still home to two-thirds of the world's poorest people. Fostering democracy, respect for human rights, good governance and the rule of law have remained significant issues for the Union. The EU and Asia are engaged in the development of a strategic regional partnership aiming at establishing strong relationships in the political, economic and cultural fields. Co-operation with Asian countries is also linked to the achievement of Partnership and Co-operation Agreements and Free Trade Agreements. The EU is intensifying its strategic relations with Asia through comprehensive partnerships with critical players – China, India, and the South East Asian and Asian regional organisations.

During the year the implementation of the unprecedented international response to the **Tsunami** of December 2004 strongly accelerated. The emergency response was followed by reconstruction actions based on the principle: "rebuild better" and focusing on long-term sustainable development. The EU played a central role in the global response to the **Avian Influenza** crisis, first addressing the worrying situation in Asia, and by playing a major role in three international conferences and delivering quickly in terms of commitments and payments. International research co-operation was synergistically active on these fronts as well.

Afghanistan's recovery and stabilisation process came under much pressure with a worsening of the security situation and an increase in opium poppy cultivation. In spite of this, Afghan institution- and state-building made progress after the inauguration of Afghanistan's National Assembly and the swearing in of a new government in May. The EU aid programme continued to perform well and, by November, the original pledge of € 1 billion was exceeded. One year after the adoption of the EU-**India** Joint Action Plan, the 7th EU-India Summit endorsed in October the first action plan implementation report. Positive political developments in **Nepal** permitted a high-level EU visit to Kathmandu and the resumption of projects that had previously been frozen on the King's assumption of power.

The political situation in **Bangladesh** remained volatile, heating up towards the end of the year in anticipation of parliamentary elections originally planned for early-2007. In **Pakistan**, a reconstruction programme got underway in the areas affected by the devastating earthquake of 8 October 2005. The stalled peace process in **Sri Lanka** continued to limit the EC's co-operation options in that country. The first-ever EU-Troika mission to **Mongolia** reviewed bilateral and international relations and encouraged Mongolia's young democracy: a small Commission Technical Office was opened on that occasion. In **Burma/Myanmar** the slow political process continued to sideline civil society, as well as major political and ethnic groups.

2.5.2. *Regional co-operation and integration*

Assistance on regional co-operation in Asia focused on bringing together civil society actors in Europe and Asia in the areas of higher education, environmental protection and co-operation between small and medium-size enterprises. On the institutional side, support continued to sub-regional organisations. In July, the EU was granted observer status in the South Asian Association for Regional Co-operation (SAARC): this should provide room for further co-operation with the organisation in areas such as the implementation of the South Asia Free Trade Agreement (SAFTA).

The ASEAN Programme for Regional Integration entered its second phase. The 2003 Communication "*A new partnership with South East Asia*" (COM (2003) 399/4) introduced the concept of trilateral co-operation, meaning that the EC and ASEAN countries can join forces to provide assistance in a given sector to developing countries in the region. The EC-Singapore trilateral co-operation concept was launched in 2004 and, since then, seven joint activities have been undertaken for the benefit of **Cambodia, Laos and Vietnam**. The possibility of further expanding trilateral co-operation and of engaging with other co-donors is now being explored.

2.5.3. *Implementation*

The levels of disbursements and new commitments were the highest ever (see Table 20, below), reflecting additional funding for reconstruction after the December 2004 tsunami. The two main recipients of aid were **Afghanistan** and the tsunami affected areas, receiving € 184 and € 180 million respectively. For Afghanistan (see box 1), the EC pledge of € 1 billion from 2002 has now been realised, but much remains to be done in a situation of increased insecurity and re-emerged insurgency. The reconstruction after the December 2004 tsunami is progressing well (see box 2): this programme also seeks to address structural problems which will need sustained attention over several years. Project implementation in **Sri Lanka** is complicated by the sharp deterioration of the security situation in some of the tsunami-stricken provinces.

The possibility of an avian influenza pandemic became a serious risk in late-2005 and early-2006. The Commission provided a rapid response with an initial pledge of aid, co-organised a meeting in Beijing with the main actors in January, and committed € 30 million for Asia in April. In total for all geographical areas, the EC committed € 80 million to support efforts to contain and eliminate the disease.

Two Partnerships with the **Indian states of Chhattisgarh and Rajasthan**, for € 80 million each, were signed in August. They have in common poverty reduction as an overarching goal, through support to governance and pro-poor policies. For Chhattisgarh, the partnership covers the sectors of health, education and environment, and provides complementary support to the centrally sponsored schemes in health and education. For Rajasthan, the water sector has been identified as central to achieving progress on human development indicators. Implementation readiness in both states was enhanced by provision of additional expertise to the beneficiaries: this included preparation of detailed action plans and medium-term expenditure frameworks for sectoral policies. Disbursement conditions are linked to

performance against agreed benchmarks in the relevant sectors in each state, and a first payment was made in December.

In close co-operation with UN agencies and international NGOs, the Commission funded a programme combating HIV/AIDS in **Myanmar/Burma**. This is a precursor to a more substantial aid package planned for 2007, to be delivered in the form of a contribution to the Humanitarian Fund for Communicable Diseases (HIV/AIDS, tuberculosis and malaria). After the change in the political situation in **Nepal**, the Commission decided in June to reactivate projects that had been suspended in 2005. Two new programmes for WTO assistance and support to vulnerable groups affected by the internal conflict were also adopted.

EC pledge for Afghanistan

In 2002, the EC pledged to make available one billion euro in reconstruction aid for Afghanistan over a five-year period. This objective was reached as planned and, by end-2006, about 75% of these funds had been disbursed, focusing on health, infrastructure, rural development and public administration reform. Among the highly visible results are health clinics, road improvements, and the successful elections of 2004 and 2005. An important part of the money has also been used for less conspicuous but essential services to the population, for example general support to the public administration, including training and upkeep of the police as well as customs and border management services.

Following the London conference in early-2006 and the agreement on the "Afghan Compact", the EC will continue its support to Afghanistan for the next four years, albeit on a slightly lower level. Based on past experience, this support will focus on public health, administrative reform and rural development. This will ensure continuity of EC commitment to the development priorities of the Afghan government.

Two years after the tsunami disaster

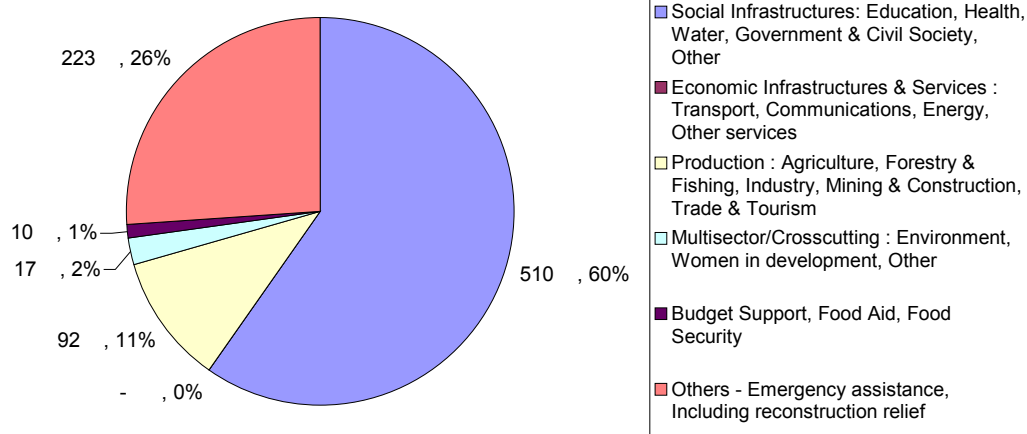
The EU played a leading role in the overall international response to the earthquake and tsunami in the Indian Ocean in December 2004, rapidly deploying substantial financial assistance and resources. In 2005-2006 EuropeAid committed € 350 million to medium and long-term rehabilitation and reconstruction activities, in addition to humanitarian aid of € 123 million. Support focused on the three worst affected countries: Indonesia, Sri Lanka and the Maldives.

In Aceh province in Indonesia, the reconstruction process is well underway, with total EC funding of more than € 200 million. Consolidation of the peace process, which has major support from the EU, provides a strong political basis for sustainable reconstruction, and effective donor co-ordination has been ensured through a multi-donor trust fund. In Sri Lanka, despite the difficult security situation, the EC has made available more than € 100 million for rehabilitating communities, rebuilding major infrastructure and managing the environment.

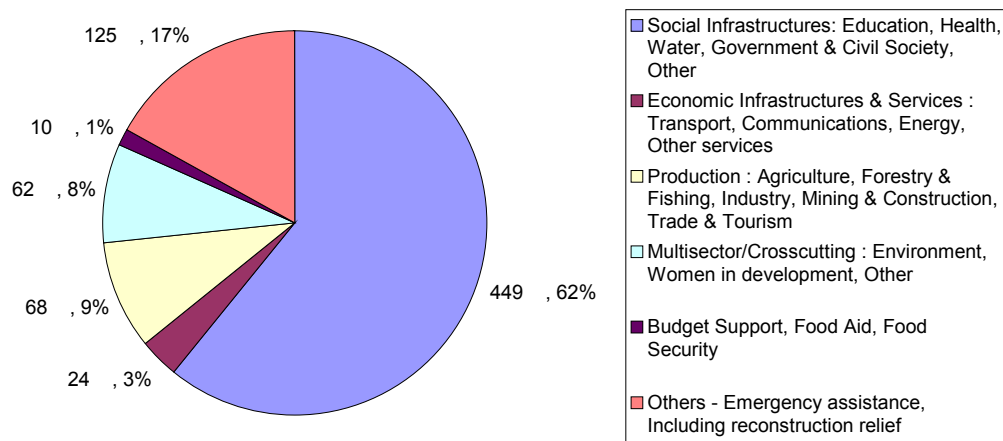
The Maldives, the most affected country in per capita terms, has received assistance for the restart of livelihoods on affected atolls, as well as support to longer-term regional development strategy (the 'safe island' programme) with a focus on environmental infrastructure and community services. Finally, the EC is undertaking a number of projects at regional level, to share experiences and implement best practices in disaster

Table 20 Asia. Breakdown by sector of external aid financed on the General Commission Budget managed by EuropeAid in 2006

Commitments in € million

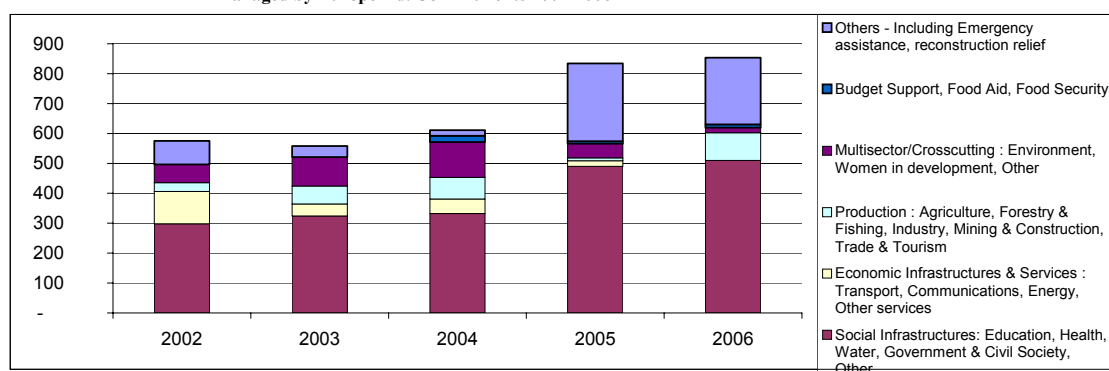


Payments in € Million



Bilateral and Multilateral ODA/OA (EuropeAid only).
Region identified following geographical budget lines

Table 21 Asia. Breakdown by sector of external aid financed on the General Commission Budget managed by EuropeAid. Commitments 2002-2006



Bilateral and Multilateral ODA/OA (EuropeAid only). Amount in € million.
Region identified following geographical budget lines

Table 22 Asia. External aid financed on the General Commission Budget managed by EuropeAid 2000-2006

M€	2000	2001	2002	2003	2004	2005	2006
Commitments	481	407	575	558	611	834	853
Payments	322	383	455	470	526	681	737

Bilateral and Multilateral ODA/OA (EuropeAid only). Amount in € million.
Region identified following geographical budget lines

2.5.4. Working towards the MDGs

An intermediate report on MDG status found that the region as a whole is likely to achieve, or has achieved, a number of the targets⁵⁵. Using the US\$1/day indicator, 10 out of 19 Asian developing countries have achieved or are on track to meet the poverty target, while three are moving slowly or actually regressing. Information is not available for the other six countries, including Afghanistan, North Korea and Burma/Myanmar. The primary objective of EC assistance is the eradication of poverty in partner countries and regions; the pursuit of the MDGs is included in this objective. Particular emphasis is placed on targets in health and basic education: today; too many countries that score low on the progress or status of these targets commit only a small portion of their GDP to them. It is essential that these countries increase their own efforts to tackle funding.

2.5.5. Governance

Support to good governance in Afghanistan

⁵⁵ Millennium Development Goals: Progress in Asia and the Pacific 2006, produced through a regional partnership between ADB, United Nations Development Programme, and UN Economic and Social Commission for Asia and the Pacific; <http://www.mdgasiapacific.org/>

For many years the government has no longer been an instrument for providing even modest services to its people. The country's state institutions have had to be revived and reformed. Support for the country's recovery and public administration reform has been at the core of the Commission's external assistance programme since 2002, when the interim authority's most immediate budget needs received financial aid. In 2006, EC interventions in support of governance continued to address public administration and security sector reform through Trust Funds.

The EC is the third largest contributor to the Afghan Reconstruction Trust Fund, financing the salaries of 266 000 civil servants. It is also the largest contributor to the Law and Order Trust Fund, financing the salaries of 58 000 police personnel and supporting police reform. Additionally, the EC is administering a public administration programme in three vital areas of governance: (i) administrative and civil service reform; (ii) customs administrative reform; and (iii) provision of institutional support to the Ministry of Health.

The European Community's governance and human rights programme in Bangladesh

The EC consolidated its human governance and human rights programme in Bangladesh with the start-up of a project to empower adolescent girls. It adopted three new financing decisions (EC funding: € 19 million): the second tranche of funding for the UNDP Chittagong Hill Tracts Development Facility; combating trafficking of women and children through support for the Police Reform Programme; and further funding for UNHCR to support Rohingya refugees from Myanmar.

2006 was also the first year of implementation of the EIDHR micro-projects, with six projects selected, and of a major project to build capacity in community-based organisations. The EC is now the largest funder combating trafficking and supporting the rights of indigenous people in Bangladesh. This programme is complemented by a strong portfolio of projects under the NGO co-financing and EIDHR macro-projects budget lines and will be further developed in 2007 with major initiatives in the local governance, judicial and public finance reform sectors.

Success stories

Bangladesh

The Asia Pro Eco Chittagong Hill Tracts Improved Natural Resources Management (CHARM) project was implemented by ISRIC World Soil Information (The Netherlands), Lleida University (Spain), the Center for Environmental & Geographic Information Services (CEGIS), and the Bangladesh Centre for Advanced Studies (BCAS), all leading institutions in the field of land use and ecology. The project has succeeded in bringing together a wide range of stakeholders, including the indigenous inhabitants of the Hill Tracts area, local and regional authorities, and the representatives of central government, and has developed a complete and comprehensive GIS system which will underpin land-use planning. It has also developed firm proposals for improved slash-and-burn agriculture, offering a culturally acceptable way out of the currently unsustainable situation. In particular, the project has linked up with the UNDP Chittagong Hill Tracts Development Facility, also financed by the EC, the purpose of which is to bring peace and stability to this remote and formerly war-torn region through sustainable development.

Bangladesh

In 2002, BRAC established the 'Challenging the Frontiers of Poverty Reduction: Targeting the Ultra-Poor Targeting Social Constraints' (CFPR) programme, which is designed to address the constraints affecting rural women who live in extreme poverty and are by-passed by mainstream development programmes, including micro-finance. The programme has an initial budget of US\$ 53 million financed through a donor consortium of DFID, CIDA, EC, NOVIB, WFP and BRAC itself. The EC is the main funder of the first phase with a contribution of € 28.7 million.

BRAC is one of the largest southern development organisations, employing more than 97 000 people, of whom 61% are women. In implementing its twin objectives of poverty alleviation and empowerment of the poor, again mainly women, BRAC works mostly but not exclusively through community partnerships and institution-building.

The project's purpose is to improve the livelihood of the poor, especially the ultra-poor,

and to establish a replicable model among development agencies at the national level. The programme comprises four main components in the areas of targeting the ultra poor, employment, social development and essential health.

Approximately six million people benefit from the project, including training, social development and health programmes implemented across the country. The majority of resources go to 15 of the poorest districts in the country.

An independent international review team concluded that CFPR Phase I was positive and had “largely achieved” its purpose with most of the expected outputs either entirely or largely achieved.

Some interest has been expressed by NGOs in Haiti, India and Bangladesh, and the model has been successful replicated by the Bangladesh Government’s Fourth Fisheries Project.

Indonesia-EC support to the peace process in Aceh

The European Commission has provided strategic support to the peace process in Aceh, contributing to the end of a decade-old conflict. After the successful – Commission-funded – mediation by former Finnish President Ahtisaari, it helped fund implementation of the agreed Disarmament, Demobilisation and Reintegration (DDR) policy. A coherent set of flanking measures helps ensure the integration of former GAM combatants and political prisoners, as well as the democratisation process, the rule of law and respect for human rights, especially in the areas of police and local government. For the first-ever direct elections of a provincial governor and district chiefs, the Commission deployed an EU Election Observation Mission.

Trans-Eurasia Information Network

Although TEIN2, the second phase of the Trans-Eurasia Information Network involving nine Asian countries, runs until 2008, it already rates as an unqualified success story. The network connects European and Asian research and education communities and contributes to EU objectives in the areas of development co-operation, the promotion of a global information society and EU objectives on research and development. Currently TEIN2 has the most impact in the fields of education, (tele-)medicine and the environment. Member countries are enthusiastic about the project and further (geographical) expansion and development are under review.

The ASEM 6 Summit in Helsinki

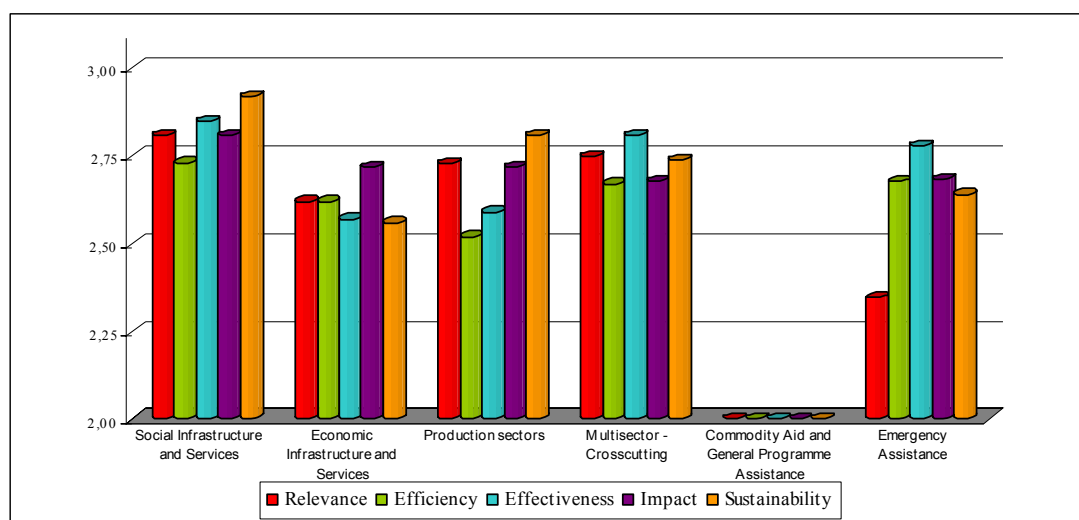
The 6th ASEM Summit was held in Helsinki on 10-11 September 2006 in the presence of Commissioner Ferrero-Waldner and President Barroso. During the 10th Anniversary of this high-level informal dialogue, the many achievements of ASEM were reviewed and a forward-looking agenda for the coming decade established: this is reflected in the succession of ministerial meetings already scheduled for the next two years.

The Summit was also a landmark in that it included the announcement of an ambitious Declaration on Climate Change, as well as a second Declaration on the future of ASEM determining general thematic priorities for the coming period. The partners demonstrated their renewed confidence in the process, as they look towards ASEM 7 in

October 2008 in Beijing. Furthermore, it was decided that Bulgaria, Romania, India, Pakistan, Mongolia and the ASEAN Secretariat would formally join the partnership at the Beijing Summit.

2.5.6. Overview results-oriented monitoring

Table 23: Asia Monitoring Results per ODA sector⁵⁶



A total of 191 ongoing projects for a total budget of € 910 million were monitored in this region, resulting in 189 monitoring reports. The *social infrastructure and services* sector (education, health, water supply, civil society, etc), which represents more than one-third of these projects (by number and by budget), shows the best performance of all: 2.82 with a target parameter of 2.5 for 'on track'. Asia also gives very good results on *sustainability* (2.76), reasons behind this being strong financial and political support, strong ownership and better needs assessment of target groups.

Project performance from 2002 to 2006 shows good improvement in *impact* and no major changes occurring in the other criteria since last year, indicating that projects in Asia are generally on track with a high score for *sustainability* (2.79). *Efficiency* is the weakest criterion with 2.64 – still well 'on track'. One of the reasons seems to be that many of the projects monitored were in their starting phase, with inherent take-off problems: high staff turnover, communication shortcomings and fledgling co-ordination.

2.5.7. Donor co-ordination

The co-ordination of aid with the EU Member States was particular topical as the Commission prepared its Strategy Papers and other programming documents for Asia for the 2007-2013 period (see next sub-chapter). This work was initiated at country level, in consultation with the local representatives of the Member States, as

⁵⁶ Only samples of minimal 10 monitoring reports are considered statistically relevant, therefore no information is provided for those sectors having less than the minimum number of reports

well as governments and civil society whenever possible. The formal consultation of the Member States started in late 2006 at Brussels level in the committee created under the new development instrument (DCI).

The level and quality of day-to-day co-ordination in the field also progressed. In Afghanistan, the Commission actively engaged in strategy co-ordination of the Afghan Compact, and the donor co-ordination group was reorganised to align with the sectors in the Afghanistan National Development Strategy. In India, where the government endorsed the Paris Declaration on Aid Effectiveness, the Commission has a strong track record of co-ordination through sector support interventions in education and health. In its role as co-chair of a multi-donor fund in Indonesia, it played an important role in Aceh post-tsunami reconstruction, and also hosted the first policy dialogue focused on forestry and environmental issues, pushing for greater co-ordination.

2.5.8. *Conclusions and perspectives*

The agreement on the Financial Perspectives for 2007-2013 and the adoption of a new legal base for co-operation with developing countries ensured continued assistance to Asia. Planned development aid to Asia over the next seven years amounts to about € 5.2 billion. However, as the 2005/2006 spending levels had to take account of the temporary demands of the tsunami reconstruction programme, the overall funding level for Asia for 2007 will be somewhat lower than the previous two years. Over 55% of assistance was delivered through sector policy support programmes, and this share will increase in coming years, further boosting aid effectiveness and strengthening co-ordination with other donors. The intention is to increase sector budget support – a special form of sector policy support programme – as used this year on the India State Partnership programmes mentioned earlier.

2.6. Latin America

2.6.1. Introduction

The Latin American and Caribbean economy grew by 5.3%, the fourth consecutive year of economic growth and the third year of growth of over 4%. The region's *per capita* income is estimated to have risen by about 3.8%, while the unemployment rate fell to 8.7% on the basis of the ECLAC (UN Economic Commission for Latin America and the Caribbean) preliminary analysis. However, even if there has been a slight decrease, poverty rates remain too high at over 40%. On the political front, elections took place in 11 Latin American countries over the last eighteen months. EU Electoral Observation Missions were deployed in Bolivia, Mexico, Nicaragua and Venezuela.

2006 was a positive year in terms of the overarching objectives of Commission policy towards Latin America: (i) to build a strategic partnership between the EU and Latin America, as defined in the EC Communication on “*A Stronger Partnership between the European Union and Latin America*”⁵⁷, (ii) to support social and political stability, regional integration and stability and the harmonious insertion of Latin America in a globalised world, and (iii) to contribute to increased social cohesion in Latin America and general support for co-operation.

In May the fourth European Union-Latin America and the Caribbean Summit (EU-LAC) was held in Vienna with clear and politically relevant outcomes, including the unanimous adoption of the Final Declaration, and the decision to launch negotiations on an Association Agreement with Central America and continue efforts to achieve the same objective with the Andean Community (CAN), as well as set up an EU/Latin America Parliamentary Assembly. Follow-up to the Vienna Summit included the adoption of negotiation directives for Association Agreements with Central America and the Andean Community, and the finalisation of the programming of Commission development co-operation for 2007-2013 for Latin America whose two main priorities – to increase social cohesion and to further promote regional integration – reflect the Commission’s strategic objectives in the region.

To support EU relations with Latin America, € 2 690 million have been allocated to the region in the 2007-2013 Financial Perspectives, and a new legal base was adopted for this financing⁵⁸. The Commission worked throughout the year on the programming exercise that will conclude with the elaboration of the Regional and Country Strategy Papers to be adopted at the beginning of 2007 for the period 2007-2013. Twenty-one programming documents were prepared for 17 countries, three sub-regions (Central America, Andean Community and Mercosur) and the Latin-American region as a whole. The Strategy Papers were submitted to Member States and to Parliament for their opinion.

The Commission moved towards a new agenda in its relations with key countries of the region, particularly Mexico and Brazil, setting out a comprehensive approach – in

⁵⁷ COM(2005)636 final

⁵⁸ Financing Instrument for Development Co-operation (DCI); Regulation n° 1905/2006

the case of Brazil complementary to the Mercosur negotiations – based on sectoral dialogues covering diverse and important issues ranging from environment to social policy. President Barroso's visit to Brazil and Commissioner Ferrero-Waldner's visits to Uruguay, Argentina and Chile have opened prospects of closer and stronger bilateral relations with these countries.

2.6.2. *Regional co-operation and integration*

The Latin American countries have embarked on regional integration processes that have already had a considerable impact, and the region is in lead position on the integration path within the developing world. As highlighted in the Final Declaration of the EU/LAC Summit held in Vienna in May, regional integration is a priority area for Commission support.

Three initiatives were approved to strengthen such integration within **Mercosur**. The first will support a Macroeconomic Convergence Plan, and will serve as a regional integration element for the four member countries of the group, strengthening the bloc's institutions. The second will back the establishment of the Mercosur Parliament, taking into consideration European experience and best practices, mainly on the European Parliament's role in the construction of Europe. The third initiative is the promotion of an equivalent harmonised food control system that removes sanitary and phyto-sanitary (SPS) barriers between the Mercosur countries and the EU.

In spite of Venezuela's withdrawal from the **Andean Community** – which will lead to a thorough reflection on all projects between the Commission and the Andean Community – there will be a first co-operation action to develop methodologies and tools for the elimination of illicit synthetic drugs. Activities on regular statistical harmonisation were also pursued. The Commission also approved a programme that will facilitate consolidation of the **Central American** customs union, supporting the decision at the IV EU-LAC Summit to launch negotiations for an Association Agreement with Central America.

2.6.3. *Implementation*

Bilateral Co-operation

The EC approved a total of 18 bilateral co-operation actions. These seek to foster social cohesion and regional integration, strengthen institutional capacities and reinforce economic co-operation, bearing in mind the varying situations of countries. In Central America the EC continued its move towards budget support as a privileged aid delivery method. Currently three budget support programmes, amounting to € 84 million, are running in **Nicaragua**. In **Mexico**, the EC approved funding to increase scientific and technological capacity, in order to help solve environmental and socio-economic problems and, at the same time, foster scientific and technological co-operation between this country and the EU Member States.

In the Andean Region, the EC continues to support displaced populations and the peace process in **Colombia**: the III Peace Laboratory, focusing on the regions of Meta and Montes de María, will contribute to building the conditions for a durable peace and peaceful coexistence, based on a life with dignity and opportunities for

everyone. **Peru** received funding to reorient vocational and technical education to the demands of the labour market and the socio-economic requirements of the country.

Alternative Development in Bolivia

From 1998 to 2006, the PRAEDAC programme successfully financed economic activities, as alternatives to illicit coca production, and the strengthening of local municipalities. EC co-operation with the Bolivian government in alternative development made a significant contribution to the reduction of illicit coca-growing. According to official data, the total cultivated area has been reduced from 40 000 hectares in 1997 to approximately 26 000 hectares.

The EC approach focuses on supporting state policies that promote sustainable regional development both in the coca-growing regions of Chapare and Yungas, as well as in the labour out-migration mining zones of the economically depressed Bolivian Altiplano.

In the Southern Cone **Argentina** benefits from two initiatives, one to promote trade and investment flows with the EU and the other to boost the protection of human rights and good governance. **Brazil** also received funding through two programmes, one to improve the capacity of municipal administrations, mainly in small and medium-size municipalities and the other to contribute to the prevention and control of deforestation in the Brazilian Amazon.

Regional Programmes

The regional co-operation programmes aim to develop closer links between civil society, in the broad sense of the term, in Latin America and Europe. Interest in continuing and reinforcing these programmes, which deal with the fundamental topics of social cohesion and regional integration, has been repeatedly stressed by Latin-American governments, EU Member States and civil society.

EUROsociAL (EC contribution € 30 million, 2004-2008)⁵⁹. This programme aims to develop Latin America national authorities' capacities in the formulation and management of public policies on social cohesion. 25 exchanges of best practices and experiences were organised, involving 283 institutions and a total of 731 participants, of which 90% were from 17 LA countries. The programme has promoted the creation of sectoral networks of institutions and administrations active in public policy-making and advocacy. In June, a first network meeting was organised in Cartagena de Indias, Colombia, attended by 330 officials from 26 different countries.

Alban (Programme of High Level Scholarships for Education/Training in the European Union of Latin American citizens: EC contribution € 88.5 million, 2002-2010)⁶⁰. Up to 2006, the Programme had awarded 2 513 grants to nationals of the 18 Latin American participating countries. In 2006, a total of 930 students were awarded scholarships for an average of two years study in a European institution.

⁵⁹

http://ec.europa.eu/europeaid/projects/amlat/eurosociat_en.htm

⁶⁰

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

ALFA (Latin America Academic Training Programme: EC contribution € 52 million, 2000-2006)⁶¹. Additional funds for an amount totalling € 3.5 million were approved to co-finance 11 projects in the 10th call for proposals. These projects, which are due to start in 2007, bring the total number of ALFA projects to 225. At present, co-operation in the field of higher education involves a total of 1 750 institutions from the European Union and Latin America, encompassing a diverse range of disciplines.

Studying in the European Union with an Alban Grant

The Alban programme finances studies in European universities for highly qualified postgraduates, as well as training for professionals and future decision-makers. Currently over 1 000 young Latin Americans are studying for a postgraduate degree (Master or PhD), or being trained at one of Europe's many technical institutes. The results show that 54% of these scholarships were awarded for the study of Master's degrees and 43% for PhD studies. The remaining 3% were granted for specialised studies.

In September, the Alban programme celebrated an important milestone as Ms Andrea Leal, a Guatemalan national currently studying at Delft University, became the programme's 2000th grantee for which she was awarded an honorary certificate by Commissioner Ferrero-Waldner. The Commissioner also conferred Alban Certificates of Excellency on Pablo Marmol from Argentina, who did a Master's degree at Cranfield University, and Lucas Freitas and Juliana Loureiro from Brazil who studied at the London School of Economics and Political Science and at Porto University respectively.

Beyond reinforcing EU-Latin American co-operation between academic institutions, the programme encourages grantees to establish permanent working and professional relations with their host universities and countries. Former grantees are actively participating in the Alban alumni network (www.alban-alumni.org), as well as collaborating in the creation of a compendium of their theses.

Given the excellent results of this programme, the EC will reinforce its co-operation in higher education with Latin America and will boost student exchange programmes.

@LIS (Alliance for the Information Society Programme: EC contribution € 63.5 million, 2002-2006)⁶². The programme achieved significant results in 2006 in terms of policy dialogue and the creation of networks, as well as the implementation of demonstration projects in the four priority areas (e-Education, e-Health, e-Government and e-Inclusion). @LIS continues to play a key role in the development of an inclusive Information Society and in the reduction of the digital divide in Latin America.

AL-INVEST (EU-Latin America Trade and Investment Promotion Programme: EC contribution € 38.5 million, 2003-2007)⁶³. During the year, 218 projects were approved for the benefit of SMEs. Activities included the organisation of business meetings as well as capacity-building projects for private-sector organisations. In 2006 alone, over 10 000 SMEs received assistance under the programme which,

⁶¹ http://europa.eu.int/comm/europeaid/projects/alfa/index_en.htm

⁶² http://europa.eu.int/comm/europeaid/projects/alis/index_en.htm

⁶³ http://europa.eu.int/comm/europeaid/projects/al-invest/index_en.htm

since its creation 12 years ago, has generated more than € 490 million worth of EU-LA business.

URB-AL (Latin American Urban Partnerships: EC contribution € 50 million, 2000-2006)⁶⁴. The programme aims at encouraging the transfer of technology between European and Latin American local authorities. A network meeting was held in Porto Alegre, Brazil, in 2006. The Observatory of Decentralised Co-operation and the Programme's Documentation Centre are expected to continue their respective activities, namely training for local authorities and disseminating URB-AL results.

OBREAL (Observatory of EU-AL Relations: EC contribution € 1.35 million, 2005-2008)⁶⁵. The Observatory is a network set up by 23 academic institutions and research centres from Europe and Latin America. It aims to identify partnerships between the two regions in several key policy areas: trade and financial relations, regional integration, democracy, human rights and the rule of law, social and development co-operation, governance and multi-regionalism, civil society and institution-building.

EURO-SOLAR (EC contribution € 24 million, 2006-2010)⁶⁶. Euro-Solar is a Commission initiative that aims to reduce poverty, allowing remote rural communities hitherto without access to electricity to benefit from renewable electric energy. Approved in May, the programme's total budget is € 30 million, of which € 6 million will be provided by the eight beneficiary countries (Guatemala, El Salvador, Honduras, Nicaragua, Ecuador, Peru, Bolivia and Paraguay).

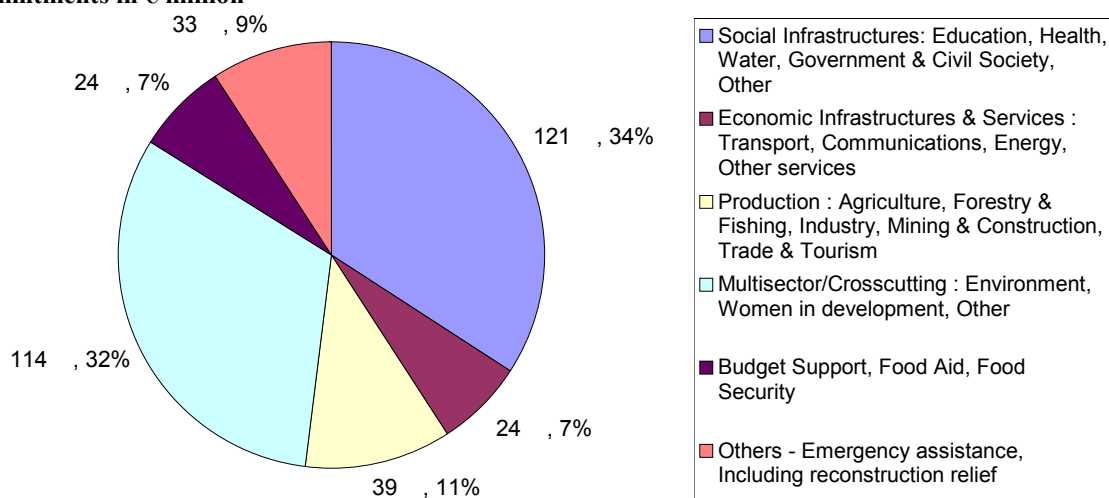
⁶⁴ http://europa.eu.int/comm/europeaid/projects/urbal/index_en.htm

⁶⁵ http://europa.eu.int/comm/europeaid/projects/amlat/oreal_en.htm

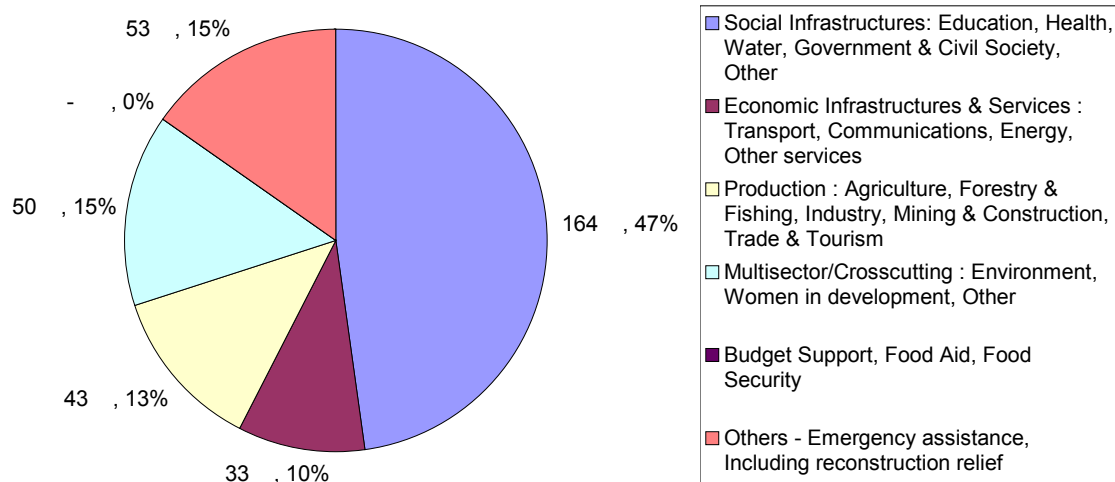
⁶⁶ http://ec.europa.eu/europeaid/projects/amlat/euro-solar/index_en.htm

Table 24 Latin America. Breakdown by sector of external aid financed on the General Commission Budget managed by EuropeAid in 2006

Commitments in € million

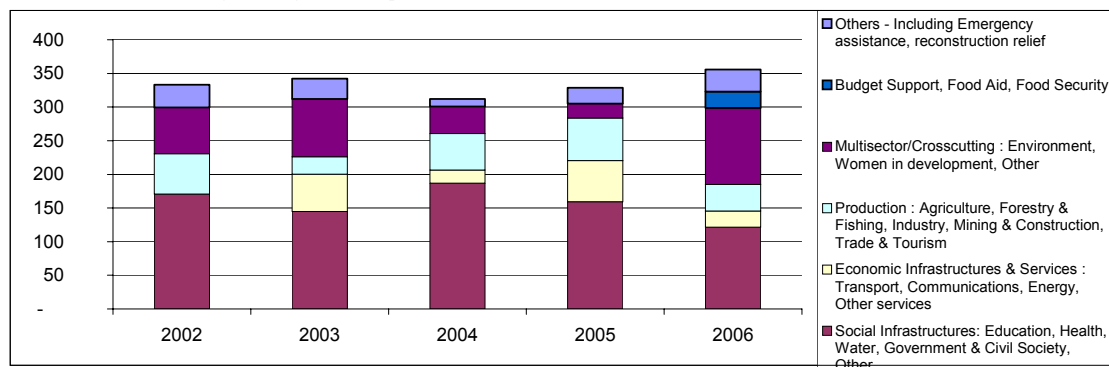


Payments in € million



Bilateral and Multilateral ODA/OA (EuropeAid only).
Region identified following geographical budget lines

Table 25 Latin America. Breakdown by sector of external aid financed on the General Commission Budget managed by EuropeAid. Commitments 2002-2006



Bilateral and Multilateral ODA/OA (EuropeAid only). Amount in € million.
Region identified following geographical budget lines

Table 26 Latin America. External aid financed on the General Commission Budget managed by EuropeAid 2000-2006

M€	2000	2001	2002	2003	2004	2005	2006
Commitments	277	301	333	342	312	329	356
Payments	195	152	182	290	314	376	343

Bilateral and Multilateral ODA/OA (EuropeAid only). Amount in € million.
Region identified following geographical budget lines

2.6.4. Working towards the MDGs

A 2005 UN report on achievement of the MDGs in Latin America stressed that domestic and external resources are needed to complement efforts in those countries that are lagging furthest behind. Various programmes and projects financed by the EC in 2006 will contribute to achievement of the MDGs in the region.

MDG 1, eradication of extreme poverty and hunger: in **Paraguay**, the Commission is supporting a “Targeted Poverty Reduction Programme”, the first general budget support for that country. Its objective is to consolidate implementation of the Social Protection Network, initiated by the Paraguayan Government, which is focused on the 64 municipalities with the highest poverty indices in the country.

MDG 2, achieve universal primary education: in **Honduras** the EC supports the primary education system with the aim of duplicating net coverage of pre-school children aged five to six, achieving a net coverage of 95% on access to the two first courses (grades 1-6) and 70% on access to the third course of basic education (grades 7-9), allowing 50% of the new labour force to complete secondary education.

MDG 7, environmental sustainability: also in **Honduras**, the EC provided funding for the restoration and maintenance of the ecology and economy of the Biological Corridor of the Honduran Caribbean. This project will particularly improve

environmental management of protected areas at local level. The third tranche of a water and sanitation programme for **Bolivia** aims to increase the number of municipalities and houses with appropriate water supplies and sanitation.

2.6.5. *Governance*

2006 can be considered a positive year in terms of the consolidation of democratic principles in Latin America. The 12 electoral processes of the last months were by and large transparent and legitimate. However, the situation was also characterised by a high level of social discontent and tension, in some cases linked to electoral processes. This situation to a large extent reflected the perception that much remains to be done to improve transparency, probity and responsible public administration.

The need to make headway on good governance was publicly acknowledged by the leaders of the EU and LA regions. The Final Declaration of the May EU/LAC Summit explicitly refers to the need to consolidate democratic governance and achieve greater social justice and sustainable development, and also mentions the need to promote corporate social responsibility. In the same vein, good governance and development of a knowledge-based society was the theme of the 2006 General Assembly of the Organization of American States.

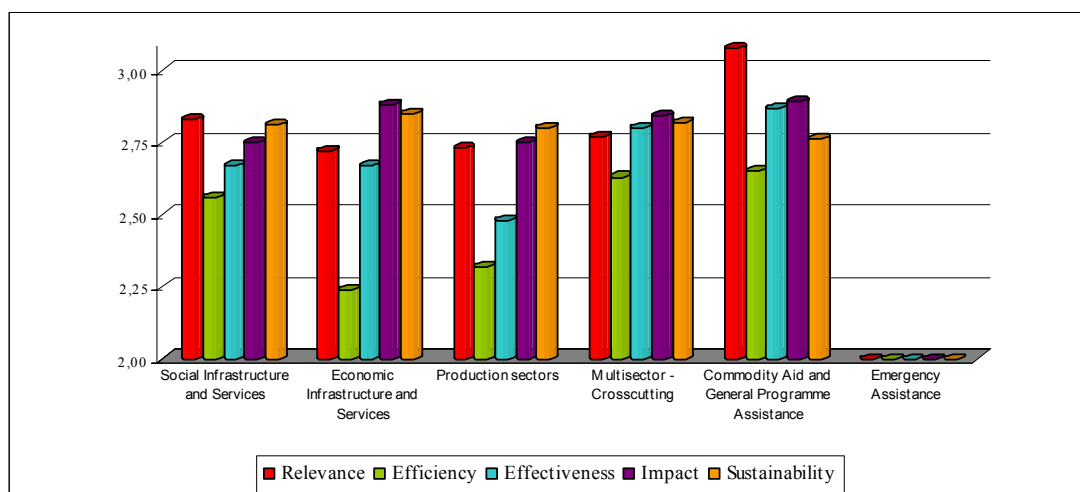
Good governance remains one of the items regularly discussed by the EU and the LA countries and regions in the various policy dialogue forums. The Commission has highlighted the need to cooperate further on such subjects as promotion of dialogue between social partners, access to justice, strengthening the judiciary, building security force capacities, ensuring security forces are subject to the rule of law, decentralisation and good governance, tackling corruption and anti-impunity initiatives.

Good governance features prominently in two ways in the Country Strategy Papers for Latin America for the period 2007-2013. In some countries, such as **Colombia**, **Ecuador**, **Nicaragua** and **Peru**, it is identified as one of the focal points of the Commission's future co-operation programmes. In many other countries there are areas of intervention directly linked to good governance as a crosscutting issue. It is expected that the EU/Latin America Parliamentary Assembly, created in 2006, will have a significant impact in developing democratic governance in the region.

2.6.6. *Overview results-oriented monitoring*

Table 27: Latin America Monitoring Results per ODA sector⁶⁷

⁶⁷ Only samples of minimal 10 monitoring reports are considered statistically relevant, therefore no information is provided for those sectors having less than the minimum number of monitoring reports.



A total of 203 projects with a budget of € 1 192 million were monitored, resulting in 200 monitoring reports and 3 monitoring notes. The overall average note of 2.73 reflects good performance (based on a target of 2.5 for 'on track'). Despite a small decrease of the overall note compared with results in 2004 and 2005, projects still show very good *relevance* (2.81), *impact* (2.80) and *sustainability* (2.81). The best results were attained in the *commodity aid and general programme assistance* sector (2.85), while *emergency assistance* with a score of 3.08 was based on a sample too small to be representative. Approximately half the projects monitored correspond to the sectors *multi-sector/crosscutting issues* (i.e. environment related, urban and rural development projects) and *social infrastructure and services* (education, health, water supply, civil society, etc.), which also show a good overall performance, scoring 2.77 and 2.72 respectively. The criteria with the best scores in all sectors are: *relevance*, *impact prospects* and *potential sustainability*.

The *social infrastructure and services* sector (education, health, water supply, civil society etc), which represents nearly half the projects and the budget monitored, shows good overall performance (2.72). The *commodity aid and general programme assistance* sector offers the best results (2.85), but the sample of 12 projects is small. The second best performer is *multi-sector/crosscutting* (environment-related, urban and rural development projects) with 2.77. The *production* sector is below the regional average, apparently affected mainly by centrally managed regional programmes and regional integration/trade projects. The strongest criteria in all sectors are *relevance*, *impact prospects* and *potential sustainability*. It is worth emphasising that *centralised operation regional Latin America*⁶⁸ registers particularly high scores, achieving an average performance of 2.72.

2.6.7. Donor co-ordination

Co-ordination with other donors continues to be a priority, with particular attention to co-ordination with Member States. The Commission promotes, organises and is involved in regular meetings with Member State representatives and other donors, to exchange lessons and to ensure coherence of EC policies with other co-operation activities and programmes. Sector approaches have encouraged a more harmonised

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http://ec.europa.eu/europeaid/projects/amlat/regional_cooperation_en.htm

and effective pooling of development potential. For instance, in **Nicaragua** the EC is a member of the Donor Quintet (EC, World Bank, Japan, Sweden, and Canada), a high-level group which discusses and identifies priorities and aims to promote common positions at the donor roundtable. The Commission is also a founder member of the mixed Government-donor/civil society working group on harmonisation and alignment.

In **Honduras**, the EC was nominated to chair the working group monitoring the Poverty Reduction Strategy. This group aims to strengthen dialogue with the government, other donors and civil society in all priority sectors. The results of its work will provide the basis for future political demarches between the G16 (donor countries, development banks and the UN) and the government.

Among the regional programmes, EUROsociAL illustrates well the Commission's efforts to enhance co-operation with other partners: a regular consultation mechanism between the Commission, Inter American Development Bank (IDB), the Economic Commission for Latin America and the Caribbean (ECLAC) and the United Nations Development Programme (UNDP) supports EUROsociAL in developing a strategy aimed at building up sectoral networks of public administrations engaged in improving social cohesion. The recently approved EUROSOLAR programme will devote special attention to the organisation of annual meetings and seminars with Member State representations in the country, with Delegations and with the National Co-ordination Units (CNCs) in which civil society and the private sector participate.

2.6.8. *Conclusions and perspectives*

The EU's strategic partnership with Latin America and the Caribbean has been forged at the summits of heads of state of both regions in Rio, Madrid, Guadalajara, and was most recently renewed in May in Vienna. The main priorities for co-operation for the period 2007-2013 are the fight against poverty, the promotion of social cohesion, and strengthening regional integration.

Co-operation will be tailored to the needs of the countries concerned. For low-income and lower middle-income countries, funds will primarily be used to support the implementation of reforms aimed at achieving the MDGs, in particular promoting the social cohesion that is an essential condition of poverty reduction. Acknowledging the role that middle-income countries play in political, security, stability and trade matters, the Commission will continue to support these countries through economic and development co-operation.

On aid delivery methods, the EC will prioritise budget support as a means of strengthening ownership, supporting partners' national accountability and procedures whenever the appropriate conditions are met.

3. THEMATIC PROGRAMMES AND MAINSTREAMING OF CROSSCUTTING ISSUES

Introduction

The crosscutting issues identified as strategic priorities for EC development co-operation are addressed both through mainstreaming in all EC co-operation programmes as confirmed in the European Consensus for Development and by specific interventions, funded either under geographic programmes or under one of the specific thematic programmes.

Specific policy developments as well as concrete international commitments in the field of development have led to the establishment of thematic programmes. These programmes provide the Commission with an instrument to make a distinct contribution in areas such as environment, fighting AIDS or promoting democracy and human rights, in complementarity with country and regional programmes. The thematic programmes also provide for EC contributions to global initiatives such as the Global Health Fund or the World Food Programme. In the same vein, they allow for support to the international standard setting framework such as the Commission's significant annual contribution to the Office of the High Commissioner for Human Rights. In financial terms these programmes represent between 10 and 15% percent of the overall external assistance budget managed by the Commission.

In 2006 the following programmes were implemented:

- The European Initiative for Democracy and Human Rights
- Aid to fight poverty diseases including HIV/AIDS and aid for policies and actions on reproductive and sexual health and rights in developing countries
- Promotion of gender equality in development cooperation
- Promotion of sustainable development through environmental and tropical forests programmes
- The Food Security and Food Aid Programme
- AENEAS programme in the area of migration and asylum
- Decentralised co-operation programme
- NGO co-financing programmes
- Fight against drugs via Action Plans in Latin America, the Caribbean, Central Asia and the Balkans

The thematic programmes are to a large extent implemented in partnership with civil society organisations and are therefore an important part of the Commission's relations with civil society. A broad range of actors are included in the group of organisations that implement the programmes and with whom the Commission

undertakes consultations during the programming cycle, both at Headquarters and at Delegation level. When implementing specific projects, these civil society organisations are selected through calls for proposals managed by EuropeAid or by EC Delegations.

Co-operation with international organisations often takes place within the framework of an institutional arrangement such as a memorandum of understanding between the Commission and the organisation and joint priorities are established over a longer period of time.

The NGO co-financing programme as well the small decentralised co-operation programme are 'actor-based' programmes devoted to co-financing the operations of European NGOs in developing countries and to decentralised co-operation with non-state actors. These programmes are based on the "right of initiative" of these organisations and consequently the projects financed cover many areas, but these are all related to poverty reduction, participation and the protection of vulnerable groups.

A number of smaller thematic pilot lines and actions complement the above-mentioned programmes. They are used to test a new approach or initiative, so that this can be confirmed under a specific thematic line with its own legal basis, or integrated into country and regional strategies. Examples are the Conflict Prevention Network, De-mining and action on small arms and light weapons (SALW), Cultural co-operation with developing countries, Fighting Nuclear, Biological and Chemical weapons, and information and communication technology for development

Table 28 Thematic programmes/projects

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

3.1. Democracy and human rights

Support to development and consolidation of democracy and the rule of law, and of respect for human rights and fundamental freedoms is one of the main priorities of the EC's development policy and economic, financial and technical co-operation. It is reflected in all Association Agreements the EU has concluded and is expressed in the political dialogue at country and regional level, as well as in concrete co-operation programmes funded under the geographical financial instruments in different regions of the world.

3.1.1 European Initiative for Democracy and Human Rights (EIDHR)

The “European Initiative for Democracy and Human Rights” (EIDHR) intervened as a complementary, but independent, global financing instrument mainly targeted at countries most in need of support in these areas. Its main beneficiaries are civil society organisations engaged in human rights activities and in the promotion of democratisation processes. The EIDHR is uniquely placed to promote the founding values of the European Union by addressing global, national and local human rights and democratisation issues in partnership with civil society (which is understood to span all types of social action by individuals or groups that are independent from the state and active in the field of human rights and democracy promotion). It ensures a fair measure of political visibility for the European Union in these sensitive policy fields.

The annual global amount in 2006 was € 135.1 million, of which € 133.6 million for EIDHR implementation and an additional € 1.5 million allocated by the European Parliament to preparatory action on a "Conflict Prevention Network". This preparatory action was agreed on by the European Parliament in December 2005. A sum of € 1.5 million was allocated in 2006 and a call for proposals was launched in November to select a network. The overall objective of the Conflict Prevention Network is to increase, develop and collate international knowledge and expertise on conflict prevention in order to ensure that all actors, including EU institutions, have access to strong and independent analyses to facilitate better informed and more evidence-based policy decisions.

To maximise the effectiveness of the limited programme funds and to better define its thematic scope, the EIDHR is structured in four global campaigns. Each campaign is implemented through global calls for proposals (32%), country-specific calls for proposals managed by Commission Delegations and targeted projects (23%), Election Observation Missions (35%), and strategic co-operation with international partner organisations (10%).

Campaign 1, “Promoting justice and the rule of law”, covers the overall objectives of: i) effective functioning of the International Criminal Court and other international criminal tribunals, including their interaction with national justice systems; ii) progressively restricting the use of the death penalty and ensuring its eventual universal abolition – the EIDHR has encouraged civil society coalitions in this field, including supporting participation of NGOs from developing countries in the 3rd World Congress against the Death Penalty, held in Paris in February 2007; and iii) reinforcing the work of international human rights mechanisms.

Campaign 2, “Fostering a culture of human rights”, covers the overall objectives of: i) advancing the rights of marginalised and vulnerable groups – the EIDHR has focused on children and women as the main victims of such modern forms of slavery as traffic in human beings, an increasing global phenomenon, and of gender/age-based violence, including domestic violence and all forms of coercion; ii) reducing the occurrence of torture, effectively implementing international instruments against torture and providing support for the rehabilitation of victims of torture; and iii) enhancing education, training, monitoring and awareness-raising on human rights and democratisation issues.

Campaign 3, “Promoting the democratic process”, covers the overall objectives of: i) underpinning and developing democratic electoral processes; and ii) strengthening

civil society dialogue and the democratic discourse through the promotion of freedom of expression and freedom of association.

Campaign 4, “Advancing equality, tolerance and peace”, covers the overall objectives of: i) securing equal rights and treatment of persons and people belonging to minorities, irrespective of racial, ethnic or caste origin, or of language and religion; ii) enhancing intercultural and interethnic understanding; iii) securing respect for the rights of indigenous peoples; and iv) reinforcing the engagement of civil society in conflict prevention and resolution.

Four global calls for proposals were launched by EuropeAid at the end of 2005 and early-2006 for a total amount (drawn from the 2005 and 2006 budgets) of € 74.6 million. 776 proposals were received and some 130 projects will be financed. In parallel, Commission Delegations launched 109 country-specific calls for proposals, both under the 2005 and 2006 budgets and adapted to the needs and priorities of the countries concerned. This led to the signature of about 480 grant contracts for EIDHR micro-projects over the year.

Strategic partnerships with international organisations include support for the work of the UN Office of the High Commissioner for Human Rights (OHCHR field activities, the Treaty Bodies, the Special Procedures and programmes on Antidiscrimination and Gender). They also include partnerships with the special courts for Former Yugoslavia, Rwanda and Sierra Leone, as well as the International Criminal Court. Four new projects (South Caucasus, Ukraine and Russia) were initiated with the Council of Europe.

A network of seven schools of political studies in Eastern European countries and the Balkans is also being co-financed. Two contracts were signed with, respectively, the OSCE's Office for Democratic Institutions and Human Rights (ODIHR) and the Council of Europe's Venice Commission in Central Asia. These projects cover a wide variety of themes such as enhancement of the rule of law (support and training of legal professionals and law enforcement officials; promotion of justice; constitutional reform), enforcement of children's and women's rights, gender equality, freedom of expression, of religion and belief, of assembly, dialogue between civil society and governments, promoting tolerance as well as prevention of terrorism.

Specific human rights issues

The refining of the thematic scope of the EIDHR into four campaigns and the associated calls for proposals confirms that fundamental human rights issues remain central to the EIDHR. Civil society continues to develop its response strategies and activities in support of human rights promotion and protection. Freedom of expression and the fight against torture were key elements in 2006.

Freedom of expression

Recent events have emphasised the role of independent media in preventing conflicts and building peace. This issue was one of the priorities for the EIDHR under **Campaign 3** on "Promoting the Democratic Process". Special emphasis was placed

on freedom of expression and the media environment. In October, proposals were selected for an amount exceeding € 7 million.

Torture

The practice of torture is one of the most serious human rights violations. According to the Universal Declaration of Human Rights, no one shall be subjected to torture or to cruel, inhuman or degrading treatment or punishment. No exceptions are permitted under international law. Unfortunately, despite the efforts of the international community, torture occurs all over the world. The progressive prevention and eradication of all forms of torture and ill-treatment is a strongly held policy view of all EU Member States. Promotion and protection of this right is a priority of the EU's human rights policy.

In its work to this end, the EIDHR provides support for projects aimed at: the physical and psychological rehabilitation of torture victims; various forms of training in different areas directed at professionals (health practitioners, jurists, police, etc.), government officials, NGO staff and the general public; awareness campaigns about torture; identification of industrial and commercial firms specialising in torture instruments; the application of the Istanbul Protocol by the signatory countries; ratification of the optional protocol to the Convention Against Torture (OPCAT Protocol); administrative and legal accompaniment of relatives of torture victims, refugees and unaccompanied children; and advocacy for reparations as well as for combating impunity.

Lessons learned for the EIDHR

During the year, the EIDHR was the subject of a series of evaluations. A study on Generating Impact Indicators was finalised in 2005 and its results were implemented in 2006. The study formulates indicators to be included in the guidelines for calls for proposals, in order to give applicants guidance on the overall objectives and indicative results expected for each campaign. A second evaluation concerned the "Programa Andino de derechos humanos y democracia" (Andean Programme on Human Rights and Democracy), a regional programme carried out between 2002 and 2005. This evaluation confirmed the added value of regional actions and showed that the programme had led to closer collaboration and interaction between NGOs and grassroots organisations by creating positive synergies and enhancing the involved organisations' knowledge of other organisations in the Andean region. Finally a thematic evaluation, financed by EIDHR over a period of more than ten years, was carried out of projects aimed at the abolition of the death penalty. The results will be available in 2007.

3.1.2. Election Observation Missions and electoral assistance

Thirteen EU Election Observation Missions (EU EOM) were mobilised to observe elections in Haiti, West Bank Gaza, Uganda, Fiji, Mexico, Bolivia, DR Congo, Yemen, Zambia, Nicaragua, Mauritania, Aceh (Indonesia) and Venezuela. An EU EOM was also launched tentatively to observe the elections in Bangladesh that were due to take place in January 2007. The total budget for these EOMs amounted to € 35.1 million, and some 1 400 EU observers were deployed.

These missions contributed by their very presence to reducing the possibility of fraud, manipulation, intimidation and election-related violence. They increased transparency and public confidence in the election process and therefore provided significant support to progress in democracy and governance. In some cases, the missions played a role in conflict prevention, as in the Democratic Republic of Congo (DRC) where the most important EU EOM ever deployed (300 observers) observed the preparation, conduct and follow-up of the two rounds of Presidential, Legislative and Provincial elections that took place in July and November. These elections paved the way for a return to civil peace, re-establishment of governance, sustainable development in the DRC and the stabilisation of the Great Lakes region.

Projects to assist the electoral process were also implemented in the DRC; these were the most important ever, both in terms of funding and challenge. The EC contributed € 165 million to an overall budget exceeding € 450 million to support the Congolese Independent Electoral Commission in all steps of the organisation of the electoral cycle, from legal reform to the registration of 25 million voters, training of election officials, voter education, polling activities, electoral dispute resolution, post- and inter-election activities, etc.

This focus on a long-term approach and support for the successive steps of the electoral cycle, rather than on projects aimed at specific electoral events, can be seen in the Electoral Assistance projects adopted and implemented in 2006. Whenever possible, rather than limited to supporting logistics and operations for election day, assistance focuses very much on the development of the capacities of national electoral management bodies and civil society organisations. The NEEDS (Network of Europeans for Electoral and Democracy Support) project was further developed, with a series of training sessions for EU observers, and two regional forums in third countries for local domestic observers.

With a two-year contract, an amount of € 950 000, and increased collaboration and input from its services, the EC is supporting the ACE Electoral Knowledge Network, undoubtedly the most important initiative in the area of administration of elections and a reference for all those working in this field. This Commission support will contribute to the creation of a global knowledge network in the field of elections that promotes professional, effective and sustainable electoral administrations worldwide through the generation, sharing and application of electoral knowledge.

3.1.3. Indigenous peoples

The protection of indigenous peoples' rights figures high on the human rights agenda of the Commission. Activities in this field were carried out both under EIDHR and in the context of geographical instruments. EIDHR **Campaign 4** led to the selection of 11 projects targeting indigenous peoples in seven different countries for a total amount of more than € 6 million. The selection criteria strongly emphasised the need to foster and sustain genuine partnerships between European or international organisations and local indigenous organisations: selected proposals demonstrated that recommended partnerships were robust, empowering and transparent.

As regards the results and impact of ongoing projects, positive steps were taken in August by the Nepalese House of Representatives towards the ratification of ILO Convention 169 on Indigenous and Tribal Peoples. An EIDHR grant contract signed

with the ILO in 2005 allowed the building of capacity for dialogue on indigenous peoples' rights, as part of the peace process in Nepal. Ratification of Convention 169 became the main rallying point for indigenous organisations in the country.

Another important impact of EIDHR projects was the adoption of the UN Draft Declaration on the Rights of Indigenous Peoples by the UN Human Rights Council in June. Support provided through EIDHR projects to the capacity-building of indigenous peoples' organisations and representatives in contributing to, as well as participating in, this international standard-setting process was instrumental in influencing key decisions. The next challenge will be the formal adoption of this declaration by the UN General Assembly.

Specific attention was also devoted to mainstreaming indigenous peoples under geographic instruments. A good example, as it serves multiple objectives, is a contract awarded under the ALA⁶⁹ regulation to the Philippine NGO "Earth Rights – Peoples' Rights" to assist and support indigenous peoples' communities in developing sustainable development and protection plans for their ancestral lands, as a realisation of the Philippine law on the rights of indigenous peoples as well as the achievement of MDG 7 (ensuring environmental sustainability).

3.1.4. Child rights and children in development co-operation

The Commission remained committed to promoting the universal application of the Convention on the Rights of the Child as the prime international human rights instrument for children. To underpin this commitment, the Commission uses around 75 different instruments related to children policies and programmes both within and outside the borders of the EU.

To improve the coherence of these instruments and to maximise their synergies and increase their collective impact in improving the rights of children, the Commission adopted the Communication *"Towards a strategy on the rights of the child"*⁷⁰. This Communication defines a long-term and in-depth process, and also defines new mechanisms to ensure internal co-ordination and consultation (such as a European Forum for the Rights of the Child), with prescriptions for the effective participation of children themselves. Furthermore, in developing an Action Plan on Children in Development Co-operation at the end of the year, discussions on extending the scope of this document to external relations in general were held. This Action Plan will translate the principles of the Communication into specific tools to enhance the Commission's work at the country and global levels. During the year, the draft Action Plan was discussed and prepared with the relevant stakeholders.

In the framework of the Financial Perspectives 2007-2013, two thematic programmes will be particularly relevant to children's rights: the new European Instrument for Democracy and Human Rights and "Investing in People". Protection of children and youth, and the promotion of their participation in development, are "Investing in People" priority areas for action, with a financial allocation of € 90 million for the period 2007-2013.

⁶⁹ Financial and Technical Assistance to, and Economic Co-operation with, the Developing Countries in Asia and Latin America (ALA), Council regulation n° 443/92

⁷⁰ COM(2006) 367

The Commission supported initiatives in several areas, for example assisting Orphans and Vulnerable Children (OVC) affected by HIV/AIDS. In Lesotho, under the European Development Fund, € 12 million were devoted to actions aiming at enabling OVCs to cope with their trauma and loss, and to assist them in accessing services and in acquiring life skills as well as formal and vocational skills.

The European Consensus places special emphasis on the situation of working children, including those engaged in the worst forms of child labour. The follow-up strategies adopted by the Commission reflect the Commission's commitment to protecting children from poverty, marginalisation and abuse. This is in line with the EC strategic partnership with the International Labour Organisation (ILO), whereby the Commission supports the latter's "decent work" agenda, which includes fighting child labour in all its forms as per ILO conventions nos. 182 on the worst forms of child labour and 138 on the minimum age for admission to employment. These important commitments were also mirrored in the broader Commission Communication on decent work⁷¹ adopted in May. The Commission also made significant progress with the ILO in preparing a basic education and training programme that will provide € 15 million to fight all forms of child labour in African, Caribbean and Pacific countries. Furthermore, in the framework of the strategic partnership with the Council of Europe, a project of 200,000 Euro to enforce the rights of the child and to re-integrate children at risk in Russia was signed at the end of 2006.

While the wellbeing of children and their rights are defined as crosscutting issues under the EIDHR, **Campaign 2** had a specific focus on children. Following a call for proposals under this Campaign, 18 projects for a total of some € 10.8 million were selected. In Zimbabwe, through a contribution to UNICEF, support is being provided to protect vulnerable children from violence, abuse and exploitation by addressing cross-border movement/child trafficking and birth registration.

Development of effective policies and practices against trafficking in children in Southeast Asia, Southeast Europe and Latin America in particular is also the focus of an EIDHR-supported project run by the NGO Terre des Hommes. Although several of the projects under **Campaign 2** focused on women's rights, it is undeniable that protecting women from violence and discrimination will improve the situation of their children.

Implementation of the EU guidelines on children and armed conflict was further strengthened, and several of the selected EIDHR projects focused on children in conflict areas (e.g. Columbia and the Horn of Africa). In Nepal, in line with UN Security Council resolution 1612 on children in armed conflict, the establishment of a Taskforce for the Monitoring and Reporting Mechanism was co-chaired by the EC-funded Monitoring Mission of the Office of the High Commissioner for Human Rights (OHCHR). The objective of this task force is to promote effective responses to violations against children in the context of conflict.

⁷¹ COM(2006)249 – “Promoting decent work for all: The EU contribution to the implementation of the decent work agenda in the world”

In the Philippines, the focus has been Mindanao for several years now. The overall goal is to contribute to the eradication of poverty and the general development of the area. This approach benefits the children in conflict areas through stabilisation and normalisation of people's lives. Children are also the main beneficiaries, together with women, of the Access to Justice Project which started its effective field implementation in 36 communities of five provinces (two in Mindanao) in November. In Uganda, the 9th EDF Northern Uganda Rehabilitation Programme was underway, with a specific component (€ 5 million) devoted to the most vulnerable groups, including child-mothers and returnees.

As stated in the Convention on the Rights of the Child, every child by reason of his/her physical and mental immaturity needs special safeguards and care. However, some children are particularly vulnerable to poverty and discrimination, for example refugee children, children from indigenous or minority backgrounds, disabled children, and children who suffer from caste-based discrimination. In this context, a joint project with UNHCR will be supporting the Montagnard returnees in the Central Highlands of Vietnam. This project, funded by the geographical instrument, will enable disadvantaged families to enjoy increased standards of living while their children have equitable and unrestricted access to much-needed quality pre-school education.

3.1.5 Towards a renewed EIDHR financing instrument

In the context of the Financial Perspectives for 2007-2013, a regulation establishing a specific Instrument for the promotion of democracy and human rights worldwide was adopted by the European Parliament and the Council at the end of 2006. It provides the basis for increased involvement of the Commission in the support of democracy and human rights in particular in countries where civil society is most in need of support, as well as at the international level through support to international mechanisms for human rights promotion and protection, and in securing EU observation of electoral processes.

3.2. Human and social development

Health

The areas for EC support financed through thematic budget lines are the fight against poverty-related diseases, sexual and reproductive health, and closing the 'human resource for health' gap⁷².

Poverty-related diseases

A call for proposals addressing HIV/AIDS, tuberculosis and malaria, with priorities on technology transfer, strengthened prevention and support for clinical trial sites, led to grants of a total of € 80.3 million to 21 projects, as well as several targeted actions. The International Partnership for Microbiocides benefited from a € 4.2 million grant, while the Global Fund to Fight HIV, Tuberculosis and Malaria (GFATM) received an additional € 90 million (€ 62 million from the EDF and € 28

⁷² Budget lines 21.02.07.02, 21.02.07.03, 21.02.07.04

million from thematic budget lines). The EC representative on the GFATM Board was nominated as Vice Chair in April 2006.

An EC/ACP/WHO⁷³ Partnership on Health Millennium Development Goals was signed (€ 25 million from the EDF) to enhance national capacity for the formulation and implementation of health policies and to strengthen the engagement of the health authorities in PRSPs, SWAPs and budget support processes in order to scale up programmes and accelerate achievement of the MDGs. The EC contribution to the Global Alliance for Vaccines and Immunisation (GAVI) represented € 40 million (including the EDF contribution) to introduce new and underused vaccines, mostly in Sub-Saharan Africa. The EC also supported the World AIDS Campaign in Sub-Saharan Africa, as well as other major international and regional events, in particular the 16th International AIDS Conference in Toronto.

Sexual and reproductive health and rights (SRH)

A call for proposals was launched in July for € 18.6 million, with priority given to activities meeting the need of uprooted people for sexual and reproductive health services and commodities in conflict and post-conflict settings. Some 10 proposals will be selected by the Commission by the end of the first quarter of 2007. As part of its commitment to increasing availability of reproductive health commodities, the EC supported a Joint Programme for Assistance to ACP Countries by allocating € 15 million through UNFPA. It also financed the African Union Ministerial Conference on Reproductive Health Commodity Security that took place in Maputo in September 2006, when African Union Health Ministers adopted a Plan of Action on the implementation of AU Sexual and Reproductive Health and Rights policies: in particular this includes a commitment to secure funds from national budgets for reproductive health commodities and services.

Human resources for health

Responding to recommendations made in the Communication on the health workforce crisis⁷⁴, and to the Council Conclusions of 12 April, the EC funded consultative meetings in Asia and Africa on strengthening political support for action on this issue: these high-level meetings are building political consensus and developing networks with the aim of mobilising long-term and predictable financing to support country, regional and global initiatives on a strengthened health workforce and progress on the MDGs. The Communication *"A European Programme for Action to tackle the critical shortage of health workers in developing countries (2007–2013)"* (PfA)⁷⁵, which was adopted in December, sets out future EU actions. The PfA was developed in full consultation with EU Member States and will be financed with € 40 million of EC funding, in addition to resources from Member States and from the 10th EDF. EC funds will be used for coherent and co-ordinated EU (EC and Member States) action.

Education

⁷³ World Health Organization
⁷⁴ COM(2005)642
⁷⁵ COM(2006) 870

Apart from bilateral co-operation with various countries and regions, EC support to the education sector has focused on the FTI Partnership and the Tempus programme, as well as on the new Erasmus Mundus and Edulink programmes in the field of higher education.

Under the Erasmus Mundus programme, the European Commission continued to promote the EU as a centre of excellence in learning around the world, mainly through support to European top-quality Masters Courses and scholarships for third-country nationals. Development co-operation funds (€ 57.3 million) were injected into Erasmus Mundus in 2005 to finance additional scholarships for students coming from specific Asian countries or regions; these will allow the funding of scholarships to study in Europe for approximately 1 500 Asian students (already 353 in 2005 and 636 in 2006). These Asian 'windows' are implemented in line with Erasmus Mundus implementing rules for the period 2005-07. Other Erasmus Mundus windows were prepared in 2006 for the Western Balkans (with enlargement funds) and the ACP countries (with development funds).

The EC continues to implement commitments made in the Paris Declaration to improve donor harmonisation and alignment with country strategies in the sector. An important element in this is continued support for the Education for All Fast Track Initiative (FTI)⁷⁶. As from June, the EC has been the co-chair of the FTI. At the FTI Partnership Meeting in Cairo (13-14 November), the EC emphasised the importance of strengthening the quality of country-level processes, from endorsement of sector plans to continued engagement and follow-up in policy dialogue.

Putting the right policies and strategies in place from the start, and following through with effective implementation, will be the key to successful education reforms. The FTI promotes more effective use of resources through strong sector strategies, improved harmonisation and alignment of external financing, and the increased predictability and longer-term nature of domestic and external financing. Aside from country-level support, the Commission is contributing to the FTI Catalytic Fund, along with other donors. The Commission is supporting efforts under FTI to increase and improve aid effectiveness in education in fragile states, and is also seeking to build a joint programme for donor staff training in order to support donor harmonisation in the education sector.

In the field of Higher Education, a call for proposals for the new Erasmus Mundus External Co-operation Window was launched in October. The main objective of the programme is to enhance the international co-operation capacity of universities in third countries by facilitating the transfer of know-how and good practices in the field of student and academic staff mobility. For the call for proposals 2006, which covers mobility activities starting at the latest in April 2008, the geographical coverage includes the following countries: Morocco, Tunisia, Algeria, Egypt, Israel, West Bank and Gaza, Jordan, Syria, Lebanon, Russia, Georgia, Armenia, Azerbaijan, Ukraine, Moldova, Belarus, Yemen, Iran, Iraq, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan.

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<http://www.fasttrackinitiative.org/>

Under the Tempus programme, institutional co-operation between European universities and their counterparts in 26 non-EU partner countries continued. Tempus, a funding programme that deals with all aspects of higher education, supports university and structural reforms in partner countries, including the necessary changes that emerge from the Bologna process such as the three-level cycle, quality assurance and the introduction of the European Credit Transfer System. The programme has been a great help in building co-operation between non-EU and European universities.

The first ACP-EU Co-operation Programme in Higher Education, EDULINK, launched its first call for proposals: this programme aims to foster capacity-building and regional integration in the field of higher education through institutional networking, and to support a quality higher education system that is relevant to the needs of the labour market and consistent with ACP socio-economic development priorities. The programme is open to all ACP countries and to the 15 EU Member States that are signatories to the 9th European Development Fund.

Employment, social cohesion and decent work

Reducing poverty by enhancing employability and decent work⁷⁷ and ensuring social inclusion featured high on the international agenda, as well as in EU development and co-operation policies. The European Consensus clearly identifies decent work as crucial to achieving a high level of social cohesion and eradicating poverty. The EC adopted a number of policies proposing a stronger and more coherent EU commitment to a decent work agenda and contributing to the social dimension of globalisation. The strategic partnership with the ILO on development co-operation is also considered crucial for all regions. In May, the Commission adopted the Communication "*Decent work for all*", which includes an annex providing practical examples of activities promoting decent work that can be used in external assistance programmes.

These principles are mirrored in the EC regional strategies adopted for Africa, Latin America (2005), the Caribbean and the Pacific Islands (2006). Employment, decent work and strengthening the social dimension of globalisation feature prominently in regional strategy papers. These not only call for more decisive intervention, but also stress the need to take employment and social inclusion issues into consideration in all relevant programmes and policy areas. The programming exercise initiated in the context of the Financial Perspectives 2007-2013 indicates that the EU will continue to support initiatives promoting investment in human resources (in particular demand-driven vocational training to qualify young people for jobs, and measures to improve adult mobility in the event of industrial restructuring), social protection, gender equality and social dialogue.

Perspective 2007-2013: "Investing in People"

In January, the EC adopted a Communication entitled "*Investing in People*"⁷⁸ on the thematic programme for human and social development and the Financial

⁷⁷ Decent work covers: employment, rights at work, social protection and social dialogue as well as the gender dimension

⁷⁸ COM(2006)18 final

Perspectives 2007-2013. The Development Co-operation Instrument foresees € 1.06 billion for this programme, which is designed to support initiatives in areas that directly affect people's living standards and wellbeing, with a focus on the poorest and least developed countries and the most disadvantaged sections of the population. A strategy for this thematic programme has been prepared in consultation with the relevant stakeholders, with a view to helping partner countries achieve the MDGs. This strategy support activities under four main pillars: Good Health for All; Education, Knowledge and Skills; Gender Equality; and Other Aspects of Social and Human Development (including social cohesion, employment, decent work, children and youth, and culture).

3.3. Equality between men and women

On 8 March, the Commission issued a Communication entitled “*A Roadmap for equality between women and men*”, outlining six priority areas for EU action on gender equality for the period 2006-2010. These include: equal economic independence for women and men; reconciliation of private and professional life; equal representation in decision-making; eradication of all forms of gender-based violence; elimination of gender stereotypes; and promotion of gender equality in external and development policies.

The year saw major initiatives in promoting gender equality in the Euro-Mediterranean Partnership. At the policy level and for the first time, the partners met at the ministerial level to discuss how to improve the status and participation of women in the region (Ministerial Conference on “Strengthening the role of women in society”, Istanbul, 14-15 November). They agreed on a comprehensive set of initiatives to promote women's rights and gender equality in the civil, political, social, economic and cultural spheres. Ministers also agreed to put in place a system to ensure accountability and monitoring of the results achieved.

A Euro-Mediterranean *ad hoc* Committee will be held to review implementation of the Istanbul Conclusions and Framework of Action. The Ministerial Conclusions will be the most important political reference on promoting women's rights and gender equality in the Euro-Mediterranean Partnership for the next five years. The Commission played a leading role in preparing the Ministerial Conference and its Conclusions. Last June, a civil society consultation conference in Rabat, which brought together 130 participants (representatives of governments, parliaments and civil society), paved the way for preparation of the conclusions of the Istanbul Ministerial Conference⁷⁹.

The Commission made grants to seven regional NGO consortia in the MEDA countries for projects Enhancing Opportunities of Women in Economic Life (EOWEL) through training and capacity-building, information, communication and networking. These provide technical assistance for studies, data collection, capacity-building and dissemination of project results⁸⁰. The recently published brochure

⁷⁹ All documents related to both the Istanbul Ministerial Conference and the Rabat Conference are available on: http://ec.europa.eu/comm/external_relations/euromed/women/index.htm

⁸⁰ For more information on EOWEL: <http://www.roleofwomenineconomiclife.net/index.html>

"Euro-Med Partnership: Acting for Gender Equality" provides an overview of projects supported by the EC in the region⁸¹.

The year was also marked by the preparation of the 10th European Development Fund and the next generation of aid programmes to be implemented within the framework of the Financial Perspectives 2007-2013. Gender equality has been mainstreamed into the 10th EDF programming process, with guidelines to help Commission Delegations formulate country strategies in a more gender-sensitive way, a gender screening of part of the 9th EDF Country Strategy End of Term Reviews, and a more thorough assessment of one-third of the new 10th EDF country strategies.

Two thematic programmes will be particularly relevant to gender equality in the next generation of aid programmes: the Instrument for the promotion of democracy and human rights worldwide, and Investing in People. The latter foresees four areas for priority action: one of these is gender equality, with a financial allocation of € 57 million for the period 2007-2013. The Commission has also continued implementing the Gender Budget Line. Following a call for proposals published in late-2005, eight grants were provided to civil society organisations and local authorities active in Botswana, Malawi, Chile, Mexico, Paraguay, Croatia and the Philippines for a total amount of about € 4 million. These projects focus on promoting values that contribute to changing behaviours between boys and girls and addressing gender stereotypes as root causes of gender-based violence.

Within **Campaign 2** of the EIDHR, Lot 1 "Advancing the rights of marginalised or vulnerable groups", women's rights were addressed through the themes of trafficking in women and the rights of vulnerable groups in armed conflict, with the focus on gender-based violence. A call for proposals was launched early in the year and the project selection finalised in October. Eighteen projects were selected for an overall amount of € 10.8 million.

Under the European Development Fund, the EC also financed a programme in Swaziland designed to create an environment eliminating discrimination against women: this programme supports capacity-building activities to help key state and non-state actors implement and monitor the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) through a multi-sectoral and integrated approach.

In addition to women-specific projects, gender equality is mainstreamed throughout projects and programmes under geographical instruments. In terms of financial resources, the total amount of commitments where gender is a significant objective of the intervention represents € 3482 million or some 35% of the total amount of ODA (bilateral + multilateral) commitments in 2006 (€ 9832 million).

A project entitled "Engendering HIV prevention: reducing the vulnerability of women and girls to HIV infection" has also been initiated in Zimbabwe, with the participation of community leaders and volunteers, male teachers and health staff. Its aims are to strengthen community capacity to promote HIV prevention through

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http://www.euromedinfo.eu/euromed/ds//aatext_media/media_16435.pdf

behavioural change, encourage male participation in efforts to reduce the vulnerability of females, and increase the latter's use of HIV prevention services. Women and girls will be empowered to access these services, while the responsiveness of these services will be enhanced.

The mainstreaming of gender equality also requires action on a technical level to improve staff capacity. Over the last three years, considerable effort has been invested in raising awareness and developing the expertise of Commission staff. Over 1 000 people received gender training, 25 workshops were held in Commission Delegations, and a package of methodological tools is available for both Headquarters and Delegation staff. The Commission entered a partnership with UNIFEM to build partner country capacity and improve accountability. This initiative applies regional and national approaches, with specific focus on women in peace-building and the implementation of UN Security Council Resolution (UNSCR) 1325, and will include a national component with focused activities in 12 countries. Knowledge and documentation generated through these activities will be used to inform partners in other countries.

In the implementation of UNSCR 1325, the Commission and the Council Secretariat jointly prepared a reference document entitled "EU Concept for support to Disarmament, Demobilisation and Reintegration" (DDR). This document has a strong gender focus and provides the framework for DDR initiatives by the Commission and EU Member States. In line with the November Council Conclusions on promoting gender equality and gender mainstreaming in crisis management, the Commission has progressively incorporated the gender perspective in the election observation methodology.

In co-operation with UNFPA and the Belgian Ministry of Foreign Affairs, the Commission organised an International Symposium on Sexual Violence in Conflict and Beyond, held from 21-23 June in Brussels, which attracted more than 250 participants from 30 countries. At the end of the Symposium a Call to Action was endorsed that highlights the reinforcement of linkages between relief and development funding, the inclusion of indicators on violence in incentive *tranches* of budget support, the need to ensure effective legal redress, the role of men and boys as partners in fighting violence, and the economic and political empowerment of women.

3.4. Non-state actors in development

Ownership and participation are core principles of EU development policy, as stated in the European Consensus on Development. The Commission has a key role to play in facilitating and promoting dialogue between state and non-state actors on development priorities and strategies in partner countries. The Commission continued its efforts to promote participatory approaches, including the adoption of a new thematic programme "Non-State Actors and Local Authorities in Development" to succeed the NGO co-financing and decentralised co-operation budget lines. The overarching objective is poverty reduction in the context of sustainable development, including pursuit of the MDGs and other internationally agreed targets. It is an "actor-oriented" programme aimed at capacity-building through support to "own" initiatives by non-state actors and local authorities in both the EU and partner countries.

Throughout the year, the Commission engaged in discussions with Council and the European Parliament on the scope, objectives and priorities of the programme, in the context of negotiations on the Development Co-operation Instrument. In parallel, the Commission launched discussions on the strategy paper that makes the programme operational, refining the orientations set out in the initial Communication⁸² and defining detailed strategic priorities for an initial four-year period (2007-2010). The Commission also held a six-week external consultation focused on the added value of eligible actors and their potential contribution to the objectives of the programme.

A summary report was then drafted reflecting 175 contributions received from a range of non-state actors and local authorities. The need to promote non-state actor and local authority participation has been included as a fundamental principle of the ongoing 10th EDF programming process for ACP countries, and an overview of the consultation will be annexed to the Country Strategy Papers. The programming guidelines were widely distributed and placed online to facilitate the participation of a broad range of stakeholders.

On the implementation side, the Commission continued systematically to involve the key stakeholders in the Palermo process – Member States representatives, Members of the European Parliament, and representatives of civil society – expressing its growing diversity and influence in development issues. More than merely consulting implementing partners, the Commission services began in 2002 to engage all the actors in the aid delivery chain, from donor to beneficiary, in a participative deliberative framework. This culminated in a series of key events that included the Palermo seminar on Co-financing (2003), the Paris seminar on Impact (2004), and the Brussels conference on Awareness Raising (2005).

This structured "quadrilogue" with the Commission services enables all parties to create the conditions for more efficient aid delivery, and improves the policy formation process. Concrete results were achieved in simplifying certain administrative procedures for the award of projects, taking on board suggestions made by development non-governmental organisations with regard to financial rules and procedures. On-line registration of potential applicants on a new data base, PADOR, which will be launched gradually in 2007, will ease the administrative burden for applicants and provide the Commission with a tool to improve knowledge management.

On 12 December the Commission also launched DECIM, a mechanism aiming to improve donor co-ordination in those countries where institutional support to civil society organisations can benefit from a systematic attempt to achieve project synergies and fill development gaps in five critical areas: legal framework; public advocacy, policy dialogue and governance; delivery of social services and creation of social capital; financial sustainability; and capacity-building, knowledge-sharing and networking.

The Commission selected 224 projects and 24 block grants proposed by European Development non-governmental organisations, reflecting the solidarity of the European taxpayer with the most vulnerable populations in the world, for a total

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COM(2006)19 final

contribution of € 155.5 million and € 18,1 million respectively (EU Budget). In addition, activities raising the awareness of the European public were supported for a total contribution of € 22.7 million (EU budget).

3.5. Environment and sustainable development of natural resources

Progress was again made in promoting the integration of the environmental dimension in the programming and implementation of external assistance. Programming guidelines for the 10th EDF stressed the importance of considering the environment systematically as part of the country analysis feeding into the new generation of country strategies. As a result, a significant number of draft country strategy papers for 2007-2013 contain a new or updated *environmental profile* of the partner country or region concerned. A similar outcome was achieved for non-ACP countries.

An ambitious training programme on environment mainstreaming was implemented throughout the year: this targeted both Commission External Relations Directorates-General personnel and staff from the relevant institutions in partner countries, and involved sessions in Brussels and overseas. Awareness-raising talks for Commission staff and the wider public focused on environmental issues such as climate change, an *Environmental Integration Handbook* for EC staff was launched, as well as an Environment Helpdesk that is increasingly used to provide technical and methodological guidance during the different phases of the operations cycle.

Environment and tropical forests

The EC approved 67 new projects worldwide, mainly identified through a call for proposals and representing a total EC contribution of € 103.7 million (€ 79.8 million under the programme for Forests and € 23.9 million under the programme for Environment). Projects approved under the Environment programme focus on capacity-building for developing countries implementing Multilateral Environmental Agreements (MEAs), in particular the United Nations Framework Convention on Climate Change. The programme contributed € 1 million to the 12th Session of the Conference of the Parties to the Convention in Nairobi.

Initiatives under the Forests programme continued to build on a long-standing commitment to supporting local efforts to develop participatory models of resource utilisation, based on the recognition of the value of forests to society and on more equitable forest tenure arrangements. Projects relating to forests and governance received €31 million, of which €13.3 million was directly linked to the development co-operation component of the EU Forest Law Enforcement Governance and Trade (FLEGT) Action Plan.

Sustainable Utilisation of Coastal and Marine Resources

As part of the external fisheries policy, for which the EC has exclusive competence, the Commission pursued its action for the promotion of the sustainable use of marine resources outside EC waters. At bilateral level, since the Council Conclusion of 2004 on the integrated framework for fisheries partnership agreements with third

countries⁸³, the Commission is renegotiating the current agreements to reflect these conclusions. To date, the EC has negotiated new Fisheries Partnership Agreements (FPAs) with Morocco, Solomon Islands and Micronesia. The fisheries agreements with Comoros, Seychelles, Cap Verde, Gabon, São Tomé, Madagascar, Greenland, Mauritania, Mozambique and Kiribati were renegotiated in order to transform them into FPAs. For 2007, the Commission will renegotiate the fisheries agreements with Guinea Bissau, Ivory Coast and Mauritius.

The emphasis in the new FPAs is clearly on partnership. All the agreements the EU has signed since 2004 are fully in line with the Council Conclusion on Fisheries Partnership Agreements, which aims to ensure the economic, social and environmental sustainability of fisheries wherever EU vessels are engaged in fishing activities. The idea is not just to secure access for the European fleet, but to assist developing countries in establishing fisheries policies that can help them meet their development objectives while protecting fish resources, with the accent on the fight against illegal fisheries and on enhanced scientific advice.

In this way, the EC contributes to the implementation of sustainable fishery activities in the waters of third countries' Exclusive Economic Zones extending up to 200 nautical miles from their coasts. The Commission also initiated a € 30 million programme under the 9th EDF with a view to strengthening fisheries management in ACP countries and promoting regional co-operation. This approach is based on a permanent political dialogue, whereby both parties agree to devote a large part of the financial contribution under the fisheries agreements to the support of the sectoral fisheries policy of the partner country. The formulation of this sectoral fisheries policy has to be consistent with EC development strategy. Taking into account all the FPAs initialled or renegotiated, the overall budget of the FPAs amounted to about € 160 million.

At multilateral level, in line with the provisions of the World Summit on a Sustainable Development Plan of Implementation, the Commission continued to strive for better governance of high seas fisheries. The Commission plays a leading role in 13 regional fishery organisations covering various parts of the high seas worldwide, and its involvement was instrumental in promoting the Code of Conduct for Responsible Fisheries⁸⁴. The Commission also supported, with € 28 million, regional organisations in their effort to reinforce control and surveillance systems and to establish sustainable coastal zone management. The Commission has a key role in international negotiations on marine issues in international forums such as the UN General Assembly and the FAO, where it supported the fight against illegal fishing and the constitution of protected areas in the high seas.

Water and sanitation

Under the 9th EDF € 475 million were allocated for water and sanitation in 14 ACP countries and a further € 500 million through the ACP-EU Water Facility. The Water Facility is part of a response to the objectives of the EU Water Initiative (EUWI),

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

⁸⁴ <http://www.fao.org/DOCREP/005/v9878e/v9878e00.htm>

catalysing additional funding to boost the sustainable delivery of water and sanitation services and improving Integrated Water Management practices in ACP countries. The results of the first Water Facility call for proposals were announced and a second call for proposals launched. Regional water management and hydraulic infrastructure will also be supported by the EU-Africa Partnership for Infrastructure. Water and sanitation are priority areas in the new EU development policy, allowing countries and regions to select them as a focal or non-focal sector for the current programming phase for the 10th EDF.

Through the EUWI, the EU has also been able to mobilise funding with global impact potential. The € 500m ACP-EU Water Facility targeted at developing countries in Africa, the Caribbean and the Pacific is a response to the need to generate additional funding and to work directly with those affected by water shortages and inadequate sanitation. The first call for proposals led to grant awards in early-2006, and the results of a second call will be known in early-2007.

3.6. Migration and Asylum

The year 2006 has been a year of agenda-setting with Africa. The linkage between migration and development was debated in various forums, with partnership with third countries as the key principle of the EU approach. The July Ministerial Conference in Rabat brought together 60 countries located along West and Central African migration routes. September saw the UN High Level Dialogue on migration and development in New York, while an EU-Africa Ministerial Conference on migration and development in Tripoli in November brought together all the EU and African states to formulate a joint approach. The Commission attended all three events and was represented at the Rabat and Tripoli conferences at Commissioner level: both conferences also benefited from EC financial support. The December European Council⁸⁵ adopted the Global Approach on Migration and identified Priority Actions to give adequate importance to, and focus on, migration from Africa and the Mediterranean.

This new approach was immediately reflected in all relevant EU-funded programmes. In 2006, the 9th EDF Programme allocated € 40 million to foster the link between migration and development in Africa, while the MEDA programme awarded assistance to Morocco (€ 67 million) in the field of border management. The Rapid Reaction Mechanism was instrumental for the first time in 2006 in reacting to short-term crisis situations related to migration, with *ad hoc* support to Mauritania (€ 2.4 million) and Senegal (€ 1.8 million). The emphasis on migration from Africa and the Mediterranean countries was also reflected in the AENEAS programme which provides assistance on all migration issues, including the fight against illegal migration, readmission and return, asylum and international protection, well-managed labour migration, migrants' rights, and the fostering of the links between development and migration.

With a yearly budget of € 45 million, 39 projects were contracted in 2006 through a call for proposals: support is being provided, for example, for co-operation on maritime border controls in the Atlantic, the Ghana immigration service, counselling

⁸⁵ European Council Conclusions, 14-15 December 2006.

of migrants in the Maghreb, and the leveraging of remittances to promote migrant entrepreneurship. A targeted project was also concluded with UNHCR to support their activities in North Africa. In 2006 a further call for proposals will distribute up to € 45 million through a competitive procedure to be completed in 2007.

Moreover, further to a Communication by the Commission⁸⁶, the Council and the Parliament decided⁸⁷ to create a successor to the AENEAS programme within the context of the EU financial framework 2007-2013. The new thematic programme for co-operation with third countries in the field of asylum and migration has been allocated € 384 million for seven years: this represents a substantial increase when compared with the AENEAS programme (€ 120 million in three years).

The Council Conclusions, adopted in December 2006⁸⁸, assessed the implementation of the priorities agreed one year earlier and decided to apply the global approach to migration from the eastern and south-eastern regions neighbouring the EU.

3.7. Conflict prevention, crisis management and mine actions, including peace facility and drugs

Conflict Prevention

The Commission continued its implementation of the Commission Communication on Conflict Prevention⁸⁹ by mainstreaming EC policies and programmes through information-sharing, training, programming tools and policy development. In the area of Security Sector Reform (SSR), the Commission put forward a Communication⁹⁰ complementing efforts under the European Security and Defence Policy: this resulted in the adoption of an overarching policy framework by the European Council in June, enabling the EU to take a more comprehensive approach to SSR in its operational support, as in the case of the Democratic Republic of Congo.

The Commission continued to work with other donors in the OECD/DAC to develop a joint Implementation Framework for SSR. In addition, the Commission and Council developed an EU Concept for support to Disarmament, Demobilisation and Reintegration⁹¹ and continued to support DDR processes in different parts of the world, including West Africa, the Great Lakes Region, the Horn of Africa, Colombia and Aceh. Particular efforts were made to address the issue of child soldiers, especially through operational support to West Africa and revision of the so-called Cape Town Principles. Jointly with the Secretariat-General of the Council, the Commission also adopted a proposal for an “EU concept for strengthening African capabilities for the prevention, management and resolution of conflicts”. The paper aims to provide an overall framework for enhanced and co-ordinated EU support for the African peace and security agenda.

⁸⁶ COM(2006)26 of 25 January 2006.

⁸⁷ Regulation 1905/2006 of 18 December 2006

⁸⁸ European Council Conclusions, 14-15 December 2006

⁸⁹ COM(2001) 211 final

⁹⁰ “A Concept for European Community Support for Security Sector Reform” SEC(2006) 658

⁹¹ EU Concept for Support to Disarmament, Demobilisation and Reintegration, approved by the Commission on 14 December 2006 and by the Council on 11 December 2006

The Commission served as Vice-Chair of the Kimberley Process Certification Scheme (KPCS), the multilateral initiative to eradicate conflict diamonds, and will chair the KPCS in 2007. The Commission funded the provision of high-level policy advice to Ghana at the end of the year, when a UN report identified it as a possible exit route for conflict diamonds from Cote d'Ivoire. The EC also contributed to development of tighter control standards for participating countries, and chaired the working group overseeing implementation.

The Commission also launched a study on the linkages between natural resources management and conflict to help improve its ability to address these issues in its external relations.

Mine Action/Conventional Disarmament

Policies in the areas of Landmines and Conventional Weapons were pursued through a number of instruments. The 2005-2007 Mine Action Multi-annual Strategy and Programming was implemented as programmed, and an amount of € 17.4 million was committed. Mine action projects were also carried out under geographic instruments in pursuit of both geographic priorities and thematic strategy objectives. The total value of EC mine action under all instruments should be about € 60 million: precise data will be collected in 2007. Closer co-ordination with Member States through *ad hoc* meetings, including in the field, has enhanced the overall policy coherence of EU action as well as practical co-ordination of activities in mine-affected countries.

The implementation of the EU Small Arms and Light Weapons (SALW) strategy was the other focus of activities. A large number of projects, both regional and national for a total value of € 50 million, was accompanied by seminars and initiatives to increase participation of the Commission in policy debates, to enhance coherence between CFSP and EC-funded initiatives, and to permit a higher level of EC activities in this field. In parallel, the Commission implemented Common Foreign and Security Policy (CFSP) projects in this area to a total value of € 1.7 million.

The two pilot projects on SALW and Anti-Personnel Landmines and Explosive Remnants of War (APL-ERW) were completed with satisfactory results. The first, focused on South East Europe, initiated the establishment of the legislative, administrative and political capacity to control the supply side of SALW. The second produced a sweeping set of 40 studies providing guidance and best practices for the various policy segments that contribute to the fight against the illicit trafficking, spread and accumulation of SALW, and the fight against Landmines and Explosive Remnants of War. A preparatory action on SALW and ERW, to a value of € 1.5 million and aimed at strengthening the framework controlling illicit trafficking of SALW in South East Europe, was agreed by the Commission.

The Commission acted to mainstream the repealed APL thematic instrument and budget line into the new instruments, strategies and programming. This process of mainstreaming, not yet completed, has been enlarged to include explosive remnants of war and small arms.

Crisis Management

The Commission policy on crisis management now focuses on four main areas: i) supporting peace, mediation and reconciliation processes around the world; ii) promoting post-conflict stabilisation through implementation of undertakings agreed in peace processes, re-establishment of basic state services, demobilisation and reintegration of combatants, and reform of security systems; iii) supporting the development of the AU's Africa Peace Facility; and iv) improving support for early recovery from natural disasters.

In the course of the year, the Commission used its Rapid Reaction Mechanism in support of the peace processes in Sudan, Sri Lanka and the Philippines. As part of its conflict prevention work it provided emergency support to fragile electoral processes in Madagascar, Mauritania, Guyana and Zimbabwe. The Commission also funded a major stabilisation package after the violence in East Timor.

EC programmes are now closely dovetailed with initiatives taken in the framework of the Common Foreign and Security Policy, with joint assessment missions and co-ordinated programmes of assistance. Examples of this are EU support to the African Union for its peace-keeping operations, and stabilisation efforts such as the security system reform programmes in the Democratic Republic of Congo.

Stability Instrument

During 2006, at the proposal of the Commission, the European Parliament and the Council adopted a major revision of the Community's crisis response instruments. The Rapid Reaction Mechanism will be replaced by a new Instrument for Stability combining the speed and flexibility of the RRM with a significant increase in funding (€ 2.06 billion over seven years). The new instrument recognises that crisis response measures need to be sustained for a relatively long period: emergency response measures will now have an initial duration of 18 months, and can be followed up by interim response programmes long enough to ensure a smooth transition from relief to reconstruction and development.

Peace Facility

The Commission continued to support African efforts to stabilise the continent and build capacities in this area through the Peace Facility for Africa. The Facility provided further support to the AU Mission in Sudan (AMIS) in Darfur (€ 242 million committed by end-2006), and to the FOMUC (*Force Multinationale en Centrafrique*) peace support mission in the Central African Republic (€ 18.9 million committed since the start of the operation). Financial backing (€ 5 million) was also offered to AMISEC, the African Union Mission in the Comoros deployed to stabilise the country during the 2006 elections.

The Commission also provided support through the Facility to the establishment of the African Standby Force (nearly € 1 million) and worked closely with African partners on the assessment of the African Union Commission's and sub-regional organisations' needs, with a view to further Capacity Building support. A programme of € 7.7 million was also drawn up to support conflict prevention activities, funded with a contribution from the South Africa budget line to Peace Facility objectives. In view of urgent financial needs and at the request of the African Union, the Peace Facility was replenished with an additional € 50 million, bringing the total allocation

to € 300 million. In April, the EU agreed to provide the future Peace Facility with an amount of € 300 million under the 10th EDF, for an initial three-year period (2008-2010).

International co-operation against drugs

Development co-operation efforts in the area of drugs are a complement to the political and policy dialogue that the EU maintains in the international institutions and forums (including the Dublin and Major Donors Groups and the Paris Pact Process) and bilaterally with, *inter alia*, beneficiary and other countries that are key players in the fight against drugs.

Although most assistance in the area of drugs is provided on a bilateral basis and to a narrow number of narcotics-producing countries, the most novel feature in this area during 2006 was the launch – for the second year in a row and through funding from the North/South Drugs Budget Line – of several inter-regional initiatives that seek to respond to the global and multi-country challenges posed by drugs. At the same time, this approach allows EC co-operation against drugs to extend to some transit or consuming countries and sub-regions that do not benefit from the main anti-drugs efforts, as this is not a top co-operation priority.

In this regard, and in compensation for the previous year's more supply-oriented focus of the initiatives funded by the North-South Drugs budget line, in 2006 the EC launched three inter-regional demand- and harm-reduction projects: one emphasising drug prevention, treatment, rehabilitation and harm reduction in the Muslim world; another strengthening city-to-city partnerships with the Latin America/Caribbean region to combat drug use and its effects; and a third focused solely on supporting harm reduction in Latin America, the Caribbean and Asia.

As traffickers seek new routes to bypass controls on more traditional routes, Sub-Saharan Africa is becoming an important link in drug trafficking, which has a serious impact on crime, governance and the development of the region. To address this challenge, in 2006 the EC launched the first international initiative ever to address the emerging problem of drug trafficking between West Africa on one side and Latin America and the Caribbean on the other. In order to influence the policy direction of the Paris Pact Process, which helps coordinate international efforts along the heroin route, the EC has become the major donor behind this initiative. Two other policy-oriented and global projects are support for an NGO Forum on Drugs and the financing of an Expert Group for a more evidence-based assessment of the international community's achievements since the Special Session of the UN General Assembly on Drugs in 1998.

At the bilateral level, Afghanistan and the Andean region continue to be the major beneficiaries of EC assistance in the area of drugs. While most of the funding in these regions has been focusing – and will continue to focus under the 2007-13 financial perspectives – on alternative development and rural reconstruction, funding for the Andean region also includes a project to combat synthetic drugs. In Afghanistan the EC also contributes to a Police Trust Fund and to a Counter-Narcotics Trust Fund. A border control project on the Afghan-Tajik frontier has also been launched, while a parallel project on Afghanistan's frontier with Iran is ongoing.

Efforts mostly focused on drug supply control, but with demand reduction components, continue under three regional programmes in the former Soviet Union: BUMAD (Belarus, Ukraine, Moldova Anti-Drugs), SCAD (Southern Caucasus Anti-Drug) and CADAP (Central Asia Drug Action Programme). Some components of the ongoing BOMCA project (Border Management for Central Asia) also have a direct impact in reducing drug trafficking. In contrast, anti-drugs funding made available recently under the new regional programme for the Caribbean will be devoted exclusively to addressing drug-demand concerns.

3.8. Food security

Despite progress in reducing hunger at the global level, the MDG1 target remains elusive in Sub-Saharan Africa, where persistent food insecurity is compounded by conflicts, poor governance, adverse climatic conditions and the HIV/AIDS pandemic. These add to chronic poverty which is still overwhelmingly rural, despite the growing phenomenon of urban food insecurity, particularly in Latin America and Asia.

A key challenge in meeting food security objectives has emerged in recent years in situations of crisis, particularly those of a complex and protracted nature, as well as in situations of political and climatic instability. A new Communication to the Council and the European Parliament entitled “*A thematic strategy for food security – Advancing the food security agenda to achieve the MDG*”⁹² recognises the need for a comprehensive EC approach to state fragility and innovative food security responses at macro, meso and micro levels.

In the year under review, hunger hotspots of particular concern were in Sub-Saharan Africa, which accounts for 16 of the 18 countries throughout the world with a percentage of undernourished⁹³ population above 35 and a higher rate of chronic malnutrition⁹⁴. EC response in 2006 was substantial (€ 429.5 million through the Food Security budget line plus humanitarian food aid through ECHO and long-term assistance through geographic instruments). The year was characterised by serious food security degradation in the Horn of Africa, while the situation improved slightly in the Sahel and Southern African regions, which benefited from more favourable weather conditions. In Eastern and Southern Africa, the number of food-insecure people is still very high, despite an improvement in the percentage of undernourished (from 46 and 48% respectively down to 40% in recent years). Although the region is exposed to climatic hazards, with serious drought and floods in Kenya, Somalia and Ethiopia this year, political turmoil and weak agricultural policies have largely contributed to the food crises (Somalia, Sudan). Constant tribal conflicts have restricted community access to land, pasture, fishing grounds and markets. Trade – from sorghum to livestock – and in particular border trade is a key aspect of food security.

⁹² COM (2006)21

⁹³ Undernourishment: describes the status of people whose food intake does not include enough calories (energy) to meet minimum physiological needs (less than an average of 2 200 kg/calories food intake)

⁹⁴ Malnutrition: defined as a state in which the physical function of an individual is impaired to the point where he or she can no longer maintain natural bodily capacities such as growth, pregnancy, lactation, learning abilities, physical work and resisting and recovering from disease. Malnutrition is measured not by how much food is eaten but by physical measurements of the body - weight or height - and age

In most of the countries concerned (Eritrea, Sudan, and Ethiopia), food security is now a focal sector for the new programming cycle 2007-2013 or an area of intervention within a multi-sectoral approach (Somalia). Support programmes on food security reached more than € 130 million this year and will remain high in the near future. Continued food aid to meet acute needs is a humanitarian necessity, but the EC ensures that such assistance is appropriate to identified needs and does not undermine the longer-term coping mechanisms of the targeted population. Other instruments in situations of crises, such as re-stocking of herds, distributing seeds and tools, and improving animal health, also contribute to long-term food security.

Particular attention has been paid to the complex set of factors that contribute to food insecurity in Southern Africa, e.g. the inter-linkages between natural calamities such as droughts, pandemics such as HIV/AIDS, and man-made disasters such as conflicts and the consequences of poor governance. EC assistance on food security in this region (Angola, Malawi, Mozambique, Zambia and Zimbabwe) reached € 80.0 million in 2005 and 2006.

Over the last decade, Central Africa is the region where food insecurity has deteriorated most (malnutrition rate up from 36 to 55%), in particular due to conflict and political instability (e.g. in the DRC). In Western Africa, chronic poverty and malnutrition resulting in high vulnerability are prevalent in the Sahel. Both regions benefited in 2006 from substantial support on food security (about € 34 and € 31 million respectively).

Chronic food insecurity in Asia and Latin America appears to be more closely linked with widespread inequality and economic or political crises. Access to natural resources, including land, and/or capital is a main concern. South Asia shows the highest food insecurity rates on the continent (558 million people in Asia are undernourished). Chronic poverty is the root cause of hunger in Bangladesh, where one-third of the population is undernourished and over 50% of children are underweight. Other main recipients under this instrument in Asia include Afghanistan and DPRK (North Korea). In Latin and Central America and the Caribbean, food insecurity affects particular countries, e.g. Bolivia (21% malnourished), Nicaragua (27%) and Haiti (47%). In total, EC-funded food security programmes for Latin America and Asia amounted to € 14.8 million and € 101 million respectively.

3.9. Sugar accompanying measures

The reform of the EC sugar regime was agreed by the Council in November 2005 and entered into force in July 2006. The reduction of the EU price by 36% over the period 2006-2007 to 2009-2010 will require the 18 ACP countries traditionally exporting sugar to the EU (namely the signatories to the Sugar Protocol) to adjust to these new market conditions. For some of them, the challenge is major, as their sugar sector plays an important role in their economy, and relies heavily on the EU market.

In 2005, the Commission presented a proposal to establish accompanying measures to help these countries in their adaptation process. The two legal bases for these measures, which offer long-term support from 2006 to 2013, were adopted by the

Parliament and the Council⁹⁵. A budget of € 40 million was approved for these measures for 2006, whereas the Development Co-operation Instrument (DCI) envisages € 1 244 million for this purpose for 2007-13. This budget is distributed among the beneficiary countries according to their needs, depending on the level of impact of the reform and the importance of the sector in their economies.

Country-specific assistance covers measures aimed at strengthening the competitiveness of the sugar sector, where this is a sustainable process, at supporting the development of alternative activities, or at mitigating broader impacts, in particular social and environmental ones. Thirteen countries⁹⁶ established an adaptation strategy in 2006. Some took the decision to wind up the sugar sector (for example St Kitts), others to reduce the number of mills (Mauritius or Jamaica), and yet others aim at economies of scale through expansion (for example Guyana and several southern African countries). Diversification is less developed in most countries' strategies, although diversification within sugarcane products, in particular electricity and ethanol, is being considered or under analysis by many of them.

On the basis of their adaptation measures, the Commission adopted support strategies for these countries for the 2006-13 period, as well as a financing decision for actions funded by the 2006 Budget. Under the new legal basis for the accompanying measures from 2007 onwards (the DCI), further programming work will be necessary. Five of the 18 eligible countries⁹⁷ have not yet established their own strategic choices in terms of adaptation to the sugar reform. The EC has provided them with technical assistance for this purpose, so that they can fully benefit from the support scheme from 2007 onwards.

3.10. Outlook 2007

Complementary to the main financial instruments that exist for external action, such as the European Development Fund and the co-operation programmes for each region or country, a number of thematic programmes enable the EC to finance activities on specific strategic themes and to fulfil the EU's commitment to the Millennium Development Goals and the promotion of crosscutting issues. Measures financed under thematic programmes may either reinforce activities funded under geographic programmes or add value through activities in other areas⁹⁸. At the international level, thematic programmes provide the Commission with a highly visible and co-ordinated approach to the multilateral actors and instruments involved in key development issues like human rights, the environment, health, and food security.

Currently, discussions are underway on the four-year multi-annual strategies for the thematic programmes in the context of the next Financial Perspectives 2007–2013. The legal bases, in the form of the Development Co-operation Instrument and the separate European Instrument for Democracy and Human Rights, provide a

⁹⁵ For 2006 regulation (EC) No 266/2006, and for 2007-13, the Development Co-operation Instrument (DCI)

⁹⁶ Madagascar, Malawi, Mauritius, Mozambique, Swaziland, Tanzania, Zambia, Fiji, Barbados, Belize, Guyana, Jamaica, St Kitts and Nevis

⁹⁷ Republic of Congo, Ivory Coast, Kenya, Zimbabwe, Trinidad and Tobago

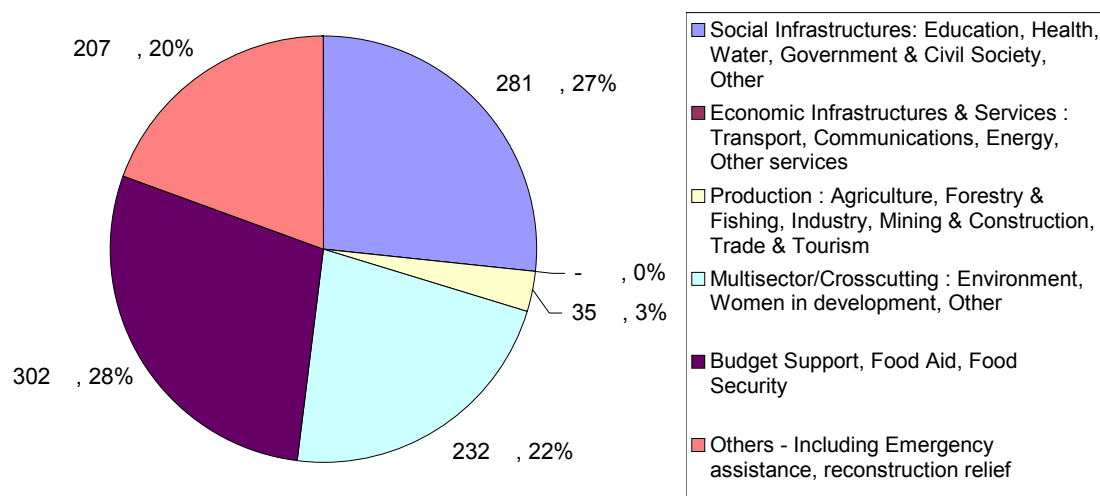
⁹⁸ Development Co-operation Instrument, art 11

harmonised framework for programming and implementation. In 2006 the thematic programmes managed by EuropeAid were based on 13 different regulations and 10 programming documents, whereas in 2007 there will only be two regulations (DCI and EIDHR) and six programming documents, one for each of the new programmes.

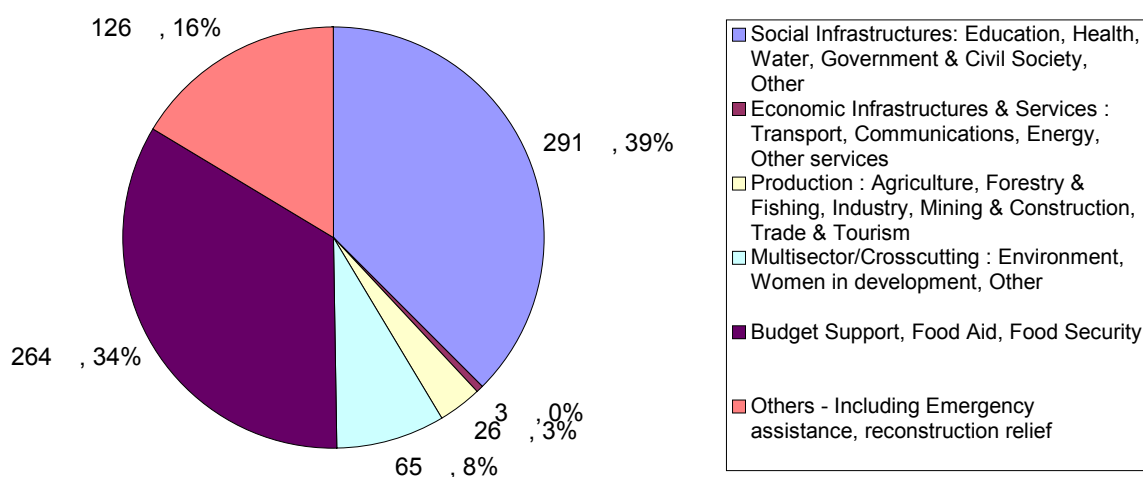
Under the DCI, the programmes are: Investing in People (covering health, education and other aspects of human and social development), Environment and sustainable management of natural resources including energy, Non-State Actors and Local Authorities in Development, and Food Security. The European Instrument for Democracy and Human Rights will translate into a separate programming document that is self-standing but complementary to other programmes.

Table 29 Chapter 3. Breakdown by sector of external aid financed on the General Commission Budget managed by EuropeAid in 2006

Commitments in € million

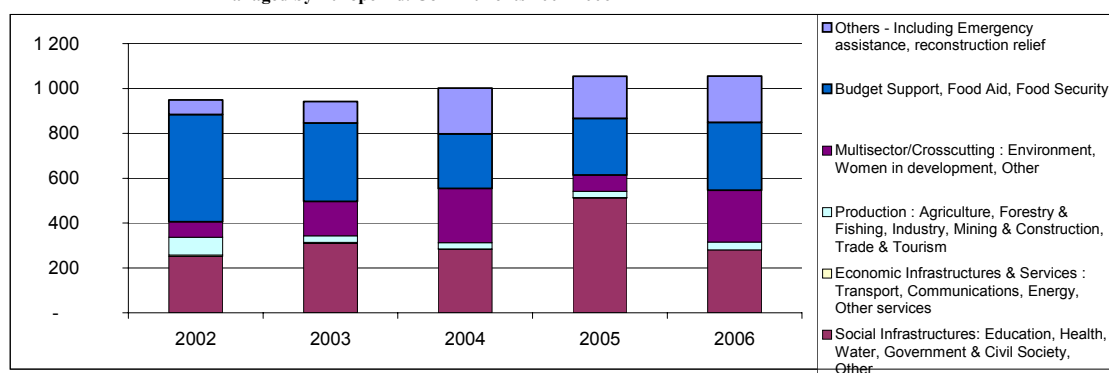


Payments in € million



Bilateral and Multilateral ODA/OA (EuropeAid only).

Table 30 Chapter 3. Breakdown by sector of external aid financed on the General Commission Budget managed by EuropeAid. Commitments 2002-2006



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

Table 31 Chapter 3. External aid financed on the General Commission Budget managed by EuropeAid 2000-2006

M€	2000	2001	2002	2003	2004	2005	2006
Commitments	836	929	949	942	1 001	1 055	1 056
Payments	709	771	815	851	789	932	774

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

4. FEATURE ARTICLES

4.1. Supporting an innovative partnership: the Global Fund to Fight AIDS, Tuberculosis and Malaria. The progress made so far

Introduction

With six million people dying from AIDS, tuberculosis (TB) and malaria every year, the three poverty-related diseases remain among the most potent threats to human security globally. HIV/AIDS continues to expand in every region of the world. In 2006, 4.3 million people became newly infected, bringing the number of people living with HIV to a staggering total of 39.5 million people – with two-thirds (63%) living in sub-Saharan Africa⁹⁹. Young people in their most productive age, and increasingly women, are particularly affected.

As for TB, the emergence of extensively drug-resistant strains in 2006 demonstrated the latest dangerous turn in the development of this classic communicable disease, which continues to have a high death toll and to put a major strain on the health care systems and economies of the most affected regions: Africa, South-East Asia and Western Pacific. Nearly one million children die from malaria every year, most of them in Africa. Global climate change threatens to bring about a resurgence of the disease in areas of the world where it had long vanished.

These three diseases, individually and collectively in their deadly synergy as dual or triple infections, constitute major barriers to the attainment of the internationally agreed development goals. They are at the same time often a consequence and a cause of poverty. The three diseases also have in common that they are both preventable and treatable. TB and malaria can be effectively cured, and HIV/AIDS has in the past decade changed from a fatal disease to a manageable chronic disease for those who have access to effective antiretroviral treatment. While progress has been made in confronting the three diseases, efforts have been too small in scale, short-term and fragmented, and have thus failed to make a lasting impact.

The significance of these three poverty-related diseases was recognised by their inclusion in the Millennium Development Goals agreed by all the world's countries, the European Union and leading development institutions. The MDGs set specific targets for combating HIV/AIDS, malaria and other communicable diseases by 2015. The need for a massive increase of resources was recognised by G8 leaders at their meeting in Okinawa in 2000 and by African leaders at a Summit in Abuja in April 2001. At the Abuja meeting, United Nations Secretary General Kofi Annan called for the creation of a Global Fund “to bring about a quantum leap in the scale of resources available”¹⁰⁰. In June 2001 the United Nations General Assembly Special Session on AIDS concluded with a commitment to create such a fund, which the G8 leaders endorsed and helped finance at their Genoa meeting in July 2001. In January 2002, the Secretariat for the Global Fund to Fight AIDS, Tuberculosis and Malaria (the Global Fund) was established and operations commenced.

A new financing mechanism

⁹⁹ AIDS epidemic update 2006, page 3
¹⁰⁰ Press Release SG/SM/7779/Rev.1

The purpose of the Global Fund is defined as “to attract, manage and disburse additional resources through a new public/private partnership that will make a sustainable and significant contribution to the reduction of infections, illness and death, thereby mitigating the impact caused by HIV/AIDS, tuberculosis and malaria in countries in need, and contributing to poverty reduction as part of the Millennium Development Goals”¹⁰¹.

The Global Fund was from the onset defined as a purely financing mechanism, and not as an implementing agency. The ambition was not to set up a new vertical structure, to compete with multilateral agencies such as UNAIDS and WHO, or to absorb other sources of funding, but simply to focus on mobilising and channelling additional resources as quickly as possible and with minimal overhead.

The Global Fund distinguishes itself by a range of innovative characteristics, which are fully in line with the principles embodied in the policy framework of the Commission.

Financial support from the Global Fund is country demand-driven, honouring principles of country ownership and leadership. Its funding decisions, through its independent Technical Review Panel, are based on the quality of the proposals and increasingly on past performance, leaving the priorities and design of the programmes to country partners represented in the Country Co-ordinating Mechanisms. These bring together representatives of governments, people living with the three diseases, civil society organisations and the private sector, reflecting the ambition to encourage new and innovative partnerships. The same ambition is apparent in the composition of the Board of the Global Fund, which includes representatives of donor and recipient governments, non-governmental organisations, the private sector and affected communities, along with key international development partners including WHO, UNAIDS and the World Bank.

While the bulk of financial support comes from governments, the Global Fund has recently demonstrated its ability to attract additional resources from the private sector. In August 2006, the Bill and Melinda Gates Foundation made a US\$ 500 million commitment, providing a substantial boost to the size and predictability of the Global Fund's income. Other initiatives include Product(Red) launched by Bono, Bobby Shriver and leading private corporations to harness the power of corporate marketing and consumer spending to benefit the Global Fund and its beneficiaries. By January 2007 this initiative had channelled a total of US\$ 11 303 926 to the Global Fund.

The Global Fund ensures accountability by recipients of the grants through performance-based funding, linking resources to the achievement of clear, measurable and sustainable results. This principle is not new, but the Global Fund is pioneering practical systems to implement this approach on a large scale and in a way that balances efficiency and the need for accountability.

The role and contribution of the European Union in support of the Global Fund

Honouring its MDG commitments, the European Union is increasingly engaged in combating poverty-related diseases in the context of poverty reduction. Current actions are guided by the 2004 Communication of the Commission on “*A Coherent European Policy Framework for External Action to Confront HIV/AIDS, Malaria and Tuberculosis*”¹⁰², implemented through

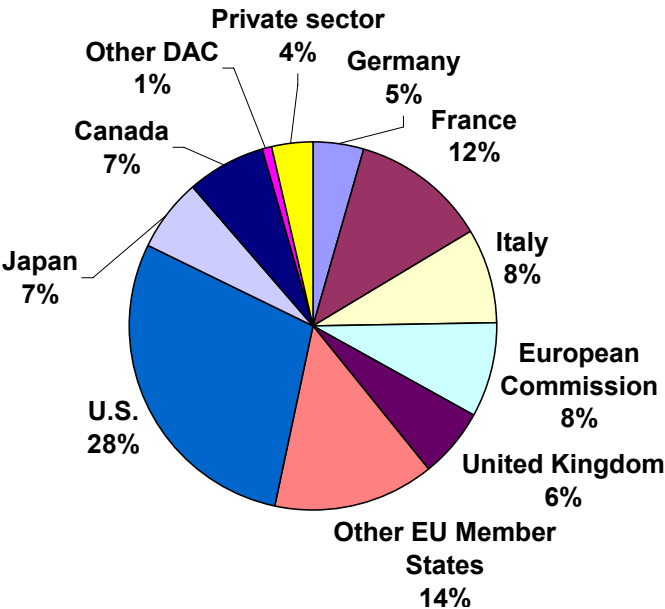
¹⁰¹ The Framework Document of the Global Fund to Fight AIDS, Tuberculosis and Malaria, page 1

¹⁰² COM(2004) 726

the European Programme for Action to Confront HIV/AIDS, Malaria and Tuberculosis through External Action (2007-2011)¹⁰³. The fight against HIV/AIDS is also centrally positioned as a crosscutting issue in the European Consensus on Development. A vast array of instruments and channels of financing is being deployed, in particular through bilateral programmes financed by the EC Budget and through the European Development Fund, reaching an approximate € 245 million a year, excluding general budget support¹⁰⁴.

In recognition of the urgent need to generate additional public and private resources to confront the three diseases, the Commission became a founding member of the Global Fund during its inception in 2001-2002. Subsequently the EU has played a pivotal and visible role in the development of this new and innovative part of the international financing architecture, highlighting its strong commitment to combating the three diseases.

**Table 32 Individual donors and constituencies to the Global Fund:
Contributions 2003-2006 (total US\$ 6 billion)**



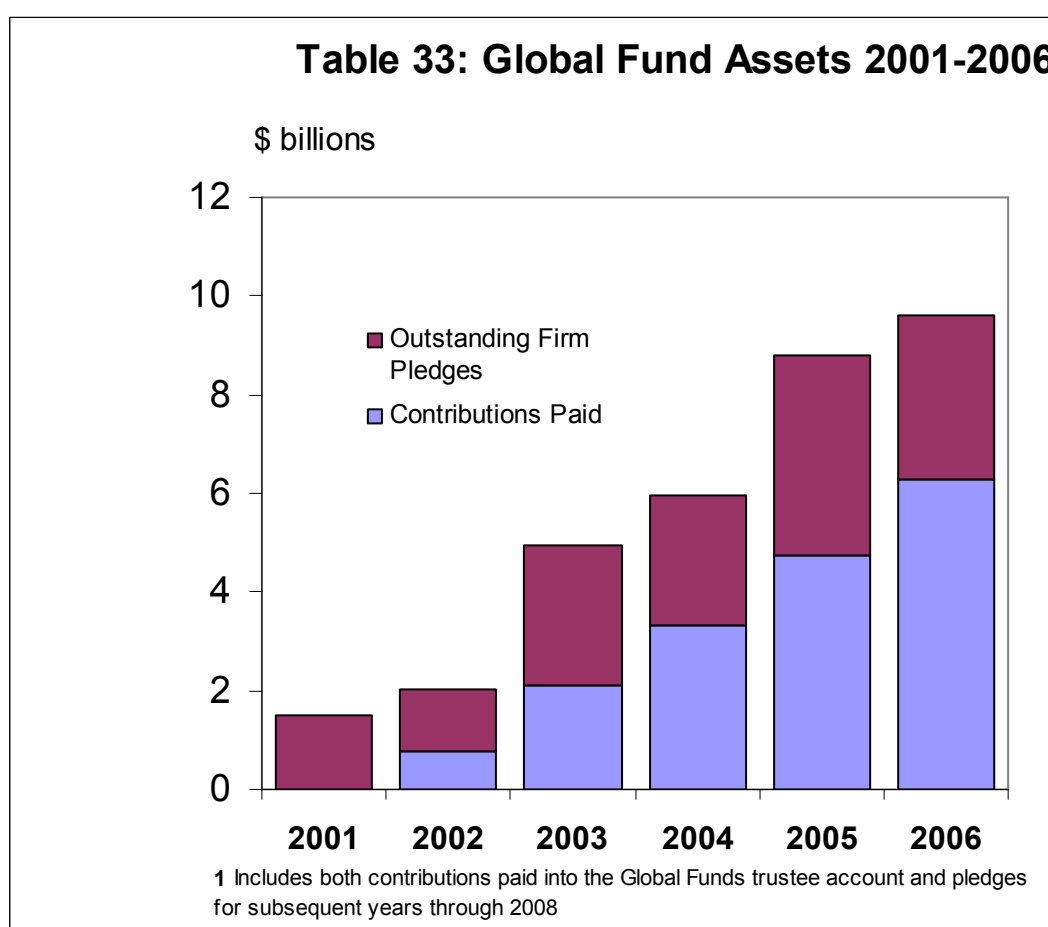
Collectively the Commission and the EU Member States have become the largest contributors to the Global Fund, providing 53% of the cash contributions in the period 2003-2006. With the weight and importance of Europe as an international partner in development, its political support has been critical to the successful development and operation of the Global Fund, for example in its efforts to ensure more predictable funding flows through the replenishment process. The European Union has vigorously defended and maintained the focus of the Global Fund in supporting evidence-based approaches to the three diseases. In March 2006, the EU’s political influence was consolidated through the representative of the Commission becoming Vice-Chair of the Board of the Global Fund. Furthermore, the EC and several Member States are involved in the four committees reporting to the Board.

¹⁰³ COM(2005) 179
¹⁰⁴ Principles for an EU contribution to the Global Fund to Fight HIV/AIDS; Tuberculosis and Malaria with a view to the 2006-2007 Replenishment Process, Commission Staff Working Document, SEC (2005) 374, page 6

Making impact

The impetus generated by establishment of the Global Fund created a new wave of enthusiasm and vigour in efforts to confront the three diseases at country level, but similarly gave rise to expressions of concern over the Global Fund itself and the way it operates.

Yet the Global Fund has already demonstrated its added value. By November 2006, it had raised total assets, including firm pledges and cash contributions, of US\$ 9.6 billion, whereas in 2001 the total international commitments for the fight against the three diseases amounted to less than US\$ 1 billion. By end-2006, projects for a total of US\$ 6.9 billion had been approved in support of country programmes in all but six low and lower-middle income countries in the world as well as in 23 upper-middle income countries with high or rapidly growing burdens of the diseases. The majority of the financing was granted to low-income countries (67%), sub-Saharan Africa (57%), and the fight against AIDS (56%)¹⁰⁵.



Equally important, the steep increase in financing is making a real difference for the individuals and communities in need, as exemplified by the following figures: in June 2006, grants from the Global Fund gave 544 000 people access to life-saving antiretroviral treatment, brought 1.43 million people with TB onto the effective DOTS treatment (Directly Observed Treatment, Short course), and provided treatment for malaria for 7.3 million people. Moreover 5.7 million people gained access to HIV counselling and testing, and community

¹⁰⁵ Report of the Executive Director, Fourteenth Board Meeting of the Global Fund to Fight AIDS, Tuberculosis and Malaria

outreach for HIV prevention was made available to 12 million. 11.3 million insecticide-treated bed nets were supplied to protect against malaria, 560 000 children orphaned by the three diseases received basic care and support, and 1.5 million service deliverers were trained in prevention, treatment, care and support. The number of people receiving services is doubling every year, demonstrating the Global Fund's contribution to an unprecedented and rapid buildup.¹⁰⁶

In the inception phase of the Global Fund, concerns were expressed over the perceived lack of absorption capacity of recipient countries, with the principle of performance-based funding penalising the poor and fragile states in most need. However, recipients have by and large demonstrated surprisingly strong performance. 75% of the 177 grants which entered the review for phase two of grant agreements, met or only fell just short of their programmatic targets. Only 3% demonstrated unacceptable performance. In total, these grants had achieved, on average, 92.6% of their targets for the ten most important services. Studies show that the performance of grants made to low-income countries or fragile states does not differ significantly from grants to middle-income countries or more stable states.

Challenges and ways forward

In spite of the successful results of the Global Fund – and to some extent due to its success – a wide range of challenges has emerged. While the establishment and operations of the Global Fund have prompted an array of concerns, few of these issues existed before it was created. In many cases the emergence of the Global Fund has merely served to accentuate problems and has therefore also reinforced efforts to address and solve them. The European Union, both the Commission and the Member States, has been in the forefront of efforts to identify and address constraints, bottlenecks and issues arising from Global Fund operations.

The arrival of a new player such as the Global Fund with its massive financial inflow has, in the overall context of increased aid volumes, heightened the need to address fragmentation and duplication of effort at country level, articulated in the principles of the Paris Declaration on Aid effectiveness¹⁰⁷. Similar principles were articulated in the so-called “Three Ones” principles in support of country ownership and leadership of responses to HIV/AIDS¹⁰⁸.

The Global Fund has fully endorsed these principles and, to a great extent, applied them in its operations, although tensions and frictions have been apparent in some areas. In a number of countries the Global Fund requirement of Country Co-ordinating Mechanisms led to duplication with existing national AIDS co-ordination committees, undermining the authority and decision-making power of both. Gradually, however, countries are merging their duplicate mechanisms into one, often incorporating the better parts of both, for example with a stronger civil society involvement as encouraged by the Global Fund.

While the principles of the Global Fund explicitly express respect for country-led processes on the formulation and implementation of programmes, the reality of unpredictable Global

¹⁰⁶ Global Fund to Fight AIDS, TB and Malaria: Investing in Impact, Mid-Year Results Report 2006, pp 11-12

¹⁰⁷ Paris Declaration on Aid Effectiveness, High Level Forum, Paris, 28 February-2 March 2005

¹⁰⁸ The principles of the “Three Ones” were agreed at a high-level meeting in Washington, April 2004. The “Three Ones” are i) one agreed AIDS action framework that provides the basis for co-ordinating the work of all partners, ii) one single national AIDS co-ordinating authority with a broad-based multi-sectoral mandate, iii) one agreed AIDS country level monitoring and evaluation system

Fund project rounds has been out of sync with national programming cycles. Combined with a lack of capacity in many countries for developing annual, costed operational plans, this renders harmonisation and alignment difficult. The situation may improve with the development of more stable and predictable resources through the replenishment process, and with efforts to strengthen country capacity on the elaboration of operational plans.

The Global Fund also raises concerns about its vertical approach through the strong focus on the three diseases, whereas the MDGs for example were formulated on the understanding that all poverty-related issues are interconnected and demand crosscutting solutions. These concerns have been highlighted by the situation in some countries, where people living with HIV have benefited from antiretroviral treatment, but lack access to food and basic health services. Similarly, the inflow of resources has underlined the urgent need for long-term development and reforms of health systems in many countries.

These are legitimate concerns and issues, but it may not be opportune to expect the Global Fund to broaden its mandate to tackle these problems, or to develop itself into another broad-based implementing agency. On the contrary, support from the Global Fund may itself serve as the impulse for improvements, catalysing, inspiring and triggering efforts in other areas.

The experience of Mozambique, where the Global Fund is piloting pooling of its funds through its participation in a Sector Wide Approach and entry into Mozambique's common health fund, may represent a way forward in this respect, and should be followed closely.

In spite of the significant progress made by the Global Fund and other donors in increasing the volume of financing for the three diseases, their continued proliferation shows that the response to HIV/AIDS, malaria and TB remains under-funded. The same recognition underlined the commitments from the G8 Summit in Gleneagles mid-2005, the World Summit 2005 and the recent 2006 High Level Meeting on AIDS: to help countries in scaling up towards universal access to HIV prevention, treatment, care and support in 2010. In 2007, the projected annual resource gap for all three diseases is expected to reach US\$ 14.7 billion¹⁰⁹, and this will continue to grow in the years to come.

Table 34: AIDS Resource Needs¹¹⁰

Table 1. AIDS Resource needs

US\$ billion	2006	2007	2008	Total for 2006–2008 *
Prevention	8.4	10.0	11.4	29.8
Treatment and care	3.0	4.0	5.3	12.3
OVC	1.6	2.1	2.7	6.4
Programme costs	1.5	1.4	1.8	4.6
Human resources	0.4	0.6	0.9	1.9
Total	14.9	18.1	22.1	55.1

* The totals for 2006–2008 have been rounded to the first decimal place with the result that there may be small differences with the figures for subtotals in the text because of rounding.

¹⁰⁹ The Global Fund, Addressing HIV/AIDS, Malaria and Tuberculosis: The Resource Needs of the Global Fund 2005-2007, 2005

¹¹⁰ Resource needs for an expanded response to AIDS in low- and middle-income countries, UNAIDS 2006, page 3

The resource gap and the need to ensure predictable and sustainable financing of country responses to the three diseases will, along with increased domestic funding, require continued and longer-term commitments by Europe and other donor governments. Similarly, the momentum in mobilising private funds must be maintained. New innovative mechanisms – such as the international drug purchase facility UNITAID, the International Finance Facility (IFF), the Airline Solidarity Contribution and debt conversion – should be explored and developed further.

As mentioned earlier, the performance of Global Fund grant recipients has been strong, to some surprisingly so. However, in the context of the new and ambitious goals for scaling up towards universal access, there is urgent need to build sustainable local capacity in order to enhance the scale, pace and quality of implementation and attract further investments.

This is another area falling beyond the mandate of the Global Fund as a pure financing mechanism. Along with the United Nations, the EU has already taken a number of complementary initiatives to increase access to technical capacity and support capacity-building at country level. Most recently, the Commission and UNAIDS initiated a strategic partnership to strengthen country capacity for implementation of Global Fund grants.

Conclusions

Four years into the life of the Global Fund, it is evident that grants made, along with other international financing initiatives, have fundamentally changed the scale of response to the three diseases at country level. “Fund the Fund” is the clear message from people and communities affected by the three diseases. It is also obvious that the Global Fund in isolation cannot make the money work: it has to build on and create partnerships with a wide range of international development partners, and explore how its support can best be integrated into and strengthen broader development work. The European Union, the United Nations and other partners have crucial roles to play in supporting the Global Fund in the broader development context of the MDGs.

4.2. Migration

INTRODUCTION

In recent years increasing attention has been paid to international migration, to its management and to its impact on economic and social development in the countries of origin of migrants or countries of transit, as well as in their countries of residence – not least in the context of demographic change, ageing societies and skill shortages in the industrialised world, and strong population growth combined with often insufficient job creation potential, low career prospects and persistently high unemployment in the developing world.

The consequences of migration for the migrants themselves, their rights and their welfare, have also become an important concern for the international community. This has been reflected at the UN level: international migration and its links with development was one of the main subjects addressed during the 1994 Cairo Conference on Population and Development and, in the aftermath of the Conference, the issue has been tackled on various occasions within the UN framework, notably the Economic and Social Council. More recently, in September 2006, a High Level Dialogue took place at the UN, dealing specifically with the issue of migration and development.

International migration is an expression of the trend towards globalisation. The European Union is progressively developing an EU policy on immigration and asylum, as common challenges call for common responses. The EC has also become an important actor in the global debate on international migration, not least because EU immigration policy includes a significant external dimension. Within this framework the Commission, representing the European Community, has started a comprehensive dialogue on migration-related issues with a broad range of third countries and regional organisations, covering such issues as the linkages between migration and development, labour migration, the fight against illegal immigration and human trafficking, and the strengthening of protection for asylum seekers and refugees.

In addition, the EC is providing financial assistance to a number of non-EU countries to help them increase their capacity to manage international migration, notably in the framework of the AENEAS funding programme¹¹¹ (which will be superseded by a new thematic programme on migration and asylum from 2007). In partnership with the countries concerned, it is also working towards integrating migration concerns within its geographical co-operation and development programmes, addressing the root causes of emigration, notably through an external programme for human and social development¹¹². Successful implementation depends on close collaboration with Member States, because only by working together and pooling resources together can tangible results be achieved.

The EU is also committed to ensuring that the fundamental rights of migrants and refugees are respected and that migrants in host societies are able to benefit from a mutual process of adaptation and integration. It supports the full implementation of UN conventions in the areas

¹¹¹ Regulation (EC) No 491/2004 of the European Parliament and the Council of 10 March 2004 establishing a programme for financial and technical assistance to third countries in the areas of migration and asylum (AENEAS)

¹¹² *“Investing in people: Communication on the thematic programme for human and social development and the financial perspectives for 2007-2013”* - COM(2006) 18 final of 25 January 2006

of the fight against intolerance, promotion of cultural diversity in society and, more generally, all UN initiatives aimed at nurturing a human rights culture based on mutual respect and understanding between civilisations.

Co-operation with UNHCR stands out as an example of how to join forces to drive forward the protection agenda for one of the most vulnerable groups of migrants, namely refugees. EC-UNHCR co-operation on non-crisis assistance for refugee protection has been provided in Central Asia, Moldova, Ukraine and Belarus, and recently also started in North Africa within a particularly challenging political context. This tailor-made assistance can include the review of legislation, training, refurbishment of open reception centres for asylum seekers, and co-operation with civil society organisations.

Partnerships for a shared responsibility

The EU believes that managing migration is a shared responsibility of the countries of origin, transit and destination, with the distinction between these three categories of countries becoming increasingly blurred. Shared responsibility calls for enhanced co-operation between States to manage migration, taking into account the interests and concerns of all involved. The Commission believes that such mechanisms offer a flexible, non-binding framework to identify solutions to shared challenges, from fighting trafficking in human beings to channelling migrants' remittances, fostering 'brain gain' and 'brain circulation', managing labour migration better, and ensuring sustainable refugee protection and asylum.

The EU has developed a dialogue on migration-related issues within the framework of its broader co-operation agreements with various countries and regions of the world. The European Neighbourhood Policy, which covers countries in Eastern Europe, the Southern Caucasus and the Mediterranean, is a case in point: migration in all its dimensions has been an issue with many of these countries for years now, and this is reflected in the political dialogues with these countries. It also translates into concrete orientations for co-operation in the context of the Neighbourhood Action Plans.

Other dialogue processes are underway with partners in Africa, Asia, Latin America and the Caribbean¹¹³. Such dialogues typically cover a broad range of issues, for example the linkages between migration and development, integration and treatment of migrants in their countries of destination, economic migration, the fight against illegal migration and trafficking in human beings, the situation of asylum seekers and refugees, the impact of refugee situations on development and, more generally, joint efforts to manage economic migration. They can lead to EU assistance through thematic and country-specific programmes, helping partner countries build their capacity to manage migration flows and maximise the positive linkages between migration and development.

Capacity-building underpins this political dialogue. Third countries have to define common objectives and working arrangements between their national administrations and all stakeholders, including civil society, to respond to the challenges of migration. They can be assisted in a process that is designed to result in national migration strategies and action plans with a clear timeframe and related budgetary planning.

¹¹³ A parallel dialogue is also underway with the ACP (African, Caribbean and Pacific) grouping as such

Co-operation in the area of migration since the turn of the 21st century has been mainly with the EU's eastern and southern neighbours, but working with African states and regional organisations is now a priority for the EC, as confirmed by European Council Conclusions in December 2005 and December 2006. The objective is to increase dialogue and co-operation between the EU and Africa¹¹⁴ on a broad range of migratory issues, and to bring together the countries of origin, transit and destination, in particular those along given 'migration routes'.

The Commission supported and participated in the Rabat Conference on Migration and Development which took place in July 2006 at the initiative of Morocco, Spain and France. This conference provided a unique opportunity to give positive expression to initiatives tailored to specific migratory routes. The EU-Africa Ministerial Conference on Migration and Development hosted by Libya on 22-23 November 2006 also identified priorities for co-operation and adopted an ambitious declaration that paves the way for joint action between Africa and the EU at the continental, regional and national levels on such issues as the fight against illegal migration to facilitation of regular movements of people and action to address the root causes of migration.

In December 2006 the Commission presented a Communication entitled "*The Global Approach to migration one year on: towards a comprehensive European migration policy*"¹¹⁵ which reports on progress in implementing the first phase of the Global Approach and the priority actions focusing on Africa and the Mediterranean. It also proposes ways to make the EU's approach truly comprehensive and suggests including other policy areas that were not part of the December 2005 Global Approach, such as legal migration and integration measures.

The Commission proposes many additional initiatives to make the partnership with third countries more specific. These include the creation of co-operation platforms; elaboration with developing countries of the migration profiles needed to develop measures in the field of migration and development; establishment of migration support teams to provide assistance to African states; promotion of the link between policy and research on migration; twinning measures; mobility packages; creation of labour migration centres; implementation of voluntary return programmes, and so on.

Managing economic migration in the mutual interest of countries of origin and destination

The management of economic migration is closely linked to the task of harnessing migration and development synergies. While economic migration, if well managed, benefits individual migrants and the countries of destination, it can also contribute to the development of the countries of origin – in the short term, through the transfer of remittances, and in the medium or long term through the skills, experience and social capital acquired by migrants in their host countries. This can be achieved in various ways including voluntary return migration. However, definitive return is not always an attractive option for migrants, hence the current interest in the concept of circular migration with a view to promoting 'brain circulation'. Such migration can take several forms, from temporary or seasonal migration to temporary or virtual migration schemes.

¹¹⁴ 'Global Approach to Migration: Priority action focusing on Africa and the Mediterranean', Presidency Conclusions, European Council, Brussels, 15 and 16 December 2005

¹¹⁵ COM(2006) 735 final

The Commission has set out orientations to facilitate voluntary return migration and encourage circular migration in its Communication on migration and development¹¹⁶ and its policy plan on legal migration¹¹⁷. The latter, which sets out the Commission's work plan for coming years in areas related to the admission of legal migrants, also includes orientations that can be of interest to countries of origin: these range from information on the opportunities and conditions for legal employment in the EU to assistance to institutions that would provide training to would-be migrants in their countries of origin so that they match the labour needs of EU Member States. The definition of clear and well-defined admission procedures for labour migrants would also contribute to better managed migration flows in the interest of all those concerned.

To make this political agenda work in practice, the Commission agreed with its Moroccan partners on a € 7.7 million project (EC contribution: € 5 million) to set up an international division within the Moroccan National Agency for Employment and Competence Promotion. After one year of existence, the Agency's international division is able to position itself on the international labour market as a competent interlocutor for potential employers of Moroccan citizens and for Moroccans themselves. With the information and pre-departure training it provides to its citizens in Casablanca, but also at the decentralised level, it makes not only an important contribution to fostering a culture of legal migration but also to protecting migrants from the inherent dangers of illegal migration. Complementary to this project at national level is EC support given for co-operation between the Moroccan and Spanish local authorities in regulating existing seasonal migration patterns to, for example, the strawberry fields of southern Spain. Here again, the Moroccan and Spanish authorities benefit from the legal migration of these seasonal labourers, while the migrants themselves are less exposed to abuse.

In some cases economic migration to developed countries can create problems for the countries of origin by causing human resource bottlenecks in specific sectors or occupations. The Commission has started to identify possible responses, in particular mechanisms to discipline recruitment and promote ethical recruitment practices, monitoring mechanisms and support to partnerships between institutions in EU Member States and in the developing countries: it has made specific proposals regarding the health care sector in a separate Communication¹¹⁸. Dealing with brain drain issues and mitigating skills losses is one of the topics in the dialogue on migration-related issues between the EC and the African Union, as well as with a number of African countries, on the basis of article 13 of the Cotonou Agreement.

Economic migration is also a South-South reality, as it frequently applies between developing countries, notably in the framework of regional integration initiatives that the EU actively supports. While it can bring significant benefits, such migration raises issues of administrative capacity in developing countries that demand adequate support.

¹¹⁶ COM(2005) 390 final of 1 September 2005

¹¹⁷ COM(2005) 669 final of 21 December 2005

¹¹⁸ "EU Strategy for Action on the Crisis in Human Resources for Health in Developing Countries", COM(2005) 642 final of 12 December 2005

Directly related activities include joint efforts to strengthen the social dimension of globalisation, foster employment, monitor the social impact of trade policies and market liberalisation, and promote decent work as a global goal.¹¹⁹

Integration of third-country nationals

Effective integration policies are the key to ensuring that migration works to the benefit of both the host countries and the migrants themselves. With more and more countries becoming host countries, the Commission believes there is a case for encouraging exchange of experience on policies that promote integration.

The EC and its Member States have developed comprehensive policies for the integration of migrants, and a set of common principles has been identified by the Council¹²⁰ and developed by the Commission¹²¹. The Commission has published a Handbook on Integration for policy-makers and practitioners¹²²; a new edition of which is foreseen for end-2006. Several elements of EC legislation recently put into effect will also contribute to better integration.

Integration policies, and in particular the rights and treatment of third-country nationals, are the subject of regular discussions between the EC and third countries, in the context of a broader dialogue on migration-related issues. The EC is ready to share its experience and practices with other interested countries and in international forums.

COMBATING ILLEGAL MIGRATION AND HUMAN TRAFFICKING IN FULL RESPECT OF FUNDAMENTAL RIGHTS

The distinction between legal and illegal migration is a fundamental feature of EC immigration policy, and combating illegal migration in all its dimensions is a necessary element of a managed migration approach. Since 2001, a comprehensive approach has been developed that encompasses all stages of the migration chain, including co-operation with countries of origin and transit, border control, measures taken after illegal entry, and readmission and return policy. This approach is laid down in several Communications and Action Plans on illegal immigration, integrated border management and return policy.

An effective policy to reduce illegal immigration demands a mixed strategy of measures aimed at both further harmonisation of Member State legislation and enhanced operational co-operation, as well as appropriate policies and incentives promoting economic growth and job creation in the countries of origin. External factors also have to be addressed through co-operation with the countries of origin and transit. All measures proposed by the Commission are subject to an in-depth scrutiny to ensure that they are fully compatible with fundamental rights as general principles of EC law as well as international law, including refugee

¹¹⁹ "The Social Dimension of Globalisation - the EU's policy contribution on extending the benefits to all" - Commission Communication adopted on 18 May 2004 COM(2004) 383; Communication "Promoting decent work for all: The EU contribution to the implementation of the decent work agenda in the world" (COM(2006) 249) and its Annex (SEC(2006) 643), both dated 24 May 2006

¹²⁰ Common Basic Principles on Integration adopted by JHA Council of 19 November 2004

¹²¹ "A Common Agenda for Integration: Framework for the Integration of Third-Country Nationals in the European Union", COM(2005) 389 final of 1 September 2005

¹²² http://europa.eu.int/comm/justice_home/doc_centre/immigration/integration/doc_immigration_integration_en.htm

protection and human rights obligations derived from the European Convention on Human Rights.

An integrated approach is also needed to address the issue of human trafficking, taking into account its global nature¹²³ and based on respect for fundamental human rights. The needs and rights of the persons concerned are at the centre of EU policy in this area, while combating human trafficking is an essential element of EC efforts to improve checks and surveillance at its external borders and enhance the fight against illegal immigration. Moreover, in accordance with EC legislation, Member States are encouraged to grant those third-country nationals who intend to testify against traffickers a special residence permit and additional rights for the duration of criminal proceedings¹²⁴. The EC has also just ratified the UN Protocols on human trafficking and migrant smuggling.

The European Union is eager to intensify exchange of experience with interested third countries on best practices in the fight against human trafficking and the treatment of its victims, and to cooperate with them in this area. The EC is expected to launch an initiative aiming at promoting the implementation of the Palermo Convention and its Protocols shortly.

Assistance in the fight against illegal migration usually takes the form of transfer of know-how and technical assistance. Improving the security of travel documents, as currently implemented in Ukraine and Ghana, is a good case in point, illustrating the complexity of the issue. It calls for trainers who can almost only be found in the relevant administrations of the Member States, and for equipment which meets the requirements of the partner country and is at the same time compatible with equipment used in the EU. The issue touches on fundamental human rights, such as the storage of personal data, and the links with wider reform needs have to be taken into account in order to ensure impact (e.g. civil registry in the case of document security).

Making migration work for development

The potential for migrants to make a positive contribution to the development of their countries of origin is increasingly recognised. These issues have been the subject of discussions in various international forums, including the UN High Level Dialogue (UNHLD) held in New York in September 2006, and will continue to be debated, especially on the occasion of the first meeting of the Global Forum on international migration and development hosted by Belgium in Summer 2007, which will follow up the UNHLD. The Commission is ready to contribute actively to that forum.

Issues such as migrants' remittances and their contribution to the development of countries of origin, the role that can be played by diasporas in contributing to the economic, social and human development of these countries, and the promotion of circular migration are all areas where the benefits of co-operation between countries of origin and destination can be greatest. For example, minimising the costs of remitting money can be best achieved if the countries of origin and destination work hand-in-hand. Likewise, diaspora mobilisation is most effective if efforts are undertaken at both ends.

¹²³ "Fighting trafficking in human beings - an integrated approach and proposals for an action plan", COM(2005) 514 final of 18 October 2005.

¹²⁴ Council Directive 2004/81/EC of 29 April 2004.

The Commission summarised the orientations it intends to follow in this area in a Communication adopted on 1 September 2005¹²⁵. Whereas some of the measures contained in this document can be introduced by the EU unilaterally (for example moves to increase competition and transparency in the market for remittance services, or measures in the area of residence rights), most can only be implemented in co-operation with the countries of origin. Funding has already been provided through the Aeneas programme, for example by supporting diaspora communities in contributing to the economic and social development of their home communities and facilitating the use of remittances for productive investments and development initiatives. The thematic programme on migration and asylum, which is replacing Aeneas, will continue to provide support to activities in these areas.

To take advantage of these links and synergies, short-term measures will have to go hand-in-hand with a long-term approach, with migration policy and development policy properly integrated. Migration issues are therefore being progressively incorporated into the Country and Regional Strategy Papers that constitute the main framework within which EC assistance is channelled to its developing country partners.

Furthermore, the availability of decent jobs, income opportunities and working conditions in countries of origin, as well as the absence of conflict or unsustainable pressures on the environment can help ensure that, when an individual migrates, he or she does so out of choice. The EU's development policy, the European Consensus on Development, addresses these and other 'push' factors of migration through its contributions – in partnership with developing countries – to poverty eradication, conflict prevention, economic development, trade promotion, promotion of human rights and good governance, protection of the environment and support directed to attaining the Millennium Development Goals. The EU provides over half of the world's aid and has committed itself to increase this assistance, together with its quality and effectiveness.

The Commission believes the links between migration and development offer significant potential for furthering development goals, without constituting a substitute for Official Development Assistance.

Promoting asylum and international protection worldwide

Asylum-related issues have risen in priority in the EU's external relations and development co-operation with those third countries that are confronted with the movement of refugees. The EU shares UNHCR's view that solutions to refugee problems should be found first and foremost in the regions of origin, which often host the largest refugee populations. The EU also considers that many countries of transit are heavily affected by the task of responding to the requests of large flows of asylum seekers.

These origin and transit countries often lack the institutional and financial capacity to address the challenges on their own. The enhancement of the capacity to provide effective protection and durable solutions in the regions of origin – through asylum capacity-building, local integration, repatriation and resettlement – is an objective that the Commission promotes in its external assistance. This is also reflected in the EU approach to the international protection

¹²⁵ *"Migration and Development: some concrete orientations"*, COM(2005) 390 final. The annexes to this Communication include numerous examples of good practices developed in EU Member States and elsewhere

regime delivered through pilot Regional Protection Programmes like those for the Western NIS and the Great Lakes region in Africa.

While the situation for refugees is very different from that of economic migrants, many of the initiatives to be developed under the other strands of this programme – for example encouraging the contributions of diasporas, facilitating the transfer of remittances, protection against discrimination, etc. – should also benefit refugees.

5. AID MANAGEMENT

5.1. Developments in aid delivery modalities and channels

European external assistance is implemented through three main delivery modalities, the choices depending on a joint EC/government analysis of the country and sector environment.

The project approach is used in situations such as support to non-state actors and regional programmes, or where conditions do not allow for complete use of government systems, for example in conflict or post-conflict situations. Projects are implemented using the EC's procurement and grant award procedures.

The sector approach, where a Sector Policy Support Programme (SPSP) is used, aims to underpin an agreed sector policy and a realistic strategic framework monitored through performance criteria and indicators. SPSPs may be financed by (i) Sector Budget Support (SBS), with funds transferred to the national treasury of the beneficiary country; (ii) pooling funds with beneficiary governments and other donors, or (iii) project procedures using EC procurement and grant award processes.

The EC also supports national or macro level goals expressed in national policy and strategy documents (such as a Poverty Reduction Strategy Paper). This support is financed through General Budget Support (GBS), with funds transferred to the national treasury of the beneficiary country. It is usually accompanied by capacity development activities, generally in the area of public financial management.

Focus on Sector approaches and Budget Support

In 2006 the total value of budget support commitments, about € 1.32 billion, amounted to just over 17% of total commitments. This represents a reduction compared to 2005 and is explained by a substantial fall in GBS commitments that was not entirely offset by a large increase in SBS commitments. The substantial fall in GBS commitments was expected, as it reflects the 'lumpy' nature of commitments as the 9th EDF comes to an end. In contrast, the steady increase in SBS commitments reflects increasing use of sector programmes, using SBS as the financing modality, in Latin America, Asia and to a lesser extent in the MEDA region. In these areas European assistance continues to play a key role in launching new types of partnership and encouraging a shift toward budget support.

The sectoral approach and the use of budget support as a preferred aid modality follow the orientations of the European Consensus on Development. The Consensus clearly states that "where circumstances permit, the use of general or sectoral budget support should increase as a means to strengthen ownership, support partner's national accountability and procedures, to finance national poverty reduction strategies (PRS) and to promote sound and transparent management of public finances".

The Paris Declaration of March 2005, signed by all donors and a broad representation of partner countries, has also contributed to creating a positive momentum for budget and sector support focusing on ownership, alignment and

harmonisation. The Paris Declaration contains twelve indicators to measure progress in these areas, laying great emphasis on the use of the sector approach and budget support. These forms of aid delivery are, by their very nature, aligned with country systems, avoid parallel implementation structures, and favour a co-ordinated approach to capacity development and the use of joint field missions and shared analysis.

During the year the Commission worked in line with these policy orientations and demonstrated, at the international level, its effective implementation of the budget support approach. The Commission participated actively in the work undertaken in the OECD/DAC-sponsored Joint Evaluation of General Budget Support concluded in May 2006. This report concluded that GBS was, in all but two cases, "clearly positive" and that in all cases it was a "relevant response to the context". GBS was seen as having a positive effect on harmonisation and alignment, increasing priority expenditures and encouraging a focus on public financial management, whilst at the same time reinforcing pre-existing macroeconomic stability. However, weaknesses were identified in terms of predictability, capacity development, and the dangers of "overloading" budget support. The Commission is monitoring its actions in response to the recommendations of the evaluation.

The Commission continues to co-chair the Joint Venture on Public Financial Management of the OECD/DAC, a group established following the Paris Declaration, which promotes best practices and the sharing of knowledge in the area of public financial management (PFM). The Commission continued its support to the joint-donor Public Expenditure and Financial Accountability Programme (PEFA), which submitted over 20 reports in 2006, in half of which the EC took the lead. The PEFA approach is gaining ground as the favoured tool for the assessment of PFM systems, and is expected to cover all countries receiving budget support by early-2008. However, further work needs to be undertaken to improve capacity-building support.

The work the Commission has undertaken in support of the PEFA instrument was in line with the recommendations of Court of Auditors Special Report no.2/2005 on "EDF budget aid to ACP countries: the Commission's management of the public finance reform aspect". Other actions were undertaken in line with these recommendations. In particular, EuropeAid approved new "Guidelines on the Programming, Design and Management of General Budget Support", with the aim of enhancing the quality of budget support operations, noticeably through an emphasis on the eligibility criteria to be met for budget support.

Capacity development and training on aid delivery methods

Developing the skills and capacities of key actors intervening in the design and implementation of EC-funded programmes is a key contributor to improving their quality, impact and sustainability. A significant effort was made to develop the methodology and training in various areas related to sector approaches, such as public financial management, institutional analysis and capacity development, applied macroeconomics, and assessment of performance and monitoring systems.

In addition to the work on General Budget Support guidance, modalities of sector support were also reviewed, building on the aid effectiveness agenda as well as on

lessons learned in recent years. Revised guidance on the sector approach will be issued in 2007, and will be supported by learning material on particular issues such as approaches to budgeting and sequencing in Public Finance Management reforms, and sector-specific issues such as working with the Programme Based Approach in the rural sector.

The aid effectiveness agenda and in particular the Paris Declaration calls for a more strategic and co-ordinated approach in the area of institutional support and capacity development in partner countries. Specific attention was given to developing a methodology in this area in line with good practice and DAC thinking, and action was taken to promote quality and learning in supporting capacity development in the Public Finance Management areas.

Demand for training has significantly increased since the Paris Declaration, coming both from donor and partner government sides, and confirming that the successful implementation of the sector approach and budget support requires action to develop related skills. The second phase of the Aid Delivery Methods (ADM) Training Programme, which started in July 2005, comprises two axes: i) the sector approach and budget support and key related topics; and ii) the project approach, with a view to promoting ownership and sustainability, and developing revised Project Cycle Management and Economic & Financial Analysis conventional and online training.

Table 35 Methodological Training organised from June 2002 to December 2006¹²⁶

	Sector / Budget support and related areas		Project Approach - Project Cycle Management, Economic & Financial Analysis and related areas	
	Number of Sessions	Participants	Number of Sessions	Participants
At Headquarters	75	1 420	201	2 900
At country level	94	1 970	141	2 150
Total	169	3 400	342	5 060

Within the ADM Programme, nearly 1 500 participants followed more than 90 sessions organised at Headquarters and at country level¹²⁷. Twelve new courses were tested: these included sector-specific courses on transport, rural development, policy dialogue in education, performance measurement in the social sectors, the sector approach applied to integrated water resource management, working in a decentralised context and local governance, and an online course on Project Cycle Management.

¹²⁶ In 2003 and 2004 courses concentrated on PCM areas

¹²⁷ Demand is high for the PFM courses, with 11 sessions organized since July 2005 (233 participants)

In line with the Paris Declaration invitation to develop joint training in the area of programme-based approaches, the Joint Learning Programme on Sector Support, launched in 2005, gave positive results and confirmed the increasing demand in the area of sector approach, especially from the partner government side. The Joint Learning Programme is co-ordinated by EuropeAid and co-financed by nine donors. This new generation of joint training programmes is a promising tool for building common skills and co-ordinating new sector programmes.

5.2. Progress on qualitative issues in aid management

5.2.1. Strengthening the quality of development assistance

The concentration of thematic expertise within a Quality Directorate in EuropeAid proved its added value, developing tools to support Delegations and Headquarters services. With the input of other Directorates-General and donors, new operational guides were elaborated in the field of electoral assistance, environment mainstreaming and General Budget Support. Beside this methodological activity, attention focused on increasing the coverage of quality checks on new projects and programmes to over 90%. This goes hand-in-hand with support missions to Delegations to assist them in the identification of projects and help resolve difficulties during implementation phase. Enhancing staff knowledge was also a priority and led to a large number of seminars and workshops organised in the field or at Headquarters: these covered the main and emerging sectors of intervention such as Budget Support, environment, gender mainstreaming, migration, governance and decent work.

5.2.2. Appreciation of quality

Over the last four years the Commission has tracked performance through a number of indicators mainly focused on financial implementation and, to a lesser extent, speeding up delivery. The issues form part of regular reports to the Group of External Relations Commissioners. In 2006, the list of performance indicators was expanded with the aim of monitoring the quality of the preparation phase of projects: additional performance indicators have been established to give an appreciation of the quality of the projects as measured at the end of the design phase. This is an important step in ensuring continuity in the appreciation of quality, from project preparation through project implementation to project evaluation.

5.2.3. Monitoring progress towards Strategic Goals

An essential tool for maximising the contribution of EC assistance to its strategic goals is monitoring the impact of interventions not only in terms of the financial contributions and how these are spent, but the ultimate outcomes and impacts. It is rarely possible to separate out the effects of any single donor's activities at the level of a country or region. The impact of any activity, whether domestic or supported by donors, may also take time to show up in a measurable form.

A broad range of strategic goals, from poverty reduction to developing and consolidating democracy and the rule of law, respect for human rights and fundamental freedoms, mirror the complexity and richness of EC development programmes. This wide range of objectives poses a challenge to constructing a

coherent and transparent system for monitoring results. Also, as a general rule, measurements based on projects/programmes ('actions'), which can be similar but tailored to local needs and specificities, are difficult to aggregate into a collection of common indicators measuring the cumulated added value of EC assistance.

The combination of all these elements calls for different levels of analysis of the results/impact of Commission initiatives: they should be assessed in the context of the international community's efforts, and should be based on the coherent articulation of the different components, and not on a single element. The European Consensus on Development¹²⁸ states that "the EU and developing countries share responsibility and accountability for the joint effort in partnership" and that "progress indicators and regular evaluation of assistance are of key importance to better focus EU assistance". The new Development Co-operation Instrument (DCI) also foresees that the Commission present an "annual report on the implementation and results and, as far as possible, main outcome and impact of the assistance".

The Commission intends to select, for all sectors of intervention, a minimum number of 'EC aid progress reporting indicators' giving predefined results that allow for aggregation, and contribute to better accountability and visibility. Work undertaken in 2006 established lists of these progress reporting indicators for a reasonable number of sectors. Delegations will have to include them in each identification document and subsequently in each Financing Proposal. The aim is to cover a majority of the sectors and thematic areas of EC development co-operation by mid-2007.

Work undertaken so far shows that it is possible to reduce significantly the gap between sectors known as traditional (education, health, transport, water and sanitation) and less familiar fields. The list of progress indicators has already been extended to the principal sectors of governance and environment. A pilot phase covering five EC aid sectors where work is judged sufficiently mature will be launched shortly and the lessons learned from this pilot phase evaluated by end-2007.

This work is complementary to the Commission's efforts to improve the quality of individual projects and to the actions taken to i) monitor how the agreed principles of project design are respected in terms of objectives, results and indicators, ii) develop guidelines and training for the use of indicators, and iii) introduce a more rigorous assessment of the data presented as baseline and target values for indicators submitted at the two Quality Support Group (QSG) stages.

5.3. Co-operation with international organisations and other donors

EU co-operation and partnership with the UN and the World Bank has expanded dynamically since the year 2000/2001 in the aftermath of the UN Millennium Declaration¹²⁹. The 2003 Commission Communication on *Effective Multilateralism*¹³⁰, the 2003 EC-UN Financial and Administrative Framework Agreement, and other policy documents contributed to developing these relationships. Currently, the EC commits around € 1 billion a year to the UN system

¹²⁸ OJ 2006/C 46/01, §15

¹²⁹ UN General Assembly resolution 55/2 of 8 September 2000

¹³⁰ COM (2003) 526, "The European Union and the UN: The Choice of Multilateralism"

and € 0.5 billion to the World Bank. In the poorest developing countries, special attention is being paid to peace-building activities, the MDGs and regional trade co-operation. In Middle Income Countries, co-operation with the multilateral system takes into account the broader EU policy agenda, and is more country-tailored on account of different levels of growth, development, social situations and trade integration.

The United Nations

The Commission's overarching strategic policy vis-à-vis the United Nations is 'Europe as a World Partner'. In 2006, the Commission reinforced Europe's voice and coherence in the various UN forums through EU common positions, recalling the commitment to multilateralism as the best way to engage global partners. The UN's internal reform agenda complements the Commission's long-term objective of strengthening international organisations' architecture through continued reform and renewal.

Extensive Commission programming with the UN contributed to the Millennium Development Goals. Funding supported agricultural development, food security, sustainable forestry and fishery practices, education, child protection, water and sanitation, health, infrastructures, and other key sectors. The Commission followed up on the 2005 Paris Agenda on Aid Effectiveness by supporting new financing instruments such as the UN-managed Multi-donor Trust Funds, thus reducing transaction costs for both donor and partner countries.

Notable contributions of the Commission in multilateral forums on global issues and new challenges included inputs to such initiatives as the UN High Level Dialogue on International Migration and Development; the launch of the Internet Governance Forum in Athens (October 2006) as a follow-up to the UN World Summit on the Information Society (WSIS); the UNESCO Convention on the protection and promotion of the diversity of cultural expressions (November); and the successful negotiation of the UN Convention for the Rights of Persons with Disabilities (December).

Throughout the year, the Commission focused on implementation of the UN World Summit Outcome, especially through contributions to EU co-ordination in the Human Rights Council and active participation in the work of the Peacebuilding Commission (PBC), especially the first country-specific meetings on Burundi and Sierra Leone (October and December). The Commission contributed actively to a strengthening of EU-UN relations. High-level meetings included the visit of Secretary-General Annan to President Barroso and Commissioner Ferrero-Waldner in July. The Commission also participated in the High-Level meeting between the UN and regional organisations in September.

In December, an evaluation exercise was launched to appraise Commission financing of UN activities, now totalling over € 1 billion a year. Together with EU Member States, the Commission welcomed the recommendations of the High Level Panel Report on reforming UN System-Wide Coherence in the Areas of Development, Humanitarian Assistance, and the Environment, 'Delivering as One' (November).

The World Bank

Although not a World Bank shareholder itself (only EU Member States are), the EC is one of the four most important partners and financial contributors to World Bank and trust fund operations around the world. This co-operation, initiated in 1997, has expanded considerably over recent years following the signature of the Framework Agreement in November 2001 (revised in 2006) and bilateral Memorandums of Understanding (MoUs) at geographical level (Candidate countries, MED region, ACP, ENP countries, Central Asia, etc.).

EC co-operation with international financial institutions, and the WB in particular, is based on the Communication of 2 May 2001 on Effective Multilateralism and EU co-operation with the UN system and bodies¹³¹, the commitments on Development Finance made at the UN Summit in Monterey in 2002, EU commitments in the context of the UN Summit on the Millennium Declaration and MDGs, the Paris Declaration on Aid Harmonisation and Aid Effectiveness of March 2005, and the Council of Ministers approval in June 2002 of the new Financial Regulation.

This acknowledged *inter alia* the possibility of the Commission carrying out “joint management” with international organisations, i.e. contributing to pooling funding managed by these organisations. These initiatives were followed by the European Consensus on Development. The new Regulations for EC external assistance to the programming cycle 2007-2013 (DCI, ENPI and the Stability Facility Instrument) also make an explicit reference to the need for better co-operation and synergies between EC grants and IFI loans in dealing with third countries.

EC co-operation with the World Bank takes place in two broad areas of activity: policy dialogue with third countries on reforms, adjustment, trade integration, good governance, clean energy, social infrastructures and other policy issues on the one hand, and co-operation on operations by pooling resources according to different modalities (co-financing, provision of technical assistance, EC support to WB Trust Funds with a thematic or geographical scope, and so on) on the other.

Policy dialogue between the EC and the World Bank takes place at annual bilateral meetings which review the implementation of the Framework Agreement and the various Memoranda of Understanding (MoUs). On these occasions some general policy orientations are also discussed (the most recent Annual Consultation on the Framework Agreement, focusing on implementation and visibility issues, took place in Brussels on 18-19 May). In addition, the Commission regularly participates in the IMF/WB Annual Meetings and is invited to address the Board.

Bilateral relations between the World Bank's newly appointed President, Paul Wolfowitz, his team and the EC intensified in 2006. President Wolfowitz met EU Commissioners on various occasions and on different subjects. These included meetings with the Commissioner for External Relations, Benita Ferrero-Waldner, on 2 June for the signature of an agreement to enhance bilateral operational co-ordination and visibility, and with the Commissioner for Development, Louis Michel, on the occasion of the IMF/WB Annual Meeting in Singapore, where good governance, clean energy, aid “scaling up” and African infrastructures were high on the agenda, and the EU Development Days organised in Brussels in November.

¹³¹ The UN, through the ECOSOC, in principle also co-ordinates the Bretton-Woods Institutions

More specific policy discussions were also held on the occasion of visits by newly-appointed WB Vice Presidents to the Commission. Meetings during the year mainly focused on co-financing modalities, governance issues, energy, infrastructure, combining grants with loans, the situation of Middle Income Countries, the new challenges posed by China and India, and the new EU strategy for Africa. The European Executive Directors to the WB also visited the Commission in March.

EU dialogue with the Bank on operational matters takes place between the Commission Delegations and Bank offices at field level and on other occasions (presentation of Annual reports by the Bank, WB participation in EP hearings on development issues, WB meetings with the EIB and other regional development banks, etc.). Monthly meetings by the European Executive Directors of the WB Board, aimed at harmonising the EU position and speaking with one “voice” on the main policy issues and decisions due to be adopted by the WB Board, continued to take place in Washington: the Commission Delegation in Washington DC participated actively at these events.

Over the last three years the EC awarded grants to around 30 World Bank Trust Funds for about € 450 to € 500 million annually. One-third of these initiatives related to specific projects in individual countries, whilst the rest concerned cross-country horizontal thematic actions (debt relief under the Highly Indebted Poor Countries initiative, health, environment, and tropical agricultural research) and post-war, post-disaster reconstruction programmes co-ordinated by the World Bank in Eastern Timor, Afghanistan, Iraq, tsunami-affected countries in South Asia, and Gaza.

The trend from providing support for global initiatives to supporting reconstruction was confirmed. Of the € 516 million contracted by the EC to the WB during 2006, only about € 82 million was for World Bank thematic trust funds aimed at protecting global public goods (Fight against AIDS, Malaria and Tuberculosis, Agricultural Research, etc.) while the rest was for post-conflict, post-disaster reconstruction situations such as food in sub-Saharan Africa (€ 104 million), tsunami rehabilitation (€ 81 million), Afghanistan reconstruction (€ 40 million). The EC also contributed € 40 million to the World Bank International Trust Fund for the Reconstruction of Iraq (where the EC, with total contributions of € 123 million, is the largest donor) and provided an additional € 70 million to the World Bank Public Financial Management Reform Trust Fund for Gaza and the West Bank.

In the Western Balkans, the Commission is supporting two World Bank Trust Funds with a total of € 600 000. One is for the development of a Kosovo Development Strategy and Plan, and the other for the Joint Office for South East Europe (€ 300 000 each). The aim of the Joint Office is to support co-operation between the Commission and the World Bank in the pre-accession region, provide support to the Commission's overall co-ordination work with the International Financial Institutions in general, and assist in the organisation of donors' conferences and the mobilisation of donor funding.

5.4. Simplification of procedures

EuropeAid made major efforts to further simplify the rules applicable to the management of external aid. This process, aimed at ensuring proportionality between

risks and management constraints, will continue to be a high priority in order to further speed up the delivery of aid.

A revised Practical Guide to contract procedures for EC external action was published. This is the first single working tool which explains the contracting procedures applying to all EC external aid contracts financed from the European Communities General Budget (the Budget) and the European Development Fund. Since it now incorporates the relevant legal texts for the Budget and for the EDF, the purpose of this practical instrument is to provide users with all the information necessary for procurement or making grants.

EuropeAid took a very active role in the preparation of the Commission's proposals for a review of the Financial Regulation and its Implementing Rules (in the framework of a linked revision), identifying difficulties created by the current rules for the implementation of external actions. In this context a wide-ranging consultation was organised among all services, both at Headquarters and in Delegations. Some 500 proposals for simplification of procedures were analysed by a joint services working party.

The results of this consultation contributed to the large number of improvements formulated by EuropeAid, to be taken into account in the coming legal and financial framework that will take effect May 2007 in latest. These include: i) increasing certain contract award thresholds for external aid; ii) creating the possibility for the Commission to manage the funds of other donors; iii) applying local rules or rules agreed among donors in decentralised management with co-financing; iv) introduction of new cases of negotiated procedures for external aid; v) the possibility of re-granting in specific cases; and vi) the possibility for the Commission, while in decentralised management, to delegate its remaining execution tasks to entities others than the sole third beneficiary country, e.g. to national agencies.

In the meantime, the Commission has adopted a stand-alone revision of the Implementing Rules of the Financial Regulation, which aims to simplify procedures and reduce the burden of documentary evidence for economic operators and administrative service institutions, in order to decrease administrative costs, create the possibility of waiving obligations to provide a guarantee in the case of pre-financing to a public body, and simplify the rules for grants.

Other achievements include the major reduction from some 30 basic acts to seven new instruments for external aid financed from the budget. These simplifications will become effective in 2007, as well as those related to the revision of the EDF Financial Regulation.

5.5. Enlargement and special Task Force on Capacity-Building

Two years after accession, most Member States that joined the European Union in 2004 were becoming active members of the donor community. The Commission set out to reshape its assistance programme for the 'new' Member States and acceding countries (namely Bulgaria and Romania.) It was evident that, two years after accession and, on the edge of the 2007 enlargement, 2006 was an appropriate time to strengthen the approach and adapt it to the evolving development policies of the partners of the EU-12 (the so-called "new Member States").

Drawing on lessons learned during the Task Force meetings – two meetings were organised as well as a consultation of EU-12 partners – the Commission refined its work plan. First, at the request of its members, meetings of the special Task Force will be organised on a biannual basis: this will allow for discussions and exchange of best practices on development and humanitarian aid between the EU-12 and the EU-15, while the priority will still be to strengthen informal co-ordination of the activities of the EU-12 Member States as donors.

The second aim will be to assist those of the EU-12 who have an interest in increasing their presence in partner countries, in strengthening their capacities to develop activities in the field. Third, is the task of providing the EU-12 with specific capacity-building activities such as conferences or technical seminars on a demand-driven basis, as well as following up the Capacity Building Scheme programme on an individual basis.

The Commission organised a series of activities respecting the principle of complementarity. Following the first successful demand-driven programme to help the EU-12 formulate development policy and guidelines on EC procedures, the Commission set up a new edition of this programme, covering such topics as ODA accounting, design and implementation of institutional arrangements for ODA management, formulation of ODA guidelines, ODA programming and budgeting, country strategy formulation, and DAC reporting.

A one-day seminar was dedicated to identifying opportunities for strengthening the EU-10 and acceding countries' capacities to implement the aid effectiveness agenda. This seminar, which focused on division of labour and co-financing, allowed the EU-12 to discuss and exchange best practices. EU-12 officials were invited to take part in the European Development Days, as part of the training activities offered by the Commission, presenting their activities in the partner countries and participating in the conferences and debates. A special support programme was also launched to help Bulgaria and Romania strengthen and develop the institutional and conceptualization framework of their development policies.

5.6. Visibility and communication

One of the priorities of the Commission is communication on its activities in general and on the role of the EU in the world in particular. A number of major communication activities took place in the field of external assistance. A common Internet portal was established on the Commission's external policies, entitled "EU in the World"¹³². An External Co-operation Info Point, which is open to the general public, was set up in the EuropeAid building on rue de la Loi in Brussels in April and was visited by almost 5 000 people¹³³.

Other communication activities included the annual 9 May Initiative in schools¹³⁴ and the production of the first two videos in a new series entitled "Co-operation That Counts". The videos, one on biodiversity and one on AIDS, reached a combined

¹³² http://ec.europa.eu/world/index_en.htm
¹³³ http://ec.europa.eu/europeaid/frontoffice/index_en.htm
¹³⁴ http://ec.europa.eu/europeaid/9-may-initiative/index_en.htm

audience of some 34 million viewers¹³⁵. The first EU Development Days were held in Brussels from 13 to 17 November 2006. Activities included a two-day high-level forum on Governance in Africa, an EU-Africa Business Forum, and a series of cultural events for the wider public¹³⁶. Fifty case studies of successful EC actions were published¹³⁷. Agreements on improving visibility were signed by Commissioner Ferrero-Waldner and World Bank President Wolfowitz on 2 June and UN Deputy Secretary-General Malloch-Brown on 22 September respectively.

¹³⁵ http://ec.europa.eu/europeaid/library/videos_en.htm

¹³⁶ <http://ec.europa.eu/development/services/events/EDD/index.html>

¹³⁷ http://ec.europa.eu/europeaid/reports/stagiaires_case_studies_en.htm

6. RESULTS

6.1. Project results: Results-Oriented Monitoring

The results-oriented monitoring (ROM) system provides an overview of how the project portfolio is progressing towards results. The main question is: are projects and programmes (likely) to deliver the intended improvements in the lives of people?

The ROM is based on regular on-site assessments by independent experts of ongoing projects and programmes: these are given simple scores against internationally agreed criteria, using a highly structured and consistent methodology. Scores are: a. (4 points) = very good; b. (3 points) = good; c. (2 points) = minor problems and d. (1 point) = major problems. The baseline parameter for the scoring scale, 2.5 points, has been defined as 'implementation according to plan'. Thus, a project with a score of 2.5 is fully on track and expected to deliver the benefits and impact planned. For each project, short explanations and recommendations on quality improvement are addressed to all stakeholders, providing important information to complement internal monitoring by project stakeholders.

6.1.1. Achievements in 2006

In 2006, the system covered 148 countries and 1 384 projects with a total value of nearly € 10 billion.

Table 36: Monitoring missions completed in 2006

Overview per region	TACIS ¹³⁸	CARDS	MED	ACP	Asia	Latin America	Total 2006	Compared to 2005
N° countries visited	13	7	21	68	18	21	148	+ 11%
N° projects monitored ¹³⁹	314	117	150	485	133	203	1402	+12%
N° of monitoring reports produced	386	150	180	511	189	200	1616	+ 10%
Million € covered	570	188	1 886	5.218	910	1 145	9 917	+18%

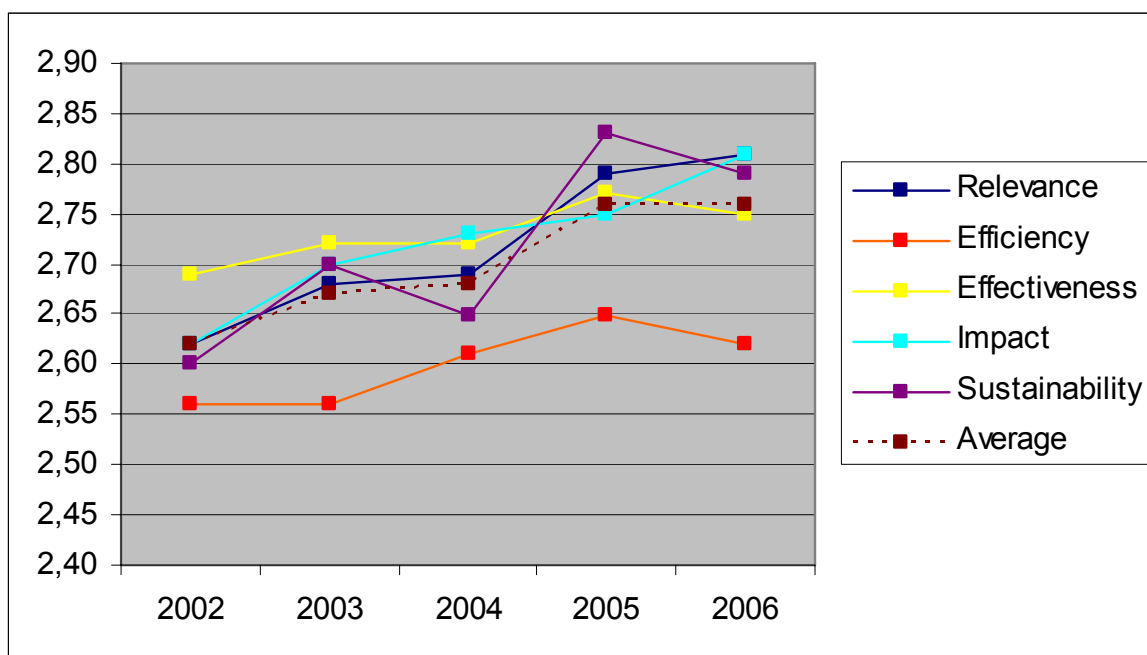
The statistical significance of ROM monitoring has improved over recent years. However, the size and nature of samples may still impede overall conclusions,

¹³⁸ The TACIS region includes the Central Asia region with the countries of Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan and Turkmenistan

¹³⁹ Including regional programmes for which more than one component is monitored. This explains the difference between the number of projects monitored and the number of reports produced

considering also that SWAPs and budgetary aid are not covered. Further information on results in the regions is given in the chapters on regional activities.

Table 37: Timelines ROM Scores 2002 – 2006



The projects and programmes monitored maintained globally good performance of an average of 2.76, with slight variations in individual criteria. The overall gain made in efficiency over the last years showed a slight consolidating setback, but still remains on track (2.62 in 2006 for an 'on track' parameter of 2.5). Over the last five years, the overall ratings in ROM show a steady and statistically significant improvement: from 2.62 in 2002 to 2.67 in 2003 and from 2.73 in 2004 to 2.76 in 2005 and 2006. Projects showing problems are closely followed up by Commission services. The percentage of projects requiring special attention went down from 10% to 9.3% and those needing a thorough reformulation or even project closure, i.e. “major problems”, remained slightly over 1%.

Monitoring over time

When looking at projects which have been monitored over several years, a consistent improvement can be seen, significantly above the general increase for all projects. This indicates the usefulness of the ROM system as a management tool for projects. In re-monitored projects, project design and efficiency improved in particular, resulting in better and more services to intended beneficiaries and positive wider effects for the project environment.

6.1.2. Results by Sector

Table 38: Results per Sector

2006 by ODA sector ¹⁴⁰	Social Infra-structure and Services	Economic Infra-structure and Services	Production sectors	Multi-sector – Cross-cutting	Commodity Aid and General Programme Assistance	Emergency Assistance	Other Un-allocated Un-specified
N° operations ¹⁴¹ monitored	776	213	258	211	48	22	34
N° reports ¹⁴² produced	793	236	250	234	47	21	35
Million € covered	4 150	2 651	1 558	978	314	77	189
Relevance	2.82	2.82	2.77	2.80	2.93	2.50	2.82
Efficiency	2.64	2.63	2.45	2.67	2.51	2.76	2.75
Effectiveness	2.75	2.77	2.64	2.82	2.81	2.84	2.84
Impact	2.79	2.91	2.71	2.82	2.89	2.75	2.89
Sustainability	2.79	2.90	2.69	2.78	2.77	2.74	2.86
Average	2.76	2.81	2.65	2.78	2.78	2.72	2.83

The most important sector of co-operation: *social infrastructure and services*, i.e. education, health, water, government and civil society etc., is performing well and in line with the global picture. Another important sector, *economic infrastructure and services* with transport, energy and banking, is performing even better, with 2.81.

6.1.3. Conclusions 2006

Overall the results are satisfactory, with projects and programmes monitored performing on average “according to plan” or better, for all criteria. The coverage of projects monitored, the statistical significance of data and the ROM methodological approach were improved. An extension of the ROM system to closed projects (*ex-post* ROM) was tested positively for methodology. The main purpose is to provide clarifications on whether the project’s impact and benefits were sustained after the external assistance came to an end. In a majority of cases the projects showed good or acceptable sustainability and impact, but further analysis is needed to draw conclusions concerning the underlying reasons and lessons to be learnt.

¹⁴⁰ For information on what is included in the sectors, please refer to the financial annexes

¹⁴¹ In regional projects several components are monitored to have a picture of the situation. As components can be in different sectors, the number of operations in the table on sector performance is higher than the number of projects in the preceding table

¹⁴² If a full monitoring report is not possible, the assessment of an operation can be in a monitoring note. The table takes only full reports into account

6.1.4. *Outlook into 2007*

In 2007 the accent will be on improvement of the database, which today shows signs of age and overload. Also, with sector policy support programmes commitments constituting on average now around 20 % of all commitments for both budget lines and EDF operations, tracking the success of sector policy support programmes is increasingly important. The ROM system will therefore be expanded to Commission-financed support programmes to sector approaches (SPSPs): the related methodology is being prepared for testing in 2007.

6.2. **Evaluation: Review of the 2006 Work Programme**

6.2.1. *Organisation of the evaluation function*

The Evaluation Unit in the EuropeAid Co-operation Office is a joint evaluation function for the three External Relations (RELEX) Directorates-General: Development, External Relations and EuropeAid. A multi-annual strategy for the period 2002-2006 was validated by the External Relations Commissioners in November 2001. This indicates the main axes of evaluations for the five-year period, the thematic and sectoral evaluations to be undertaken, and the strategy to be followed for geographical evaluations. It was also decided to develop a methodological approach for these types of evaluation. Evaluation of individual projects is not the responsibility of the joint evaluation function, which is in charge of regional and sector policies, programmes and programming cycles and only provides methodological support.

The Evaluation Unit in DG Enlargement co-ordinates and implements evaluation activities for the Western Balkans.

6.2.2. *The 2006 Work Programme: work accomplished*

Fifteen evaluations were completed during this year: nine geographical evaluations (Tanzania, Armenia, Mali (jointly with France), Rwanda, Comoros, Seychelles, Mauritius, TACIS and Central Africa) and six thematic evaluations (Governance, Co-ordination of Trade Capacity-Building (within the joint 3Cs evaluation), Water and Sanitation, Micro-projects in ACP countries, Statistical Support and General Budget Support (jointly with 23 other donors and seven partner countries). Full texts of the reports can be found on the evaluation website¹⁴³.

Eleven new evaluations were initiated: Bolivia, Jordan, Moldova, Guyana, Mozambique, Western Africa, Eastern Africa, Southern Africa, Aid delivery through the development banks and the EIB, aid delivery through the Agencies of the United Nations, and aid delivery through civil society. A synthesis covering all geographical evaluations published between 1998 and 2006 was launched in December.

The DG Enlargement Evaluation Unit did not carry out any evaluations in the Western Balkans in 2006.

¹⁴³

<http://europa.eu.int/comm/europeaid/evaluation/index.htm>

The methodological work undertaken since 2002 was published on the EuropeAid website in July. It covers guidelines for geographical and thematic evaluations, and guidelines for project evaluations. It also gives methodological bases for conducting evaluations and specifies 13 tools commonly used in evaluating co-operation with partner countries. Full text in English, French and Spanish can be found on the evaluation website: the paper versions in the three languages will be published in 2007. This methodological work has been presented to the General Directors of EU Member States, and the Evaluation Unit has started to detail this methodological work for Member State services interested in using it for harmonising approaches.

As regards dissemination and feedback mechanisms, four seminars were organised in the countries concerned to discuss six evaluation reports: Tanzania, Mali, Rwanda and Mauritius, which also covered Comoros and Seychelles. Two seminars were organised in Brussels to present two thematic reports: Governance, and Water and Sanitation. One seminar was held in Paris within the DAC/OECD to present the results of the joint evaluation on General Budget Support. Some *ad hoc* presentations were made to Commission services, the European Parliament's Committee on Development, the Council's Food Security group, and civil society organisations. The *fiches contradictoires* or follow-up of earlier evaluations were published for the following reports: Ethiopia, Rehabilitation, Population, Malawi, Trade, Lesotho, Transport, and Environment and Forests. Most of the recommendations were implemented.

Regarding the next programming period, discussions between the three Directorates-General about the evaluations to be carried out in the period 2007-2013 have led to a proposal to be submitted to the RELEX Commissioners early in 2007. The three axes of previous programming have been maintained: geographical evaluations, thematic and sectoral evaluations, and implementation modalities, with an increase in the number of geographical evaluations to be undertaken.

6.2.3. *Lessons learnt from evaluations finalised in 2006*

Geographical Level Evaluations

Tanzania: The Commission's support to Tanzania during the period 1996-2005 has been relevant to the development needs of the country, even if it has given low priority to the issues of equity and vulnerability. Most of the expected results have materialised with exceptions in two areas: the quality of education and corruption. Remarkable contributions to poverty reduction have been achieved through a mix of substantial financial sector support and policy dialogue. The effectiveness of the Commission's interventions has been reduced by long delays in implementation.

Armenia: Over the period 1996-2004, the Commission's co-operation with Armenia addressed most of the issues identified by the government as the key to securing sustainable growth, favouring integration of Armenia into the world economy and combating social inequality. However, the Commission's interventions did not reflect a clear country co-operation strategy and targeted too many sectors or issues with a lack of continuity. By supporting reform of the institutional and legal framework governing economic activity, the Commission made an effective contribution to the transition of Armenia to a market economy, but major obstacles to the development of enterprises and foreign investments, such as corruption and lack of independence

of the judiciary, have not been addressed. Support provided in the framework of the food security programme helped the government improve the management of public resources.

Mali (joint with France): the two donors' respective co-operation with Mali over the period 1995-2004 has been relevant to the development needs of the country. Expected outputs have been met in most of the sectors aided, but sustainability and the medium and long-term impacts are limited. The contribution of the two donors to the global objective of poverty reduction is difficult to show. Complementarity between the interventions of France and the Commission was high but did not give rise to real synergies.

Mauritius, Seychelles and Comoros: The Commission's support to these three countries during the period 1996-2005 has been relevant to their development needs, more specifically by increasing economic growth, by helping reduce poverty in Mauritius, and by restoring the rule of law in Comoros. The Commission has made a significant contribution to the water and sanitation sector in Mauritius and to improving governance in Comoros. Programming has been challenged as too ambitious in Seychelles, not supported by political dialogue and based on an incorrect prior analysis in Mauritius. For all three countries, the inception phases of projects were much too long and led to shortened implementation periods, with negative effects on results and sustainability. Monitoring is weak and prevents any alert system or effect measurement from functioning.

Rwanda: This evaluation covers EC support to Rwanda during the period 1995-2005, which followed the 1994 genocide. The main impacts of the Commission's interventions occurred in the judiciary and intercity roads. In the judiciary, a joint action of the Member States and the Commission brought real added value. Relatively absent until 2000, the Commission then based its action on two major processes rooted in the country's traditional culture, aiming at justice and reconciliation on the one hand and poverty reduction on the other. For the initiatives taken in agriculture and roads, sustainability is not assured. Development strategy has to assess the potential role of the private sector better as a support to the future actions of the Commission.

TACIS: The Commission's interventions in the framework of Council Regulation 99/2000 (TACIS) have proved relevant for both EU strategic priorities for the region and priorities expressed by partner countries. Nevertheless, at the programming level, the needs of the poorest countries have not been sufficiently addressed and, at the implementation level, TACIS has showed a limited capacity to respond to a changing environment. The results and impacts of TACIS are mainly visible in the field of institutional, legal and administrative reform and, to a lesser extent, in the area of economic and private-sector development. On efficiency, TACIS has suffered from inadequate delivery mechanisms, focusing too much on stand-alone projects, a situation that inhibits dialogue, ownership, flexibility and longer-term objectives.

Central Africa: The strategy, evolving towards regional integration, was relevant. The transport sector has had positive impact on access to social services, but not yet on the development of interregional commercial trade. Positive effects have been felt in the form of protection of the environment and a better institutional framework in this field. Sustainability of activities is weak because of lack of real regional

partnership, which explains low ownership and very low political and financial commitments from the regional authorities. There is also a lack of co-ordination and complementarity between the various financial instruments used by the Commission and there is very often no link between projects financed by national programmes, regional programmes, thematic programmes and facilities. Efficiency of activities was considered unsatisfactory.

Synthesis

Some major lessons can be learned from these geographical evaluations, as follows:

- strategy and actions are both relevant to the needs of the partner country and in coherence with the aims of the European Union;
- the Commission's interventions have contributed to some major impacts and lessons which could be transferable to other countries;
- the road networks in Tanzania and Rwanda have had positive effects on poverty reduction;
- in Tanzania, interventions in the education sector have increased the enrolment of boys and girls, but the quality of education is not secured;
- support for reform of the institutional and legal framework governing economic activity has helped the transition of Armenia to a market economy;
- intervention of the Commission in the water and sanitation sector in Mauritius has contributed to a national sectoral approach;
- the Commission's initiative in Comoros has contributed to improved governance;
- Rwanda is an example of a country emerging from a crisis where activities rooted in traditional culture have made a major contribution to better justice and poverty reduction;
- in most cases, programming has been overambitious and activities cover too wide a range of sectors, with successes in some cases, as seen above, but failures in others, e.g. the fight against corruption in Tanzania and Armenia, decentralisation in Mali, the public sector in Rwanda and Seychelles;
- in too many cases sustainability is not assured, either because the Commission's implementation strategy failed to pay enough attention to this issue or because the partner country's reforms were not rapid enough to foresee the funds needed for maintenance of public investments or to ensure a comprehensive sectoral approach;
- the Commission has not based its strategies upon a proper understanding of how to tackle poverty reduction in partner countries (examples will be found in the evaluation reports for Tanzania and Mali). The global programming strategy has been weak for Armenia, Mauritius, Seychelles, Comoros, and the TACIS regulation;

- as regards efficiency, cumbersome procedures, lack of flexibility, and lengthy delays in the inception phase of some projects have hindered the expected impacts of the Commission's actions;
- lack of or weak monitoring of activities at project management level impedes a good alert system and prevents systematic examination of the results of these activities.

Thematic and Sectoral Evaluations

Good Governance: The evaluation, which covers the period 1994-2004, comes to some major conclusions. The EC has made the right choice in putting governance at the top of its political agenda and co-operation priorities; it has made substantial progress in dealing with governance, particularly in terms of defining what are likely to be the most effective approaches to sustainable improvements. The EC is contributing to achieving general and specific regional governance objectives, but impact on institutional change is uncertain. When dealing with partner countries, the EC adopts three main identities – political player, development agency and donor administration – and there are strong indications that there is no convergence or interplay between these three identities. There is also a widespread perception by external stakeholders that the EC's primary role (and focus of interest) is limited to management and administration. Major gaps still exist between centrally defined policy frameworks and actual implementation practices in the field.

Water and Sanitation: The evaluation covers the Commission's support to partner countries in the water and sanitation sector during the period 1995-2004. The study concludes that EC support to water supply was successful, but less so for sanitation. Water service delivery is most effective and efficient when it is part of a focal sector and when there is continuous and long-term involvement. Impact on health and on poverty reduction seems positive, but gender had only low priority. Integrated water resources management principles are incorporated in such measures, and local donor co-ordination is effective. Sustainability may not be ensured because cost recovery is weak.

Micro-projects programmes in ACP countries: Over the period 1998-2003, the relevance of this instrument for the Commission has been demonstrated generally. It has strong added value in defined situations and helps reinforce local development processes in areas characterised by difficult co-operation with the Commission. The report shows that these programmes have produced significant impacts, particularly in socio-economic infrastructures. In some cases implementation has faced major delays, harming effectiveness of the action. The study identifies best practices and best conditions for sustainability.

Statistics projects/programmes supported by the Commission: these contributed to improving the capacity of statistical institutions in the partner countries and regions by transferring know-how and training human resources. Substantial output was achieved and nearly all projects were relevant. However, to date, only a few projects have addressed the legal, regulatory and organisational frameworks of partners' statistical systems, and few have explicitly contributed to awareness of the importance of statistical data in evidence-based decision-making. Outcomes are limited and sustainability of the progress achieved remains very fragile. As a result,

further analysis and advocacy of the use of statistics in decision-making through political dialogue and consultation with beneficiary countries have been identified as priorities. The issue is particularly important for poverty reduction strategy monitoring and the increasing use of budget support.

Joint evaluation of co-ordination of trade capacity-building in partner countries: considerable effort has been made in recent years to develop co-ordination mechanisms at various EU levels. While the design of these mechanisms is adequate, in practice co-ordination has not led to the expected results beyond information-sharing. The frequent absence of an articulation between trade capacity-building and the goal of poverty reduction has limited the contribution of EU support to setting up comprehensive capacity-building for trade in partner countries. While the integrated framework for trade-related technical assistance is the mechanism with the highest potential for structuring an all-donor-partner co-ordination, its first step, the Diagnostic Trade Integration Study, has even not been the starting point for funding and implementing strategic trade capacity-building initiatives.

Joint evaluation on General Budget Support: the variety of designs and contexts for GBS calls for care in generalising, but important conclusions can be drawn. The overall assessments of the country studies were clearly positive; GBS has been a relevant response to acknowledged problems in aid effectiveness. It can be an efficient, effective and sustainable way of supporting national poverty reduction strategies. The provision of discretionary funds through national budget systems has produced systemic effects on capacity, particularly capacity in public finance management. GBS tends to enhance the country-level quality of aid as a whole, through its direct and indirect effects on coherence, harmonisation and alignment. Most of the effects of GBS inputs so far have been on access to services, rather than income poverty and empowerment of the poor. It is important not to overload this instrument, but in all cases the ability to learn from experience suggests that GBS could become more effective, and have a broader scope, over time. The typical objectives of GBS are long-term, so it is important to reduce the risk of interruption in support.

Synthesis

- Again relevance is noted both for responding to the needs of the partner country and for being in coherence with the aims of the European Union.
- Some major impacts and successes can be noted.
- The support to water services has been valuable.
- Micro-projects, in certain situations and under certain conditions, appear to be an instrument with strong value-added.
- The EC contributed to improving capacity-building, transfer of know-how and training in the statistical sector.
- The overall assessment of Global Budget Support has been positive.

Some weaknesses are nevertheless pointed out:

- Support to sanitation has been much less successful than water support.
- Statistics projects and programmes did not sufficiently take into account the legal and organisational framework of partner countries and did not explain the importance of statistics for evidence-based decision-making.
- EU-level co-ordination of Trade Capacity Building in partner countries failed to give expected results because project implementation did not draw on the different co-ordination mechanisms available.
- There is a lack of overview and weak or non-explicit articulation of the contribution of sectors towards higher objectives like poverty reduction. Crosscutting issues such as gender seem not sufficiently taken into account.
- There are sometimes wide gaps between centrally defined policy frameworks and actual implementation practices in the field (*cf.* evaluation on good governance, co-ordination of trade capacity-building)
- Delays in implementation are often noted and hinder the effectiveness of actions.
- Sustainability is questioned in nearly all the sectoral evaluations, mainly because of lack of awareness of the global objectives to be achieved or lack of contextualisation of the centrally defined policy framework.

6.2.4. *Outlook for 2007*

The evaluation programme for 2007 will be the first annual programme under the norms set for the multi-annual evaluation programme for 2007-2013. In 2007, the joint evaluation unit will be launching five country-level evaluations (Angola, Central African Republic, Niger, Uganda and Chad), two regional level evaluations (MEDA and ASEAN, incl. Laos, Malaysia and Thailand), four thematic evaluations (Health sector policy development, Poverty-related diseases, Education sector policy development, incl. basic and secondary education, and Support to the decentralisation process), and will further develop methodology with other donors for evaluation budget support.

As regards the DG Enlargement evaluation unit, an interim evaluation scheme for pre-accession aid to Croatia will be launched in the second quarter of 2007.

7. ANNEXES

7.1. EC assistance detailed in other reports

7.1.1. *Humanitarian assistance*

The Directorate-General for Humanitarian Aid (DG ECHO) provides assistance to the victims of natural or man-made disasters in third countries, on the sole basis of humanitarian needs. In 2006, DG ECHO's needs-based response to humanitarian crises in over 60 countries was channelled through 90 funding decisions, totalling € 671 million.

DG ECHO pays particular attention to 'forgotten' crises, i.e. situations where major humanitarian needs receive little attention from donors (reflected in the level of official aid received) and low media coverage. In 2006, the following most forgotten crises were identified: the Sahrawi refugees in Algeria, Chechnya and its neighbouring republics, the separatist conflict in Jammu and Kashmir, Nepal (Bhutanese refugees and Maoist insurrection) and Burma/Myanmar. The total support allocated to these forgotten crises during the year amounted to € 65.7million, representing 14% of the amounts committed for geographical decisions.

While 2005 was marked by major natural disasters, 2006 has seen the severe worsening of several long-standing complex crises, as in Darfur, Sri Lanka and the Occupied Palestinian Territories. DG ECHO also had to respond rapidly to the sudden-onset, short but highly complex Lebanon crisis in July/August. In these situations, as has happened almost systematically during recent years, the Commission/ECHO needed to call on the Commission's emergency reserve in order to help further victims of humanitarian crises (new crises or ongoing ones which had severely worsened). This proved necessary three times over the year, for Sudan (Darfur), Lebanon and the Occupied Palestinian Territories, for a total of € 140 million, leading to an increase of 35% of its initial budget (€ 495 million).

Main interventions in 2006 (by region)

Africa

DG ECHO allocated € 322 million (i.e. 48% of its final budget) to the African countries, with the largest funding for **Darfur** (Sudan) with a total of € 97 million plus € 13.5 million in **Chad** for the mainly Sudanese refugees, and the **Democratic Republic of Congo** (€ 43 million). The other major interventions in Africa included **Liberia** (€ 19.8 million), **Uganda** (€ 19 million) and **Burundi** (€ 17 million).

The three-year-long conflict in **Darfur** (Sudan) has led to three million people in need of humanitarian assistance, including more than two million internally displaced persons (IDPs) and 200 000 refugees in neighbouring Chad. Since the signing of the peace agreement in May, the situation has further deteriorated. The conflict has become increasingly fragmented, with rising insecurity, new waves of IDPs, as well as additional violations of International Humanitarian Law.

On the other hand, the peace agreement of January 2005 putting an end to 20 years of civil war between the north and the south has given hope for an improvement but has also opened the door to the return of thousands of refugees and IDPs to an already depleted area, thus generating further humanitarian needs. One of the consequences of this has been a series of disease outbreaks: yellow fever, meningitis and cholera, requiring swift humanitarian response. The humanitarian situation in large parts of Sudan therefore remained highly precarious, requiring a sustained high level of engagement to assist the most vulnerable populations. This was reflected in the repeated and substantial reinforcement of the humanitarian budget for the Darfur crisis over the year, from € 40 million (initial) to € 97 million.

In spite of the return of a certain degree of political stability towards the end of the year, the **Democratic Republic of Congo** is faced with crushing poverty and a desperate lack of essential services, even if the requirement to meet new emergency

humanitarian needs has reduced considerably. In view of the gradual return of central government services and the ever-increasing presence of development donors, the European Commission's humanitarian response has started to focus on the return of some 1.5 million IDPs and 350 000 refugees, in line with an overall LRRD-driven approach.

The east of the country (Ituri, Kivus and Katanga), where insecurity is most problematic and population movements most significant, remained the primary concern. The main axes of intervention attempt to ensure that people have access to a minimum package of health services and that displaced people and returnees are sustained until they re-establish their livelihoods. This entailed support with food and non-food items, seeds and tools, water and sanitation, the rehabilitation of basic infrastructures and the provision of logistic support. The Commission's humanitarian air support service (ECHO Flight) continued over the year.

Mediterranean, Middle East

One of the major events was the hostilities in **Lebanon** in July and August which led to 1 187 dead and more than 4 000 wounded¹⁴⁴, in addition to nearly a million who had to flee the conflict and the almost total destruction of infrastructure and housing. The humanitarian situation in the **West Bank and the Gaza Strip** deteriorated rapidly as a consequence of the fiscal crisis facing the Palestinian Authority (PA) following the election of Hamas in the Palestinian Legislative Council (PLC) elections, increased Israeli security and access restrictions, and a resumption of Israeli military operations. In both those complex crises the Commission, through DG ECHO, mobilised a multi-faceted response in which the rapid delivery of humanitarian aid played a major role (more than € 130 million in aid).

Caucasus

The situation in **Chechnya** visibly evolved during 2006 towards some degree of stabilisation in the security situation. Military operations have become more targeted and geographically limited. However, even if the security situation has significantly improved in this forgotten crisis, the scope of destruction and the associated humanitarian needs remained substantial, with sustained levels of EC funding comparable to the previous year (€ 26 million in 2006).

Asia

High levels of need and vulnerability persist in many areas of **Afghanistan**, exacerbated by climatic hazards such as drought and flooding. In the south, progress continued to be impeded by an ongoing conflict between a range of local forces and the government and international military presence. For these reasons, DG ECHO sustained and even slightly increased its assistance level to the victims of the Afghan crisis. The main sectors of intervention included shelter, water and sanitation, and protection (€ 23.5 million in 2006).

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The main theatre of humanitarian operations in South-East and East Asia was the forgotten crisis in **Burma/Myanmar** where the Commission supported 530 000 displaced persons. The Burma/Myanmar authorities continued to impose substantial restrictions on humanitarian organisations, and major parts of the country remained inaccessible (€ 25.7 million in 2006).

Latin America

In Latin America **Colombia** remained by far the most important intervention for the humanitarian services of the Commission. The internal conflict in the country has tended to escalate since June. The flow of people into Ecuador, Venezuela and Panama is increasing, with UNHCR indicating almost 500 000 'persons of concern' in these three countries. Therefore the level of assistance allocated (€ 12 million) was similar to the 2005 one.

Other activities

Humanitarian policy

Towards the end of the year, DG ECHO launched a consultation of partners and EU Member States, which will feed into a Policy Statement on EU humanitarian aid, to be issued in the course of 2007. The humanitarian services of the Commission remain committed to the reform of the international humanitarian system and adhere to the Good Humanitarian Donorship principles.

Disaster preparedness

The year began with a series of droughts in Horn of Africa, Southern Africa and in Afghanistan, the spill-over from the 2005 nutritional crisis in Niger and the earthquake in Java (Indonesia) on 27 May leaving more than one million people homeless. DG ECHO responded timely to all these crises. The Commission, through DG ECHO, also supports disaster-preparedness interventions in several regions of the world: this was the case in 2006, in the context of the DIPECHO programmes in the Caribbean, Latin America, Central Asia, South East Asia and South Asia. Specific interventions were launched, such as the drought-preparedness decision for the Horn of Africa. DG ECHO aims to integrate and mainstream disaster-preparedness in its relief interventions, when and where appropriate, and continues to work with other services of the Commission and relevant stakeholders for integration of Disaster Risk Reduction (DRR) in sustainable development interventions.

Evaluation of DG ECHO

While it has already been thoroughly evaluated twice during its existence, DG ECHO was evaluated a third time in 2006 (covering 2000-2005). The entire life of DG ECHO has now been evaluated going back to its foundation in 1992/93. The evaluation, which acknowledges the prominent role of DG ECHO in the international humanitarian and donor community, focuses on the structure of the DG, its method of operation and its international presence. While there are many points for reflection contained in the report, it is clear that among the priorities will be the qualitative strengthening of operational and co-ordination capacity of the humanitarian services

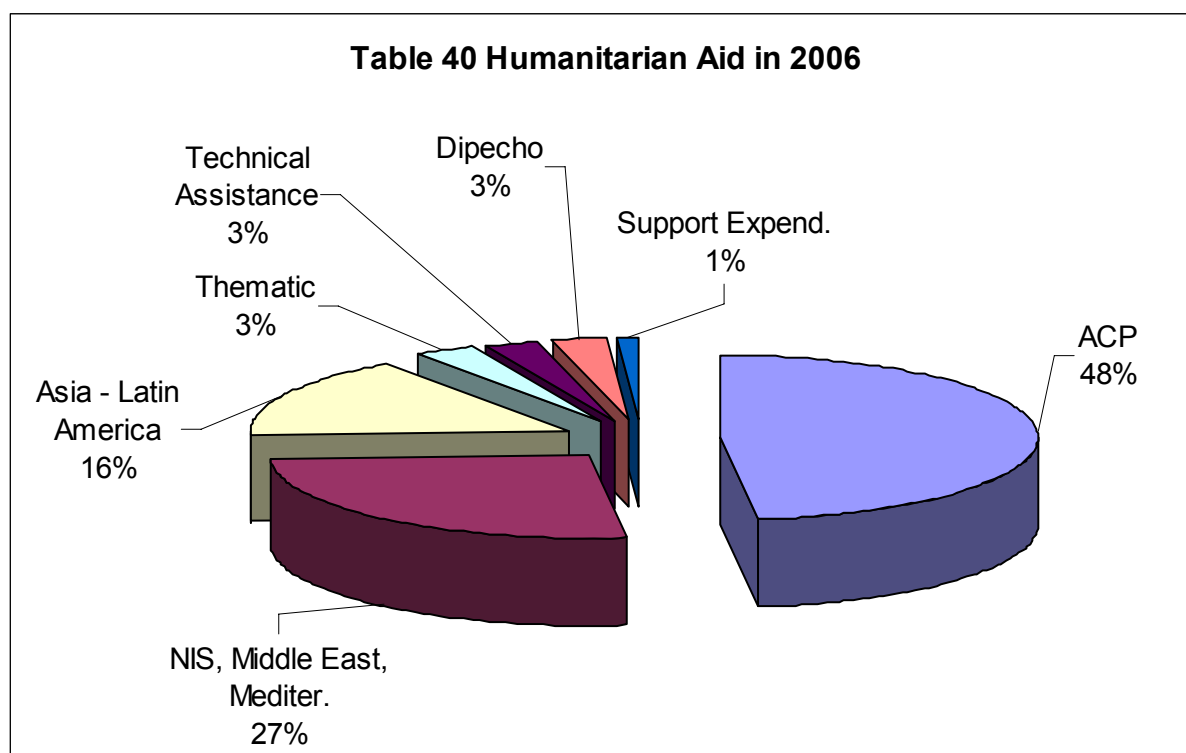
of the Commission. The report is in the public domain and may be accessed at:
http://ec.europa.eu/echo/evaluation/partners_en.htm#echo.

Budget

The following table provides a **geographical breakdown** of the funds for humanitarian aid committed on the 2006 budget sources (amounts in €):

Table 39 HUMANITARIAN AID IN 2006 (€)		
Unit/Region	Amounts	%
A/1: Africa, Caribbean, Pacific	322 060 000	48%
Horn of Africa	161 050 000	
Great Lakes	84 050 000	
West Africa	56 150 000	
Caribbean, Pacific, Indian Ocean	1 610 000	
Southern Africa	19 200 000	
A/2: Eastern Europe, New Independent States, Middle East, Mediterranean	177 900 000	27%
NIS (Chechnya, Caucasus, Tajikistan, ...)	33 000 000	
Middle East	134 000 000	
Mediterranean countries	10 900 000	
A/3: Asia, Iraq, Latin America	105 491 305	16%
Asia	86 891 305	
Latin America	18 600 000	
0/1: Thematic funding + grants	20 500 000	3%
Technical Assistance	19 000 000	3%
Dipecho - Disaster Preparedness	19 050 000	3%
Support Expenditure & use of re-assigned revenue	7 005 627	1%
TOTAL 2006	671 006 932	100%

The following graph shows the relative share of the various units in the total funding:



7.1.2. Macro-financial assistance

The Commission implements Macro-Financial Assistance (MFA) in association with support programmes of the IMF and the World Bank, and after consulting the Economic and Financial Committee and securing a Council Decision. MFA incorporates a set of principles which underline its exceptional character (*ad hoc* Decisions from the Council), its complementarities to financing from international financial institutions, and its macroeconomic conditionality. It is an instrument designed to help countries experiencing serious but generally short-term macroeconomic imbalances (balance of payments and fiscal difficulties). In close co-ordination with IMF and World Bank programmes, MFA has promoted policies that are tailored to specific country needs, with the overall objective of stabilising the external and internal financial situation and establishing market-oriented economies.

In 2006, € 52 million of MFA were disbursed, of which € 42 million in the form of grants (€ 13 million to Albania, € 7 million to Tajikistan and € 22 million to Georgia in two tranches of € 11 million) and € 10 million in the form of loans to Bosnia and Herzegovina. New operations totalled € 83.5 million of MFA authorisation. Council Decision 2006/40/EC of 24 January provides MFA of up to € 33.5 million in the form of a grant to Georgia, and Decision 2006/880/EC of 30 November provides exceptional EC financial assistance to Kosovo of up to € 50 million in the form of a grant.

7.2. Introduction to financial tables

There are different ways of looking at the development assistance provided by the European Commission. The Annual Report provides an overview of policies and the targets achieved in 2006. The table and graphs that follow present the figures for development assistance in the year, featured by country, region and sector.

2006 saw a significant improvement in the overall figures for development assistance and the focus on poverty. The graphics help to highlight the initiatives taken, as well as the importance of the fight against poverty in the work of the EC.

The tables show the importance of external assistance (EA) in the overall expenditure of the European Commission. Defined as the resources used to foster programmes and projects beyond the European Union, EA accounts for more than 10% of the total allocations in 2006 (General Commission Budget and EDF) – *Table 7.1*.

The sources of EA are the General Budget of the EC and the European Development Fund. A global overview of the share of resources will be found in *Figure 7.2*. A detailed breakdown of the budget – *Table 7.3* – identifies the different policy areas that contribute to this external assistance effort. A similar breakdown for the EDF can be found in *Table 7.4*.

Not all the resources included in external assistance can also be reported as Official Development Aid (ODA), commonly known as Development Assistance, or Official Aid (OA). ODA and OA are different categories. Development Assistance is equally known as Development Assistance or Development Co-operation. Whether a project is classified as ODA or not depends on the recipient country and the purpose or content of the aid. The general administrative costs of providing aid to the project and programme expenses also has to be added – see *Table 7.5*.

More than 83% of the resources committed in 2006 are considered reportable as ODA. A little over 17% are projects related to OA countries – see *Table 7.6*.

Every analysis of co-operation needs to identify the beneficiary countries and regions. Here, the EC has to differentiate between bilateral and multilateral aid. Bilateral aid, as defined by the Development Assistance Committee (DAC), is direct co-operation by the EC with a country (or region) where the EC controls the activities and knows how, when and where the resources are being spent. Multilateral aid comprises direct contributions to the core funding of multilateral agencies, who report back to the Commission at a later stage about the expenditure.

Table 7.7 gives a breakdown of the regions that receive EC aid. Africa (including North Africa) is the region getting the most support, 38% of total ODA. Asia ranks second in terms of support, 19% of the total.

A detailed breakdown of EC development aid per country and region, in line with the DAC countries list, will be found in *Table 7.8*. The top ten ODA countries in 2006 included Turkey, Serbia, Ethiopia, the Democratic Republic of Congo, Palestinian Admin. Areas, Afghanistan, Indonesia, Morocco, India and Ukraine.

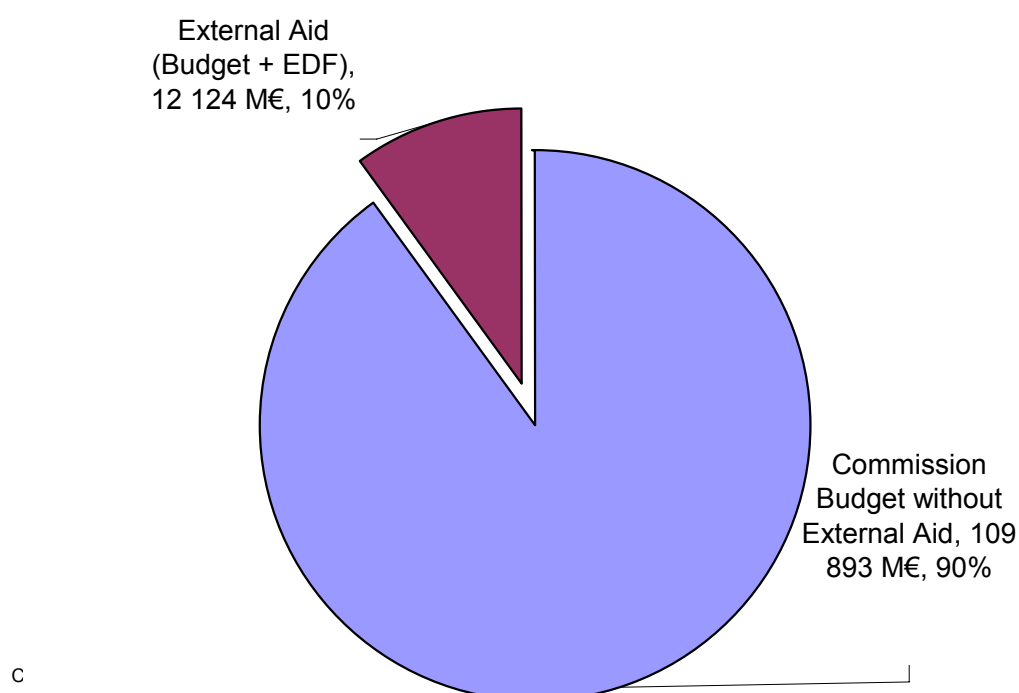
It is also important to identify the sectors of activities that receive support. The tables show there is an increase in support for social infrastructure (education and health, water management, civil society, government, etc.). In 2006 more than 40% of new commitments were directed to social infrastructure. Details of all sectors of activity are given in *Table 7.10* for commitments and *Table 7.11* for payments.

These graphics summarise the overall activities of the EC, while *Table 7.12* gives an overview by sector and region of the commitments made by EuropeAid, which represent 63% of EC development assistance. A major concentration of commitments, almost 50% of the total, relates to initiatives in the ACP countries, and 42% of the total was allocated to social infrastructure projects.

The remaining tables include comparative analyses of the above elements over the period 2001-2006, with particular reference to the poverty focus of EC aid.

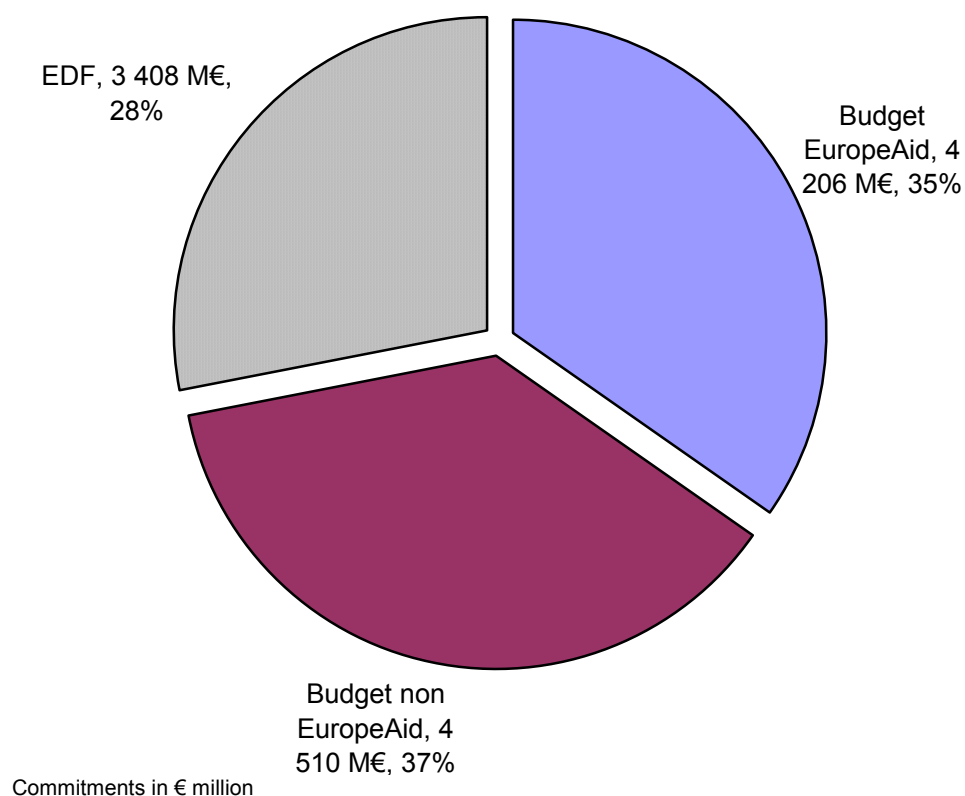
7.3. Financial tables

Table 7.1. Percentage of Commission Budget committed on External Assistance in 2006.



Commission Budget + EDF	122 017
Commission Budget without External Aid	109 893
External Aid (Budget + EDF)	12 124
Of which :	
Budget EuropeAid	4 206
Budget non EuropeAid	4 510
EDF	3 408

Table 7.2. Sources of External Assistance in 2006.



Commission Budget + EDF	122 017
Commission Budget without External Aid	109 893
External Aid (Budget + EDF)	12 124
Of which :	
Budget EuropeAid	4 206
Budget non EuropeAid	4 510
EDF	3 408

Table 7.3. General Commission Budget for External Assistance in 2006.

Policy Area	Description	Total		Managed by EuropeAid		Managed by other DG's	
		Commit.	Payments	Commit.	Payments	Commit.	Payments
01 - ECFIN	Macroeconomic assistance + EBRD	91.99	53.78			91.99	53.78
05 - AGRI	Pre-Adhesion - SAPARD	299.82	213.76			299.82	213.76
06 - ENERGY	Intelligent energy for Europe programme	5.08	1.69			5.08	1.69
07 - ENV	LIFE (European Financial Instrument for the Environment)	16.55	13.13			16.55	13.13
08 - RTD	Combating major diseases + Specific measures in support of international cooperation	70.68	29.37			70.68	29.37
11 - FISH	International fisheries agreements	192.02	161.52			192.02	161.52
13 - REGIO	Pre-Adhesion - ISPA	582.69	572.57			582.69	572.57
14 - TAXUD	Customs cooperation and international assistance	1.60	0.96			1.60	0.96
15 - EAC	Education	20.20	19.52			20.20	19.52
18 - JAI	Refugee / Migration	74.02	73.39			74.02	73.39
19 - RELEX	Anti-personnel mines	18.16	10.15	18.16	10.15		
	Rapid reaction mechanism	30.07	18.23			30.07	18.23
	ECIP		0.31		0.31		
	Human Right	145.14	111.95	145.14	111.95		
	New Independent States	527.58	444.95	527.58	444.95		
	Mediterranean	1 177.67	1 235.47	1 177.67	1 235.47		
	Latin America	355.81	342.92	355.81	342.92		
	Asia	853.42	736.59	853.42	736.59		
	Evaluation/coordination/anti-fraud	15.44	12.32	15.44	12.32		
	RELEX - Other specific actions	203.64	119.70	61.22	27.04	142.42	92.66
20 - TRADE	External trade relations	18.40	15.74			18.40	15.74
21- DEV	Food Aid	428.71	346.94	428.71	346.94		
	Co financing NGO's	211.88	146.64	211.88	146.64		
	Environment	58.05	34.79	58.05	34.79		
	Integrating gender issues in development cooperation	3.98	2.29	3.98	2.29		
	Social infrastructure and services	128.79	66.21	128.79	66.21		
	Capacity-building for information and communication technologies and sustainable energy		0.03		0.03		
	South Africa	125.12	107.48	125.12	107.48		
	Bananas ACP	30.69	20.76	30.69	20.76		
	Sugar ACP	38.80		38.80			
	Evaluation of the results of Community aid, follow-up and audit measures	9.61	4.64	9.61	4.64		
	Coordination and promotion of awareness on development issues	7.98	5.17			7.98	5.17
	DEV - Other specific actions	22.30	18.37	15.64	11.99	6.66	6.37
22 - ELARG	Pre-Adhesion - PHARE	864.09	1 138.75			864.09	1 138.75
	Pre-Adhesion - Turkey	458.44	300.80			458.44	300.80
	Pre-Adhesion - Malta & Cyprus	1.03	14.58			1.03	14.58
	Pre-Adhesion - Other specific actions	14.58	16.54			14.58	16.54
	Pre-Adhesion - multi-country horizontal programmes	442.92	46.43			442.92	46.43
	Western Balkan	523.54	547.13			523.54	547.13
23 - ECHO	Humanitarian Aid	645.53	608.34			645.53	608.34
TOTAL		8 716.00	7 613.92	4 205.69	3 663.48	4 510.31	3 950.44

Breakdown by budget line of external aid financed on the General Commission Budget in 2006. (Amount in € million)

After DAC Analysis the amounts considered as ODA + OA are 7.994 M€ commitments and 7.281 M€ payments.

The remaining amount are considered as neither ODA nor OA.

Table 7.4. European Development Fund (EDF) in 2006

Instruments (1)	Commitments (2)	Payments (3)
<u>6th, 7th, 8th EDF</u>		
National + regional indicative programmes (NIP/RIP)	-	611.98
Interest-rate Subsidies	-	1.60
Emergency Aid	-	0.24
Aid for Refugees	-	8.00
Risk Capital	-	63.11
Stabex	9.13	189.52
SYSMIN	-	15.95
Structural Adjustment Facility	-	1.12
Transferred Funds (prior to 6th EDF)	-	1.05
Use of interests	-	0.66
Total	9.13	893.24
<u>9th EDF & Transitional measures</u>		
Envelope A	1 744.05	1 240.86
Envelope B	353.70	154.02
Regional Project	222.79	49.62
Intra ACP Project	1 036.97	431.17
Implementation expenditure + Congo Rep. Dem.	35.49	21.72
Studies + tech. Assist. to Overseas Countries and Territories	1.70	-
Transferred Funds (6th EDF)	-	4.54
Other	4.03	31.04
Total	3 398.73	1 932.97
Total EDF	3 407.86	2 826.21

Breakdown by instrument of development assistance financed on the European Development Fund (EDF) in 2006. (Amount in € million)

(1) Except The Investment Facility (9th EDF) managed by the EIB

(2) Commitments 2005 have been calculated following DAC procedures :

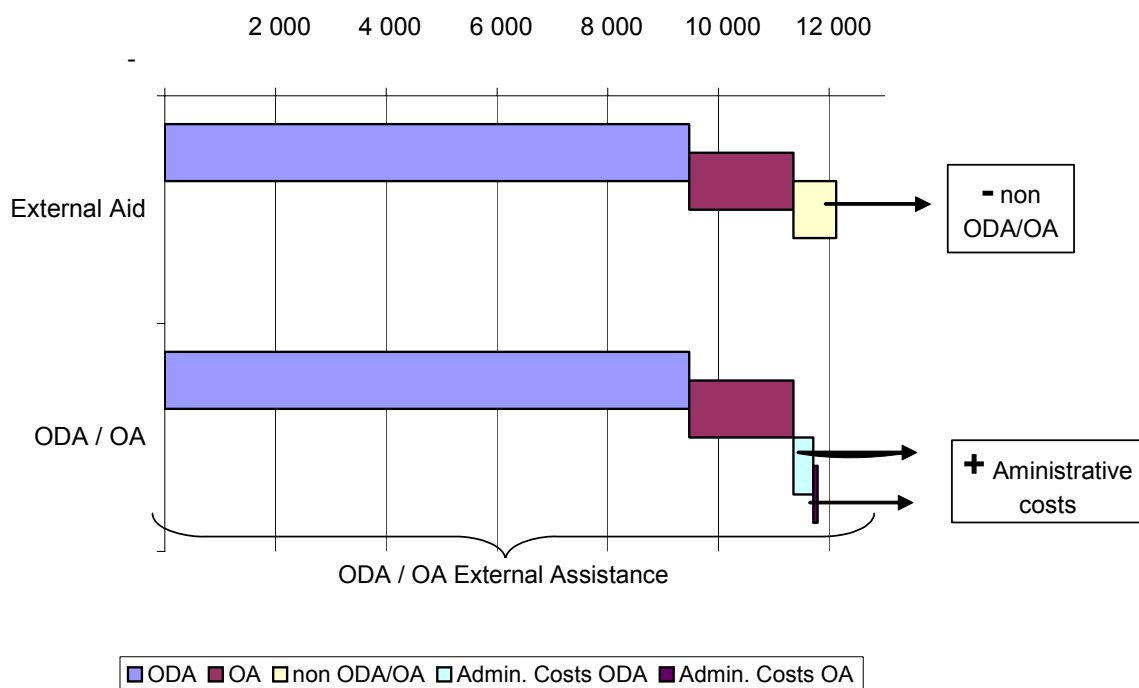
Total commitments made in 2006 reduced by decommitments made on projects committed in 2006

(3) Before recoveries

(4) After DAC Analysis the amounts considered as ODA + OA are 3.358 M€ commitments and 2.719 M€ payments.

The remaining amount are considered as neither ODA nor OA.

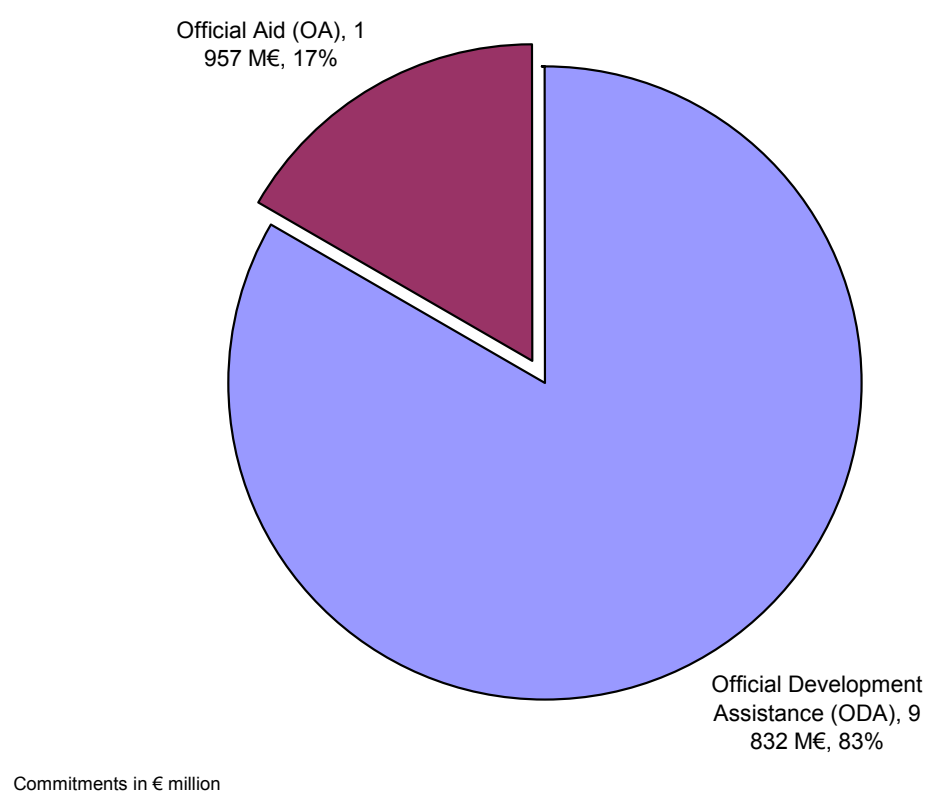
Table 7.5. Percentage of External Assistance used for Development Aid (ODA and OA).



Commitments in € million

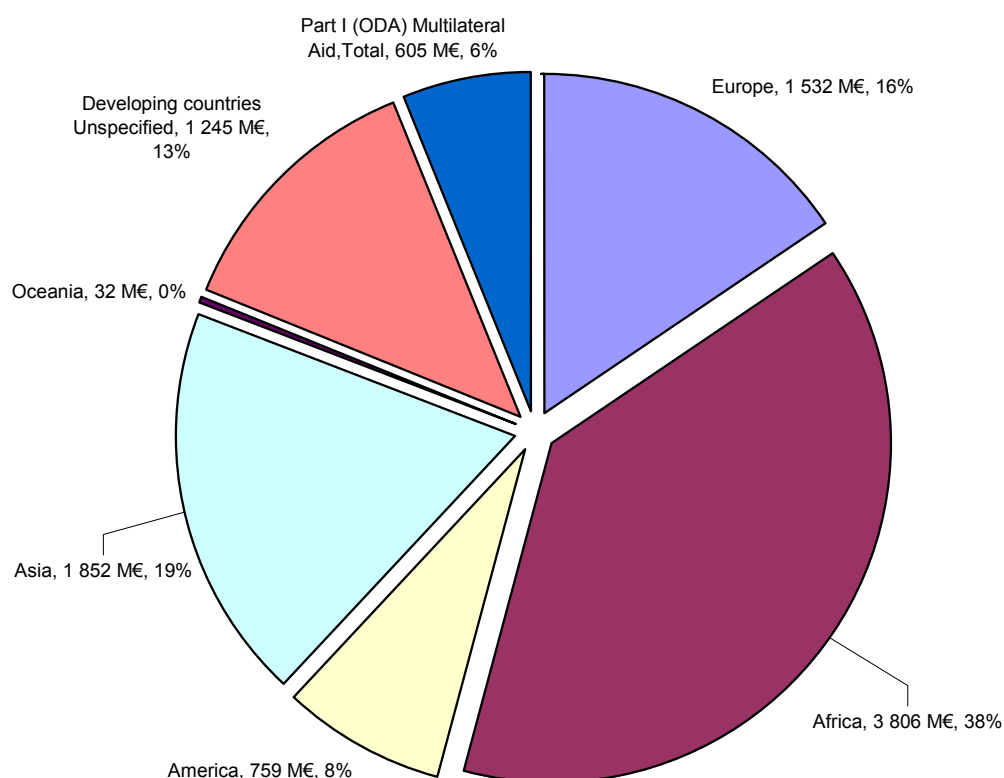
	External Aid	ODA / OA
ODA	9 474	9 474
OA	1 878	1 878
non ODA/OA	772	
Admin. Costs ODA		358
Admin. Costs OA		79
Total	12 124	11 380

Table 7.6. Relation between ODA and OA in the Development Aid of the EC in 2006.



	Total in M€		Managed by EuropeAid		Managed by Other DGs	
	Commitments	Payments	Commitments	Payments	Commitments	Payments
Official Development Assistance (ODA)	9 832	8 130	7 677	6 445	2 155	1 684
Official Aid (OA)	1 957	2 307	147	238	1 810	2 070

Table 7.7. Regional distribution of aid to developing countries (ODA) in 2006.



Commitments in € million

Region	Total in M€		Managed by EuropeAid		Managed by Other DG's	
	Commitments	Payments	Commitments	Payments	Commitments	Payments
Europe	1 532	1 069	255	159	1 277	910
Africa	3 806	3 341	3 481	3 055	325	286
America	759	666	732	640	27	27
Asia	1 852	1 596	1 555	1 315	297	282
Oceania	32	64	32	64	0	0
Developing countries Unspecified	1 245	790	1 017	610	229	180
Part I (ODA) Multilateral Aid, Total	605	602	605	602	-	-
TOTAL ODA (Part I)	9 832	8 130	7 677	6 445	2 155	1 684
TOTAL OA (Part II)	1 957	2 307	147	238	1 810	2 070
TOTAL	11 789	10 437	7 824	6 683	3 966	3 754

Table 7.8. Country breakdown of EC Development Aid (ODA and OA) in 2006. (Amounts in € million)

Country/Region	Total		Managed by EuropeAid		Managed by Other DG's	
	Commitments	Payments	Commitments	Payments	Commitments	Payments
Part I: Developing Countries & Territories						
Europe, Total	1 531.88	1 068.91	254.89	158.87	1 277.00	910.04
Albania	43.95	56.89		0.89	43.95	56.00
Belarus	5.07	12.32	5.07	12.32		
Bosnia-Herzegovina	56.89	68.19	0.97	2.13	55.91	66.06
Croatia	127.74	96.96		0.09	127.74	96.87
Macedonia (fYRoM)	52.89	46.46		0.05	52.89	46.41
Moldova	10.01	20.89	10.00	20.61	0.01	0.27
Montenegro	20.50	14.44			20.50	14.44
Serbia	339.85	266.49	0.50	1.95	339.35	264.54
Turkey	475.08	310.00	1.86	2.21	473.22	307.80
Ukraine	160.16	106.29	159.97	105.99	0.20	0.29
States of ex-Yugoslavia unspecif.						
Europe, Regional	239.74	69.97	76.51	12.62	163.23	57.35
Africa, Total	3 806.00	3 340.89	3 480.60	3 055.20	325.40	285.69
North Of Sahara, Total	542.77	657.94	530.73	649.91	12.04	8.04
Algeria	76.90	38.26	66.00	31.00	10.90	7.25
Egypt	129.00	187.88	129.00	187.88	0.00	0.00
Libya	1.50	0.65	0.50		1.00	0.65
Morocco	168.15	263.33	168.15	263.33		
Tunisia	71.10	95.25	71.10	95.25		
North Of Sahara, Regional	96.11	72.58	95.98	72.44	0.14	0.13
South Of Sahara, Total	2 866.85	2 682.53	2 553.60	2 404.89	313.25	277.64
Angola	47.82	38.70	44.82	35.51	3.00	3.19
Benin	66.55	28.33	66.55	28.33		
Botswana	9.00	25.44	9.00	25.44		
Burkina Faso	20.02	106.38	20.02	106.38		
Burundi	134.21	37.49	117.21	19.72	17.00	17.78
Cameroon	114.52	40.87	114.46	40.87	0.06	
Cape Verde	25.20	7.52	25.20	7.50		0.02
Central African Rep.	79.95	11.09	79.95	11.09		
Chad	42.45	47.56	28.95	35.72	13.50	11.84
Comoros	3.37	3.91	3.13	3.65	0.23	0.26
Congo, Dem. Rep.	240.64	177.04	191.14	131.91	49.50	45.13
Congo, Rep.	5.07	40.86	5.07	40.80		0.05
Djibouti	11.10	1.30	11.10	1.30		
Equatorial Guinea	3.00	3.24	3.00	3.24		
Eritrea	10.00	12.23	4.00	8.20	6.00	4.02
Ethiopia	321.92	134.83	313.62	130.58	8.29	4.25
Gabon	19.15	6.52	19.15	6.52		
Gambia	0.56	1.16	0.56	1.16		
Ghana	20.81	58.84	20.75	58.84	0.06	
Guinea	36.22	18.78	34.72	17.36	1.50	1.42
Guinea-Bissau	10.22	26.49	9.22	23.13	1.00	3.36
Ivory Coast	120.15	63.06	114.91	59.02	5.24	4.04
Kenya	43.43	61.41	39.38	59.67	4.06	1.74
Lesotho	19.50	3.96	19.50	3.63		0.33
Liberia	39.74	35.25	19.90	18.02	19.84	17.22
Madagascar	53.44	130.34	52.50	129.39	0.94	0.95
Malawi	75.15	64.38	75.15	62.95		1.43
Mali	33.60	103.11	33.46	103.03	0.15	0.09
Mauritania	86.15	19.37	83.69	17.51	2.46	1.87
Mauritius	18.88	12.56	18.69	12.24	0.20	0.31
Mayotte	3.62	0.23	3.62	0.23		
Mozambique	52.37	116.43	48.06	112.73	4.30	3.70
Namibia	0.50	12.34	0.50	12.34		
Niger	53.43	67.21	41.43	58.80	12.00	8.41
Nigeria	43.00	80.96	43.00	80.96		
Rwanda	43.21	53.93	43.21	53.93		
St. Helena	15.59	4.01	15.59	4.01		
Sao Tome and Principe		2.98		2.98		
Senegal	2.09	36.70	0.29	36.70	1.80	
Seychelles	5.49	3.81	4.00	0.78	1.49	3.03
Sierra Leone	10.92	47.22	9.58	46.12	1.35	1.11
Somalia	105.50	70.54	85.50	53.51	20.00	17.03
South Africa	125.12	108.89	125.12	108.89		
Sudan	137.67	238.54	39.51	157.03	98.16	81.51
Swaziland	6.10	6.69	6.10	6.67		0.02
Tanzania	123.47	155.43	111.49	142.63	11.98	12.89

Togo	0.80	8.26	0.80	8.26		
Uganda	64.34	126.10	49.32	110.13	15.02	15.97
Zambia	125.52	80.96	125.36	80.87	0.16	0.09
Zimbabwe	30.28	50.93	18.28	37.30	12.00	13.63
South Of Sahara, Regional	206.01	88.35	204.02	87.28	1.98	1.07
Africa Unspecified	396.38	0.41	396.27	0.40	0.11	0.01
America, Total	759.12	666.22	731.94	639.53	27.18	26.69
North & Central, Total	505.00	364.75	492.87	357.27	12.13	7.49
Anguilla	8.29	3.50	8.29	3.50		
Antigua & Barbuda		1.24		1.24		
Barbados	2.33	2.21	2.33	2.21		
Belize	5.15	2.83	5.15	2.83		
Costa Rica		5.83		5.83		
Cuba		2.23		2.10		0.12
Dominica	4.27	10.47	4.27	10.47		
Dominican Republic	108.02	31.01	107.77	30.78	0.25	0.23
El Salvador	2.00	13.54		11.41	2.00	2.13
Grenada	7.21	0.61	7.21	0.55		0.06
Guatemala	35.99	25.22	33.39	22.78	2.60	2.44
Haiti	32.66	65.79	32.59	65.07	0.07	0.72
Honduras	30.76	25.76	30.20	25.68	0.56	0.08
Jamaica	10.73	37.92	10.73	37.92		
Mexico	13.00	13.79	13.00	13.79		
Montserrat	11.00	5.83	11.00	5.83		
Nicaragua	88.15	69.01	87.99	68.98	0.16	0.03
Panama		10.17		10.17		
St. Kitts-Nevis	2.85	1.94	2.85	1.94		
St. Lucia	5.81	0.75	5.81	0.75		
St. Vincent and the Grenadines	3.97	1.95	3.97	1.95		0.00
Trinidad & Tobago	27.30	2.33	27.30	2.33		
Turks & Caicos Islands	10.64		10.64			
West Indies, Regional	81.89	1.17	81.39	0.55	0.50	0.62
N. & C. America, Regional	13.00	29.64	7.00	28.59	6.00	1.05
South, Total	213.89	245.56	199.21	226.75	14.68	18.81
Argentina	15.05	19.58	15.05	19.58		
Bolivia	34.27	41.44	33.16	40.05	1.11	1.39
Brazil	13.94	6.88	13.94	6.88		
Chile		9.80		9.76		0.03
Colombia	66.26	55.61	54.26	42.43	12.00	13.18
Ecuador	4.50	22.71	3.50	21.81	1.00	0.90
Guyana	6.60	14.78	6.60	14.78		
Paraguay	24.01	1.75	24.01	1.75		
Peru	22.09	43.06	22.04	42.84	0.05	0.22
Suriname	4.87	2.05	4.87	2.05		
Uruguay		5.40		5.40		
Venezuela	2.15	12.45	2.15	12.45		
South America, Regional	20.15	10.04	19.63	6.95	0.52	3.09
America, Regional	40.23	55.91	39.86	55.51	0.37	0.40
Asia, Total	1 852.39	1 596.36	1 555.30	1 314.56	297.09	281.80
Middle East, Total	586.51	493.74	420.61	371.51	165.90	122.23
Bahrain						
Iran	20.00	16.05		0.66	20.00	15.39
Iraq	23.21	6.38	22.50	3.71	0.71	2.67
Jordan	69.00	48.93	69.00	48.91		0.02
Lebanon	127.05	101.07	32.00	45.78	95.05	55.29
Oman						
Palestinian Admin. Areas	206.43	206.78	156.43	159.95	50.00	46.83
Saudi Arabia						
Syria	22.00	24.03	22.00	24.03		
Yemen	22.70	18.09	22.70	16.20		1.89
Middle East, Regional	96.11	72.40	95.98	72.27	0.14	0.13
South & Centr. Asia, Total	830.73	699.22	751.69	593.35	79.04	105.87
Afghanistan	200.61	175.99	197.03	163.29	3.58	12.70
Armenia	33.80	16.77	33.80	16.76		0.01
Azerbaijan	22.10	14.87	22.10	14.86		0.01
Bangladesh	86.06	80.37	85.65	80.08	0.41	0.29
Bhutan		2.26		2.26		
Georgia	68.78	43.90	33.27	20.89	35.50	23.02
India	165.00	167.10	158.87	152.58	6.13	14.52
Kazakhstan	12.26	9.84	12.26	9.84		
Kyrgyz Rep.	17.01	9.54	16.51	9.54	0.50	0.00

Maldives		7.80		6.95		0.85
Myanmar	11.20	8.84	11.00	6.28	0.20	2.55
Nepal	16.80	19.41	9.00	11.41	7.80	8.01
Pakistan	1.57	46.10	1.57	23.06		23.04
Sri Lanka	73.70	19.54	60.00	11.41	13.70	8.13
Tajikistan	30.63	26.65	25.50	14.83	5.13	11.82
Turkmenistan	3.50	1.42	3.50	1.42		
Uzbekistan	8.70	10.05	8.70	10.04		0.00
South & Central Asia, Regional	79.01	38.77	72.91	37.85	6.10	0.92
Far East, Total	347.01	295.24	295.14	252.88	51.87	42.36
Cambodia	38.52	22.92	37.87	20.93	0.65	1.99
China	50.98	33.52	50.89	33.10	0.09	0.42
East Timor	7.00	20.39		16.56	7.00	3.83
Indonesia	172.59	109.34	162.28	98.84	10.32	10.50
Korea, Dem.	10.80	9.61	2.00	3.61	8.80	6.00
Laos	4.29	7.02	3.80	5.82	0.49	1.20
Malaysia		1.09		1.09		
Mongolia	8.99	2.48	8.99	1.76		0.71
Philippines	17.56	16.32	16.00	15.92	1.56	0.40
Thailand	18.80	24.35	3.30	11.24	15.50	13.11
Viet Nam	10.46	33.31	10.00	32.96	0.46	0.36
Far East Asia, Regional	7.00	14.89		11.06	7.00	3.84
Asia Unspecified	88.15	108.16	87.87	96.82	0.28	11.34
Oceania, Total	32.40	64.46	32.29	64.41	0.11	0.05
Cook Islands		0.86		0.86		
Fiji	6.40	7.15	6.34	7.15	0.06	
Kiribati	0.05	4.05		4.00	0.05	0.05
Marshall Islands	0.50	0.03	0.50	0.03		
Micronesia, Fed. Sts.		0.06		0.06		
Nauru		0.02		0.02		
Niue		0.12		0.12		
Palau		0.02		0.02		
Papua New Guinea	1.02	16.26	1.02	16.26		
Samoa	0.27	3.19	0.27	3.19		
Solomon Islands	1.64	16.09	1.64	16.09		
Tokelau						
Tonga	0.50	0.85	0.50	0.85		
Tuvalu		1.05		1.05		
Vanuatu	2.33	6.31	2.33	6.31	0.00	0.00
Wallis & Futuna		0.34		0.34		
Oceania, Regional	19.70	8.07	19.70	8.07		
LDC's Unspecified	1 245.40	790.28	1 016.79	610.13	228.61	180.15
Part I (ODA) Bilateral, Total	9 227.19	7 527.13	7 071.81	5 842.70	2 155.39	1 684.43
UNRWA	79.41	91.15	79.41	91.15		
WFP	105.00	96.35	105.00	96.35		
UNDP	177.50	167.54	177.50	167.54		
World Bank	215.00	204.78	215.00	204.78		
WHO	28.00	42.29	28.00	42.29		
FAO	0.30	0.26	0.30	0.26		
Part I (ODA) Multilateral Aid, Total	605.21	602.37	605.21	602.37		
Part I (ODA), Total	9 832.40	8 129.50	7 677.01	6 445.07	2 155.39	1 684.43

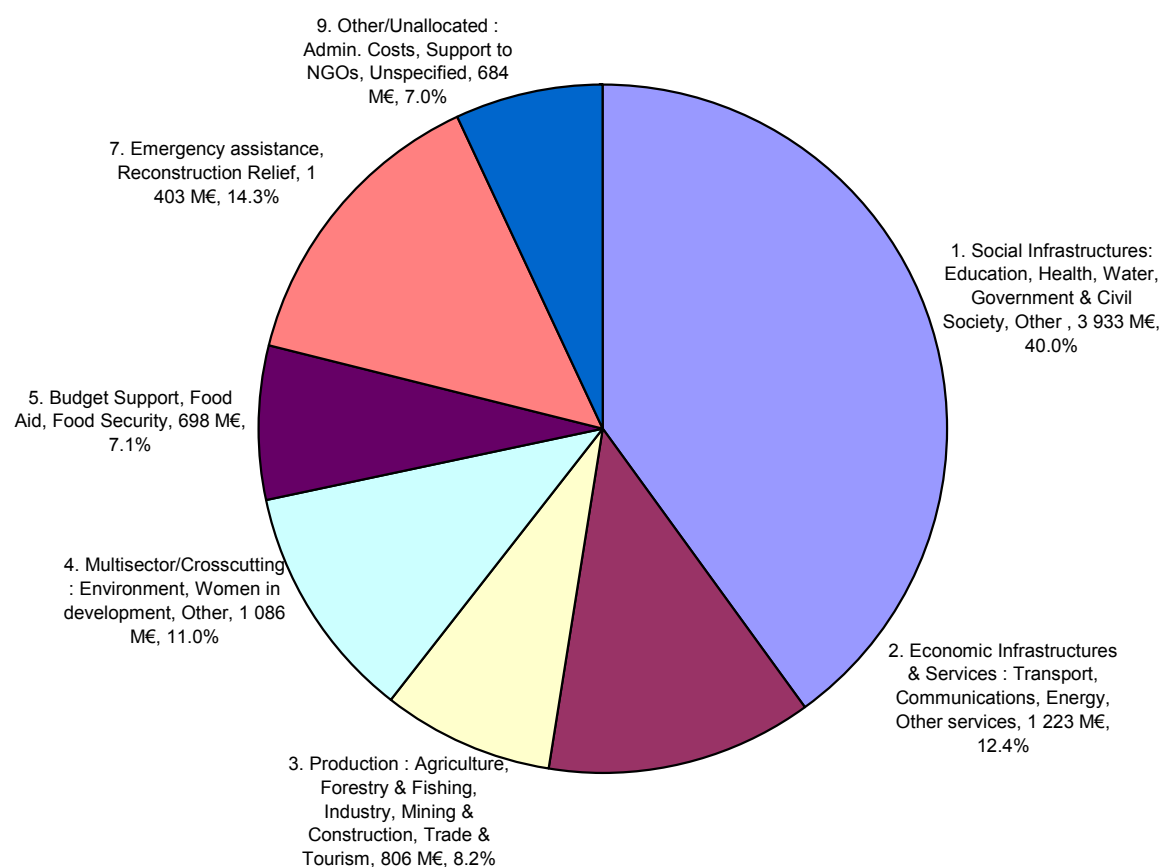
**Part II: Countries and Territories in
Transition - Official Aid (OA)**

More Advanced Developing Countries	41.38	65.09	34.39	22.58	6.99	42.51
Aruba	0.17	0.82	0.17	0.82		
Bahamas	7.43	0.04	7.43	0.04		0.00
Bermuda						
Brunei						
Cayman Islands	3.70		3.70			
Chinese Taipei (Taiwan)						
Cyprus		14.61				14.61
Falkland Islands	3.05		3.05			
French Polynesia		2.18		2.18		
Gibraltar						
Hong Kong, China						
Israel		1.84		1.84		
Korea						
Kuwait						
Macao						
Malta	3.32	4.50			3.32	4.50
Netherlands Antilles		6.00		6.00		
New Caledonia		5.32		5.32		
Northern Marianas						
Qatar						
Singapore						
Slovenia	3.68	23.39			3.68	23.39
United Arab Emirates						
Virgin Islands (UK)						
MADCT Unallocated	20.04	6.37	20.04	6.37		
CEEC's/NIS	1 915.59	2 238.34	112.39	215.32	1 803.20	2 023.02
Bulgaria	510.27	273.05		0.15	510.27	272.89
Czech Republic	7.16	91.68			7.16	91.68
Estonia	3.75	26.42			3.75	26.42
Hungary	6.66	133.45		0.02	6.66	133.43
Latvia	4.03	66.07			4.03	66.07
Lithuania	3.98	64.46			3.98	64.46
Poland	22.13	418.59			22.13	418.59
Romania	1 016.71	461.37			1 016.71	461.37
Russia	126.87	168.58	100.24	138.68	26.63	29.89
Slovak Republic	5.17	77.94			5.17	77.94
CEEC's Unallocated	205.62	389.18	8.90	8.90	196.71	380.28
NIS Unallocated	3.01	66.57	3.01	66.56		0.02
CEEC's/NIS Unallocated	0.23	0.99	0.23	0.99		
Part II (OA) Bilateral Aid, Total	1 956.97	2 303.43	146.77	237.90	1 810.19	2 065.53
EBRD		4.05				4.05
Part II (OA) Multilateral Aid, Total		4.05				4.05
Part II (OA), Total	1 956.97	2 307.48	146.77	237.90	1 810.19	2 069.58
Grand Total Part I & Part II (ODA+OA)	11 789.37	10 436.98	7 823.79	6 682.97	3 965.58	3 754.01

Breakdown by country/region of external aid financed on the General Commission Budget and the European Development Fund (EDF) in 2006. Amount in € Million.

Commitments and payments calculated following DAC procedures : only ODA and OA amounts increased by administrative expenditures.

Table 7.9. Sectoral breakdown of ODA managed by the EC in 2006.



Commitments in € million

Table 7.10. Detailed description of ODA by sector in 2006 - Commitments.

Sector of Destination	Total	Managed by EuropeAid	Managed by Other DG's
SOCIAL INFRASTRUCTURE AND SERVICES	3 933.15	3 097.07	836.08
Education	533.18	507.45	25.74
Education, level unspecified	93.40	93.40	
Basic education	220.11	220.11	
Secondary education	83.80	79.30	4.50
Post-secondary education	135.87	114.63	21.24
Health	544.65	465.48	79.17
Health, general	103.96	103.82	0.14
Basic health	440.69	361.66	79.03
Population policies/programs and reproductive health	88.77	87.77	1.00
Water supply and sanitation	531.34	510.14	21.20
Government and civil society	1 879.20	1 203.14	676.07
Other Social Infrastructure	355.99	323.09	32.90
ECONOMIC INFRASTRUCTURE AND SERVICES	1 222.56	1 077.61	144.95
Transport and storage	876.35	841.77	34.57
Communications	7.25		7.25
Energy generation and supply	326.96	235.83	91.13
Banking and financial services			
Business and other services	12.00		12.00
PRODUCTION SECTORS	805.97	715.21	90.76
Agriculture, Forestry and Fishing	306.24	271.53	34.71
Agriculture	274.86	247.20	27.66
Forestry	19.33	19.33	
Fishing	12.04	5.00	7.04
Industry, Mining and Construction	172.03	165.53	6.50
Industry	172.03	165.53	6.50
Mineral resources and mining			
Construction			
Trade and Tourism	327.70	278.15	49.55
Trade policy and regulation	316.70	267.15	49.55
Tourism	11.00	11.00	
MULTISECTOR/CROSSCUTTING	1 085.71	839.27	246.44
General environmental protection	199.08	167.15	31.93
Women in development	19.26	19.26	
Other multisector	867.37	652.86	214.51
COMMODITY AID AND GENERAL PROGRAMME ASSISTANCE	698.39	614.62	83.78
General budget support	366.25	282.47	83.78
Development food aid/food security assistance	332.14	332.14	
Other commodity assistance			
EMERGENCY ASSISTANCE	1 402.77	776.38	626.39
Emergency food aid	631.86	142.75	489.11
Other emergency and distress relief	337.31	200.03	137.28
Reconstruction relief	433.60	433.60	
OTHER/UNALLOCATED/UNSPECIFIED	683.85	556.86	127.00
Administrative costs of donors	630.92	514.27	116.65
Support to non-governmental organisations	2.89	2.89	
Unallocated/unspecified	50.04	39.70	10.34
GRAND TOTAL	9 832.40	7 677.01	2 155.39

Breakdown by sector of Official Development Assistance (ODA) financed on the General Commission Budget and the European Development Fund (EDF) in 2006. Commitments in € million.

Bilateral and Multilateral ODA flows incl., increased by administrative expenditures

Table 7.11. Detailed description of ODA by sector in 2006. - Payments.

Sector of Destination	Total	Managed by EuropeAid	Managed by Other DG's
SOCIAL INFRASTRUCTURE AND SERVICES	3 260.61	2 628.55	632.06
Education	559.18	474.72	84.46
Education, level unspecified	67.57	66.93	0.64
Basic education	237.42	205.37	32.05
Secondary education	116.34	80.00	36.34
Post-secondary education	137.85	122.42	15.43
Health	499.65	466.49	33.16
Health, general	134.00	130.63	3.37
Basic health	365.65	335.86	29.78
Population policies/programs and reproductive health	112.17	91.52	20.66
Water supply and sanitation	317.16	304.62	12.54
Government and civil society	1 332.35	877.75	454.60
Other Social Infrastructure	440.09	413.45	26.64
ECONOMIC INFRASTRUCTURE AND SERVICES	1 019.24	908.94	110.30
Transport and storage	670.01	654.06	15.94
Communications	35.32	30.85	4.47
Energy generation and supply	145.52	84.64	60.88
Banking and financial services	57.12	57.09	0.02
Business and other services	111.27	82.28	28.99
PRODUCTION SECTORS	528.95	503.23	25.72
Agriculture, Forestry and Fishing	239.60	222.96	16.64
Agriculture	178.07	173.05	5.01
Forestry	33.20	33.20	
Fishing	28.33	16.70	11.63
Industry, Mining and Construction	167.59	165.25	2.35
Industry	139.91	137.56	2.35
Mineral resources and mining	27.68	27.68	
Construction			
Trade and Tourism	121.76	115.02	6.73
Trade policy and regulation	105.48	99.02	6.45
Tourism	16.28	16.00	0.28
MULTISECTOR/CROSSCUTTING	550.60	377.23	173.38
General environmental protection	128.37	103.41	24.96
Women in development	10.29	10.27	0.02
Other multisector	411.95	263.55	148.40
COMMODITY AID AND GENERAL PROGRAMME ASSISTANCE	950.48	908.32	42.16
General budget support	671.88	629.72	42.16
Development food aid/food security assistance	278.60	278.60	
Other commodity assistance			
EMERGENCY ASSISTANCE	1 137.83	559.53	578.29
Emergency food aid	565.22	95.84	469.38
Other emergency and distress relief	176.97	72.11	104.86
Reconstruction relief	395.64	391.59	4.05
OTHER/UNALLOCATED/UNSPECIFIED	601.76	479.24	122.52
Administrative costs of donors	576.32	461.64	114.68
Support to non-governmental organisations	2.47	2.47	
Unallocated/unspecified	22.97	15.13	7.84
GRAND TOTAL	8 129.50	6 445.07	1 684.43

Breakdown by sector of Official Development Assistance (ODA) financed on the General Commission Budget and the European Development Fund (EDF) in 2006. Payments in € million.

Bilateral and Multilateral ODA flows incl., increased by administrative expenditures

Table 7.12. EuropeAid in 2006: A closer look.

Sector of Destination	NIS	Western Balkans	Meda	Asia	Latin America	ACP	LDC Unspec.	Total
SOCIAL INFRASTRUCTURE AND SERVICES	253	7	690	536	148	1 372	146	3 153
Education	35		117	100	51	215		517
Education, level unspecified			10		14	69		93
Basic education	5		42	61	3	109		220
Secondary education	8		30	14	20	7		79
Post-secondary education	23		35	25	14	29		125
Health	17		98	102		193	56	465
Health, general			88	0		15	0	104
Basic health	17		10	102		177	56	362
Population policies/programs and reproductive health	4	0	11	20	3	27	23	88
Water supply and sanitation	15		40	75	13	378		520
Government and civil society	166	7	204	220	70	513	60	1 239
Other Social Infrastructure	17		220	21	11	47	7	323
ECONOMIC INFRASTRUCTURE AND SERVICES	108		50		24	933		1 114
Transport and storage	14		45			803		861
Communications								
Energy generation and supply	94		5		24	130		253
Banking and financial services								
Business and other services								
PRODUCTION SECTORS	20		114	102	48	435	2	721
Agriculture, Forestry and Fishing			13	31	24	202	2	272
Agriculture			11	31	16	189	1	247
Forestry			2		8	8	1	19
Fishing						5		5
Industry, Mining and Construction	17		90	32	0	26		166
Industry	17		90	32	0	26		166
Mineral resources and mining								
Construction								
Trade and Tourism	3		12	39	23	208		284
Trade policy and regulation	3		12	39	23	197		273
Tourism						11		11
MULTISECTOR/CROSSCUTTING	134		78	19	117	303	224	875
General environmental protection	38		10	2	33	53	44	180
Women in development	14				0	2	3	19
Other multisector	82		68	18	83	249	177	676
COMMODITY AID AND GENERAL PROGRAMME ASSISTANCE	50		64	62	41	377	21	615
General budget support			41	10	24	207		282
Development food aid/food security assistance	50		23	52	17	169	21	332
Other commodity assistance								
EMERGENCY ASSISTANCE			198	199	17	261	105	780
Emergency food aid						38	105	143
Other emergency and distress relief			10	25	17	148		200
Reconstruction relief			188	174		76		437
OTHER/UNALLOCATED/UNSPECIFIED	24	1	18	24	16	103	79	265
Administrative costs of donors	24		18	24	16	95	45	222
Support to non-governmental organisations		1					2	3
Unallocated/unspecified						8	32	40
GRAND TOTAL	589	7	1 211	943	410	3 785	576	7 523

Breakdown by sector and Region of external aid financed on the General Commission Budget managed by EuropeAid and the European Development Fund (EDF). Commitments in € million.

On budget side, region is identified following geographical budget lines and recipient countries for thematic budget lines.

Bilateral and Multilateral ODA/OA

Table 7.13. EuropeAid in 2006: A closer look. Sectoral breakdown by region.

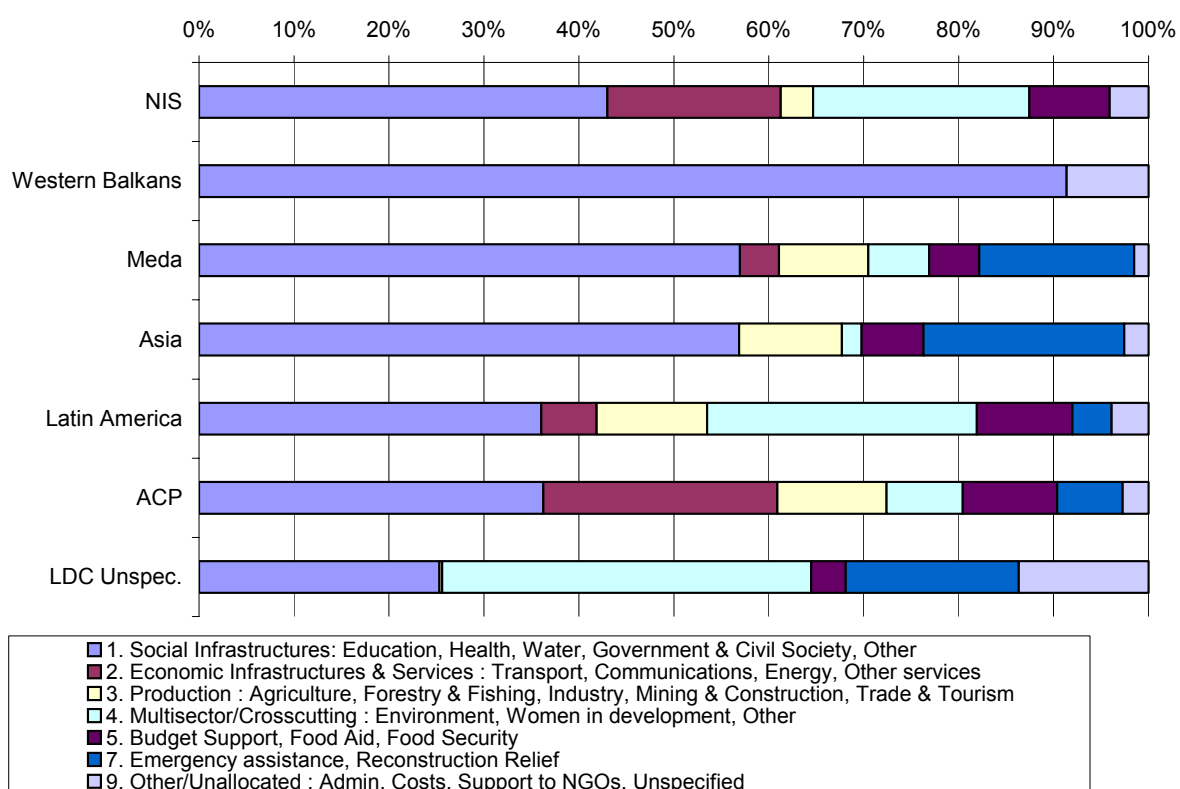
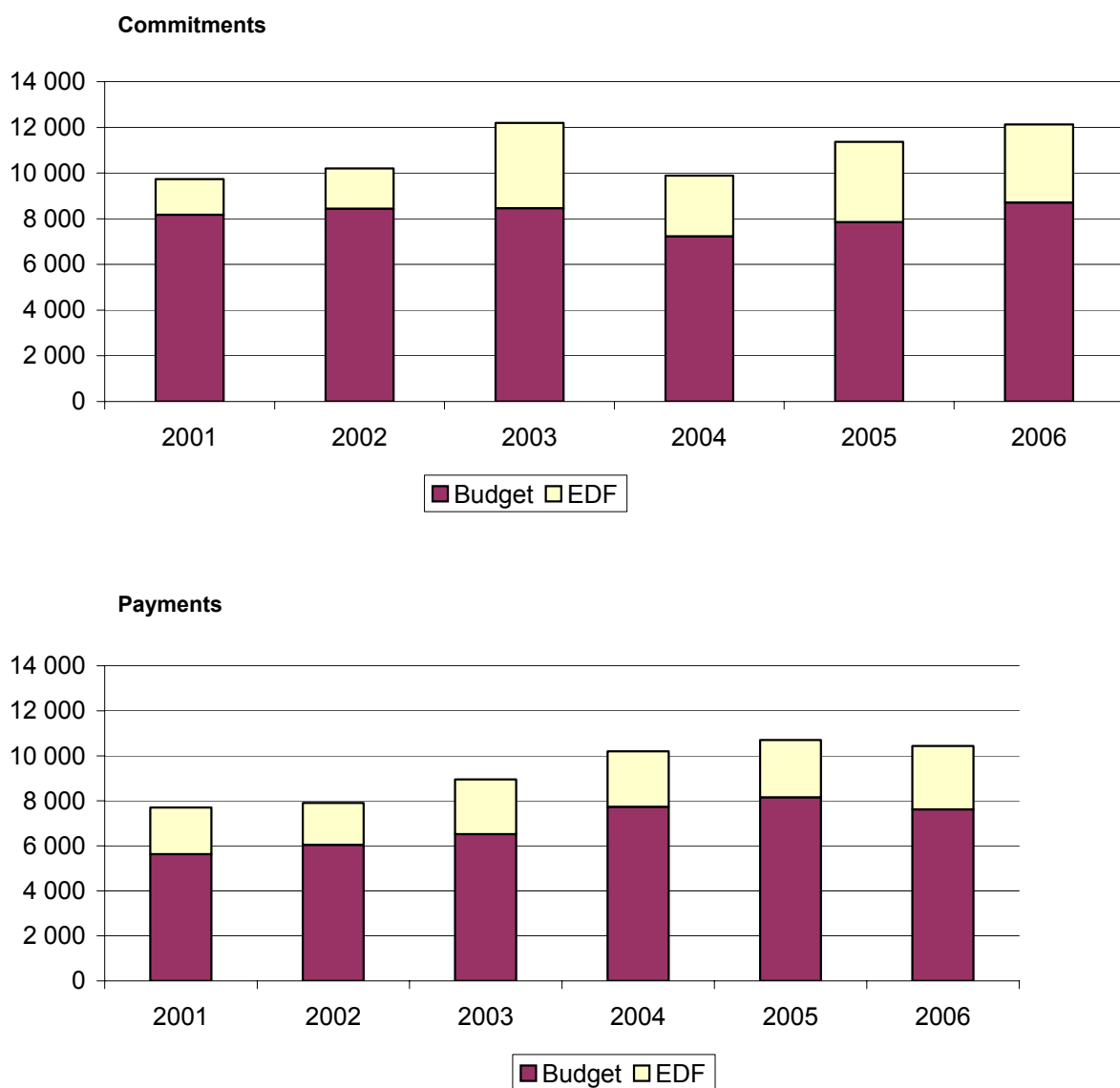


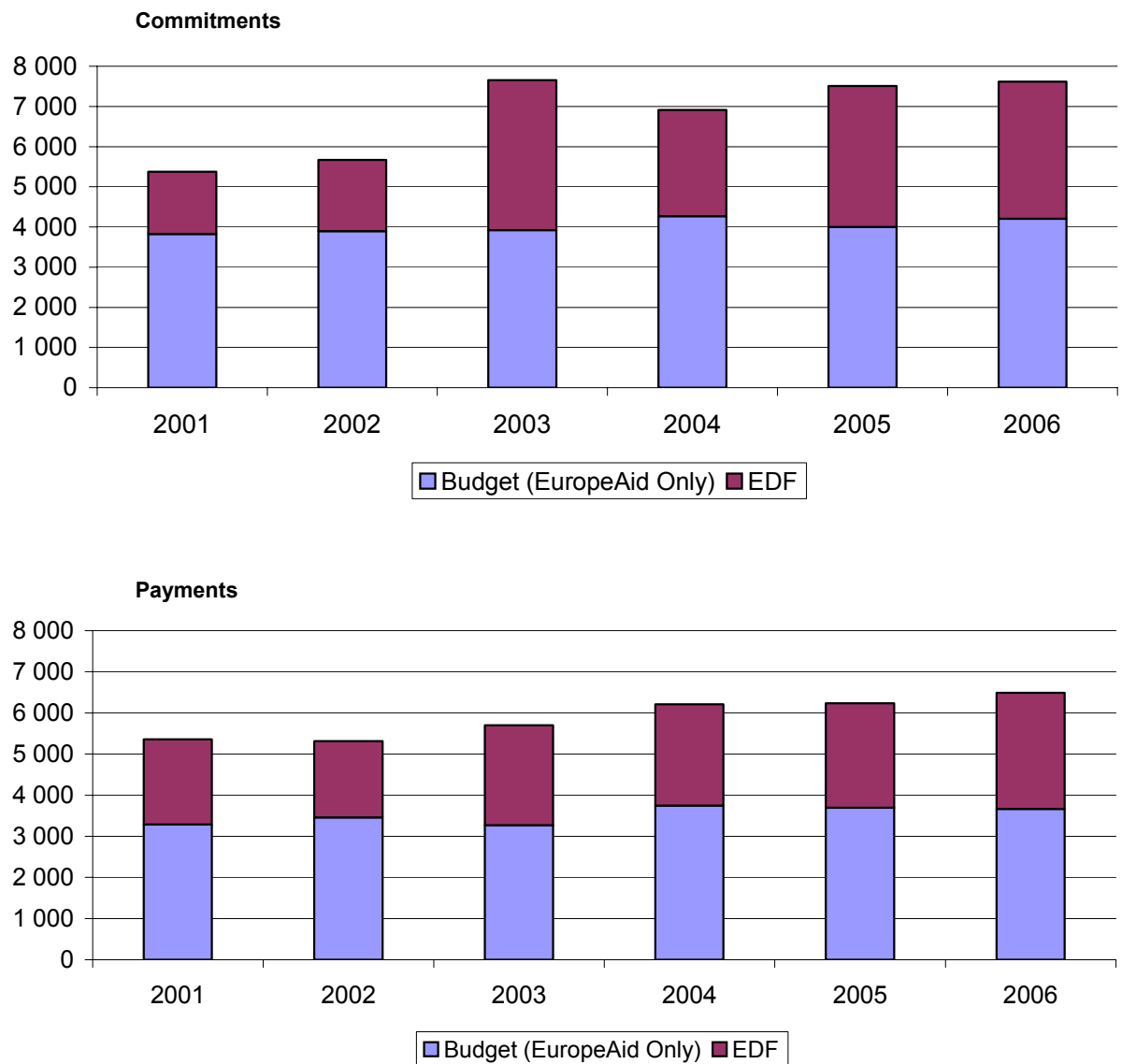
Table 7.14. 2001-2006 External Assistance.



External aid financed on the General Commission Budget and the European Development Fund (EDF). Amount in € million.

Source : Annual Report 2001, 2002, 2003, 2004, 2005 (Breakdown by budget line of external aid financed on the General Commission Budget + Breakdown by instrument of development assistance financed on the European Development Fund (EDF))

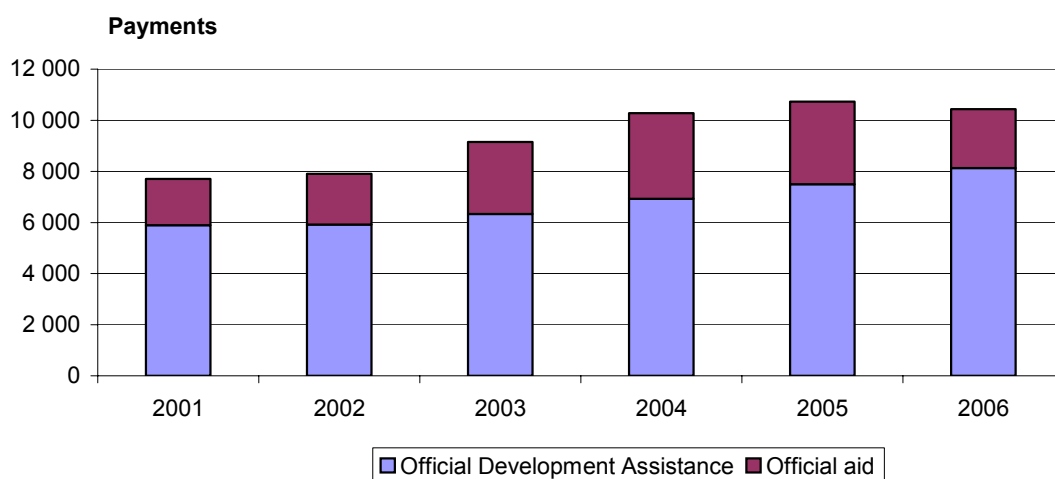
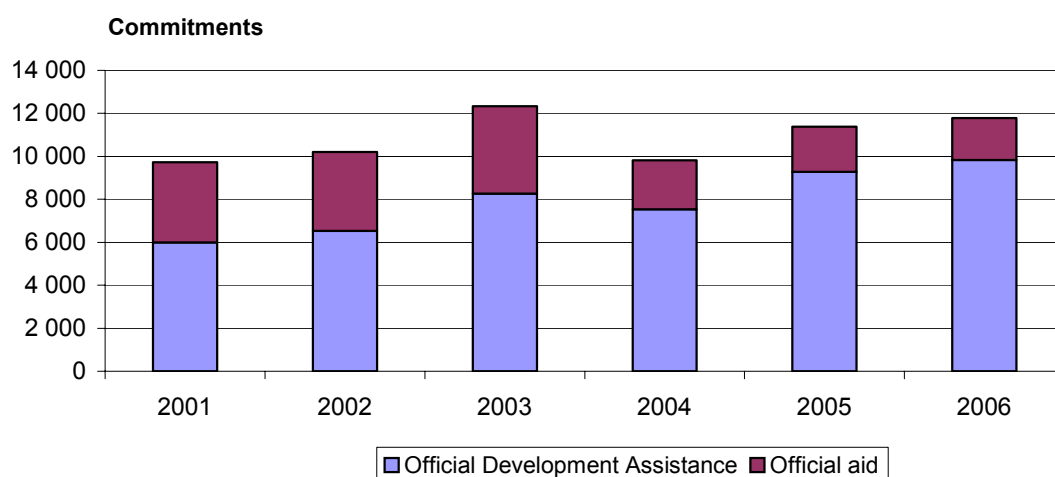
Table 7.15. 2001-2006 Development aid managed by EuropeAid.



External aid financed on the General Commission Budget and the European Development Fund (EDF) managed by EuropeAid. Amount in € million.

Source : Annual Report 2001, 2002, 2003, 2004 and 2005

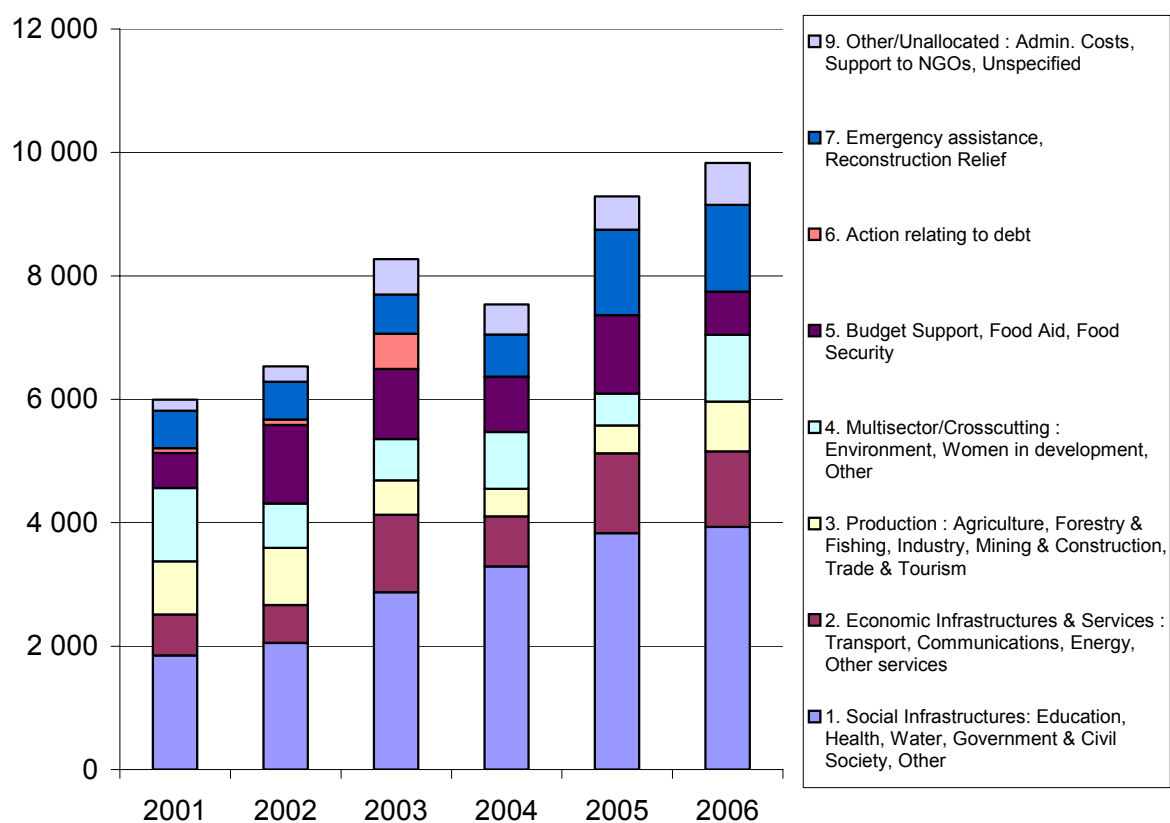
Table 7.16. 2001-2005 Official Development Assistance (ODA) and Official Aid (OA) by the EC.



External aid financed on the General Commission Budget and the European Development Fund (EDF). Amount in € million.

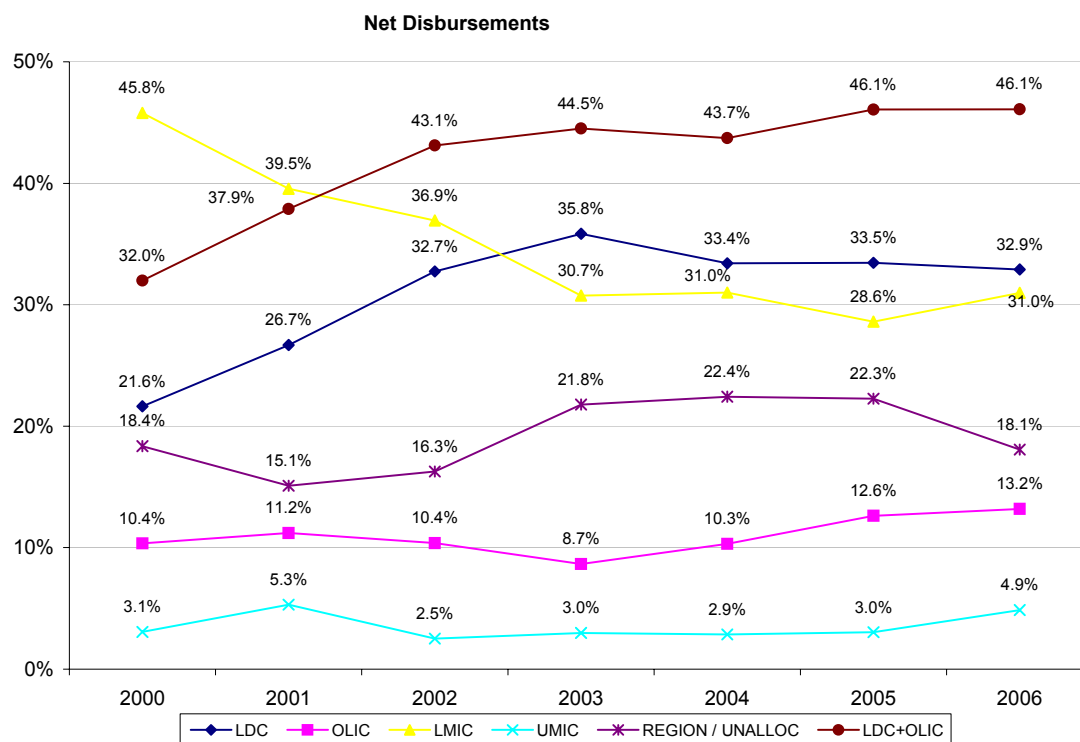
Source : Annual Report 2001, 2002, 2003, 2004, 2005 (Breakdown by country/region of external aid financed on the General Commission Budget and the European Development Fund (EDF)). Administrative expenditures incl.

Table 7.17. 2001-2006 Sectoral breakdown of Official Development Assistance (ODA).



Commitments in € million.

Table 7.18 2000-2006 Poverty focus



2000-2003 EC reporting to DAC (following the same method: LDCs/LICs country specific allocations -including EIB- /Total disbursements)

2004, 2005 Annual Report information

2006 Provisional figures Annual Report exercise (According to DAC List of recipient available at December 2005)

LDC : Least Developed Countries

OLIC : Other Low Income Countries

LMIC : Lower Middle Income Countries

UMIC : Upper Middle Income Countries

REGION / UNALLOC : Regional Programmes and Unallocated