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Annex to the

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

**Annual Report 2008 on the European Community's Development and External
Assistance Policies and their Implementation in 2007**

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1. POLICY

1.1. Introduction

2007 marked a major achievement within the framework of the external actions of the European Union as the Presidents of the European Commission, European Parliament and Council of the European Union signed the *European Consensus on Humanitarian Aid*. This agreement further refines and consolidates the EU's humanitarian policy by affirming a common EU vision and a practical approach for helping millions of people worldwide who suffer from conflicts and natural disasters.

It was the first year of the implementation of the new Financial Perspectives and the implementation of the new external action instruments for the delivery of EC assistance for the period 2007-2013 as well as the programming of the 10th European Development Fund, which covers the geographical cooperation with the ACP countries and the Overseas Countries and Territories.

In July, the Development Assistance Committee (DAC) of the OECD issued a review of the aid policies and programmes of the European Commission – including, for the first time, humanitarian aid¹. The Peer Review team, led by the United States and Australia, recognised the unique contribution made by the European Commission; as a federator of aid from the 27 EU Member States, which accounts for more than half of all Official Development Assistance (ODA), as well as the sixth largest donor.

In terms of greater public development aid and aid for trade commitment compliance, the European Union is on the right track, despite a slight decrease in total aid in 2007. Giving 60% of total aid, the EU is committed to continue increasing its contribution effort while consolidating its status as the world's leading donor. "Aid for Trade" clarifies the EU's strategy to deliver on its 2005 promises made at the World Trade Organisation (WTO) Ministerial in Hong Kong to increase its spending on Trade-Related Assistance, beginning in 2010, to €2 billion per year – which will include €1 billion from the Community aid budget and €1 billion in bilateral aid from the Member States.

To render EU development policy more efficient, the Commission and Member States adopted a Code of Conduct, which contains ten principles for a better division of labour among EU donors in developing countries. The implementation of the Consensus has also been advanced by an EU Report on Policy Coherence for Development (PCD) and Communications on gender², and on State Fragility³. The European Union's first *Report on Policy Coherence for Development* (PCD) was adopted in September and highlights the interaction and the complementarities between development policy and twelve other internal and external EU policies that impact developing countries. A Communication entitled *European Agenda for*

¹ DCD/DAC/AR(2007)2/EC/PART1/FINAL and DCD/DAC/AR(2007)2/EC/PART2/FINAL of 4 and 9 July 2007 respectively

² COM(2007)100 final

³ COM(2007)643 final

*Culture in a globalizing world*⁴ highlights the role of culture within both Europe and EU external relations.

The implementation of the European Neighbourhood Policy (ENP), which was discussed in September during the first ENP Ministerial Conference by all EU and ENP states and more than 700 participants representing the governmental sector, non-governmental organisations and business groupings, made important progress.

The adoption of the Joint Africa-EU Strategy at the Lisbon Summit on 9 December together with its first Action Plan confirmed the long-standing EU-Africa partnership to new realities, new challenges and new opportunities and thus establishes clear and measurable priorities for 2008-2010 that will serve as a common roadmap for action.

1.2. Annual Policy Objectives

In 2007, the Commission's external action was geared towards achieving the following five objectives:

- Establish a renewed market access strategy that addresses trade barriers and create new openings for trade and investment worldwide while taking into account competitiveness, social and environmental concerns;
- Conclude negotiations on Economic Partnership Agreements, which represent a cornerstone for the regional integration of the ACP countries and for their development;
- Reinforce the European Neighbourhood Policy in areas that support deeper economic and trade integration, greater mobility for ENP citizens in the EU, and a Neighbourhood Investment Fund. Set out proposals for successor arrangements with Ukraine, Moldova and Israel, whose Action Plans expire in 2008. Make proposals for enhanced EU presence in Black Sea cooperation, including regional ENP partners as well as Russia and Turkey;
- Negotiate Association Agreements with several major partners in Asia and Latin America, while making progress in the negotiations with major strategic partners such as Russia, China and Ukraine;
- Continue to implement the European Security Strategy, in the area of human security in particular. Continue stabilisation efforts in the Middle East and in South Asia.

As documented throughout this report, considerable progress was made in each of these areas. Moreover, the Commission also made progress in the following fields, for which it had announced strategic initiatives in 2007:

- Establish Erasmus Mundus 2009-2013, a programme promoting cooperation between higher education institutions and the mobility of students, researchers and

⁴ Joint Communication of Commission Directorates General Education and Culture, Development and External Relations. COM(2007)242 final

academic staff between the EU and third countries. The programme also aims at fostering intercultural understanding and improving quality in higher education;

- Prepare a Communication on complementarity, division of labour and scaling up of development aid;
- Prepare a Communication reviewing the current condition of EU-Africa relations (including the EU Strategy for Africa and the Joint EU-Africa Strategy).

1.3. Implementation of the European Consensus on Development

The European Consensus on Development provides a strategic foundation for EU development cooperation that is firm and coherent. It integrates the commitments of the international community; it states its support for the Millennium Development Goals (MDGs); and it reflects global changes and challenges, particularly in relation to security, migration and the social dimension of globalisation.

The Consensus provides a common vision of development policy for both the Member States and the European Community (EC). It shows the way to improve the interaction between individual Member States' aid and that of the EC. It reflects a greater involvement of all EU institutions in the formulation of this common policy vision. With regard to the geographical scope of the Consensus, it guides EC and Member State development cooperation activities in all developing countries.

The Commission has ensured that the objectives and principles of the Consensus are expressed in the regional strategies. In 2007, the Commission elaborated regional and country strategies for all ACP countries for the period 2008-2013. These regional and country strategy papers were developed in compliance with the Consensus. Key pillars of this process, even when success in implementing these guiding principles is uneven, include country ownership; alignment with national development programmes and strategies, non-state actor and local authority participation; and Commission and Member State joint analysis of the political, social and governance situations. The implementation of the Consensus was also taken a step further with the issuing of a strategy to address situations in fragile states with appropriate approaches and instruments.

A new EU-Africa Partnership was adopted at the Lisbon Summit in December. This new partnership is a true measure of the European Consensus and further deepens EU-Africa relations. Indeed, the deepening of the political dialogue (on issues such as migration, and peace and security, to name but a few) as well as the variety of the areas covered (on issues such as education, research, information technology, space) attest to a broader relationship between the EU and its African partners.

Responding to the call for more coordination and harmonisation between EU donors, the Commission proposed to the Member States a Code of Conduct for the division of labour. The Code adopted by the Council presents principles for determining best use of the collective capacities and resources of the EU in support of partner countries. These innovations form an important milestone in the implementation of the Paris Declaration on Aid Effectiveness. Treaty reform, as recently agreed, should facilitate their gradual implementation in the coming years.

Finally, the EU's commitments to the MDGs have been reaffirmed in 2007; in particular through the Commission's support to the UN Secretariat General's MDGs Initiative, together with several other multilateral institutions. The EU is preparing for a series of important events in 2008 that should provide international political momentum to renew efforts towards meeting the MDGs commitments by 2015.

1.4. Coherence between development and other policies

To advance the implementation of the European Consensus, in September the Commission issued the first ever *EU Report on Policy Coherence for Development*⁵. Beyond the Consensus, the policy framework that served as a reference for this report was set in 2005, as part of the package of measures to accelerate progress towards the MDGs⁶. The report reviews progress made in strengthening coherence between twelve policies that affect developing countries and EU development policy objectives, and identifies outstanding issues⁷.

Indeed, policies other than development cooperation have a strong impact on developing countries. What's more, the EU concept of Policy Coherence for Development, enshrined in the Treaty and reinforced by the European Consensus, aims to build synergies between those policies and development objectives. This in turn will serve to increase the effectiveness of development aid. Ensuring that these resources are not wasted or used inefficiently as a result of policy incoherence is crucial, especially when considering the EU's commitment to increase official development assistance substantially.

EU trade policy provides developing countries a favourable market access regime. Specifically, the EU's market access regime offers Most-Favoured Nation (MFN) import duty rates of 4% for non-agriculture products and 18.6% for agriculture products,⁸ for an overall average of just 6.9%. In the context of the EU Generalised System of Preferences (GSP) exports from developing countries enjoy a zero percent duty rate or receive a 3.5 percentage point discount on this rate (see section on GSP below). Under the Everything But Arms (EBA) initiative, this means that goods from Least Developed Countries (LDCs) enjoy tariff- and quota-free access to the EU market. Moreover, the EU grants duty-free treatment for the vast majority of ACP exports since the Lomé Convention entered into force in 1975 and this has been further extended with the EPAs.

The most generous tariff preferences for developing countries are those granted to LDCs (under EBA) and ACP countries (under the Cotonou trade regime in 2006-07 and since January 2008 under the EPA Market Access Regulation). Developing countries enjoy important tariff preferences, especially on the European market.

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http://ec.europa.eu/development/icenter/repository/CONS_COMM_PDF_COM_2007_0545_F_ACTE_en.pdf

6 Commission Communication on 'Policy Coherence for Development – Accelerating progress towards attaining the Millennium Development Goals' – COM(2005) 134 final of 12 April 2005 and May 2005, General Affairs and External Relations Council (GAERC) Conclusions on the Millennium Development Goals (Doc. 9266/05).

7 Trade, Environment, Climate change, Security, Agriculture, Fisheries, Social dimension of globalisation, Migration, Research, Information Society, Transport, Energy

8 WTO European Communities Trade Policy Review 2007.

Even so, it is important to note that the share of the poorest countries in international trade remains marginal, while their relative share in imports to the EU has fallen in the face of competition from other countries, and, in particular, from other developing countries. Therefore, to facilitate their closer integration into the world economy, it is important not only to reduce market access barriers, but also to take into account and to address a range of other factors that include those relating to the competitiveness and supply side capacity of individual developing countries.

EU trade policy is multi-dimensional – multilateral, regional/bilateral and autonomous. Yet, under each of these dimensions, EU trade policy includes elements that respond to the particular needs of developing countries and support their further development and beneficial integration into the global trading system, including through achieving improved performance within the EU market. Accordingly, examples of how the EU pursues its pro-development policy objectives can be found at all levels: multilaterally, through the WTO negotiations; regionally and bilaterally, through the negotiation of trade agreements with other countries or regions such as the EPAs with the ACP countries and support to developing countries' own regional integration processes; and unilaterally, through the Generalised System of Preferences. The EU is also very actively engaged in the provision of Aid for Trade to developing countries to support them in overcoming the challenges of integration both at the regional and global level. In this context, regional integration offers one important way toward improving the position of developing countries and their ability to compete in international markets by creating larger regional markets and by improving the general business environment. This is particularly important for the poorest countries as these efforts can improve their international competitiveness by attracting more investment and by placing them in a better position to take advantage of emerging market opportunities in non-traditional export markets, including those of other developing countries.

In agriculture, the EU has come a long way in making its Common Agricultural Policy more development-friendly. With low or zero tariffs on most products, access to the EU market is generally favourable to developing countries. Important progress was made through successive reforms on export subsidies as well as the distorting effects on markets of domestic agricultural subsidies. EU development cooperation supports agricultural and rural development in Africa particularly.

On the fisheries front, a new generation of Fisheries Partnership Agreements should lead to the replacement of all existing fishery agreements by 2008. The principal objective of the new generation of agreements is to move beyond merely securing European fleet access, but to introduce responsible and sustainable fishing by supporting the fishery policies of partner countries also. While progress has been measured already, further improvements are possible – in the evaluation of fish stocks in developing countries in particular. In addition, the financial envelopes linked to the Fisheries Partnership Agreements can be substantial, and the use of such funds needs to be monitored so as to ensure that local fishery activities are supported. Likewise, the control, monitoring, and surveillance systems that counter illegal, unreported, and unregulated fishing will continue to require further international cooperation.

As for climate change, all efforts deployed under the ambitious EU climate policy will directly benefit the poorest and most vulnerable developing countries as these

policies look toward the long term goal of limiting temperature change to an average of 2°C relative to pre-industrial levels. Partner countries will also benefit from the positive externalities of scientific research programmes and investments in appropriate technologies.

Further investigation and proactive measures are needed, however, to avoid the potential negative effects of the EU bio-fuels policy. Improvements toward integrating climate change concerns into the policy dialogue between the EU and developing countries are needed. Increased support for adaptation in development cooperation programmes is similarly needed. The Commission proposal to establish a Global Climate Change Alliance (GCCA) between the EU and its developing country partners, particularly the most vulnerable ones, is an important step in that direction⁹. This was the main topic of the "European Development Days" conference that was organised in Lisbon last November.

As for security, the EU deploys a broad range of instruments for both security and development. In the recent past, the EU has been strengthening the links between the two, but the diversity of contexts and situations as well as the complexity of the EU's institutional setting as a security actor constitute important challenges. Active efforts include integrating conflict prevention in development cooperation, addressing situations of fragility, promoting transparency and equity in the management of natural resources, supporting disarmament, demobilisation and reintegration and security sector reform, controlling arms exports and the illicit trafficking of small arms, human beings, narcotics and explosives. However, to respond to the requirements of the African continent further efforts are needed and concrete initiatives are considered through a package of development and security measures in the framework of the EU-Africa partnership.

In energy, the EU is engaged in several major initiatives to support the provision of adequate, affordable and sustainable energy services in developing countries, most notably the EU Energy Initiative for Poverty Eradication and Sustainable Development and the EU-Africa Partnership on Energy. The new energy policy for Europe, that aims to deliver sustainable, secure and competitive energy to all EU Member States, also aims to integrate Europe's energy and development policies into a win-win approach. Developing countries, particularly in Africa, will benefit from the EU's efforts to diversify energy supply and to develop energy-efficient and renewable energy technologies.

Finally, to meet development ambitions in general and the MDGs in particular, capacity building and international cooperation in science and technology are viewed as policy areas of pivotal importance. On the one hand, science and technology need to be approached in connection with education and investment in innovation capacities, while on the other, sectoral policy areas such as demographics, food and agriculture, health, environment, sustainable energy, ICTs, and trade should be linked. Likewise, promoting 'brain circulation' rather than 'brain drain' and capacity building in research and technology to increase access to research programmes for developing countries are two areas in which policy coherence for development can be further enhanced. In addition, the different thematic areas of the Research

⁹ See also feature article *The challenge of reconciling MDGs and the fight against climate change*

Framework Programme (RFP) include specific international cooperation actions (SICAs) that can address the particular needs of developing countries on the basis of mutual interest and mutual benefit. Indeed, the complete opening of the seventh Research Framework Programme (2007-2013) to third countries, including developing countries, can help strengthen the capacities of the participating countries. It will be toward these ends that the Commission will continue to work to encourage greater synergies between different policies and instruments, and development objectives in 2008.

1.5. Mainstreaming of cross-cutting issues

Democratic governance

Democratic governance is not only an end in itself, it is also crucial for sustainable development in sectors such as education, justice, transport, water, and health, and thus for the timely achievement of the MDGs. Indeed, democratic governance is vital for efficient service delivery. The Commission is therefore committed strongly to promote and to support the efforts of partner countries to improve democratic governance within all sectors of each of their respective societies. This is done by supporting initiatives at both local and national levels that strengthen accountability, increase transparency, expand popular participation in development processes and fight corruption and mismanagement. More specifically, relying upon solid standards of conduct and promoting sound principles of openness, transparency and professional merit in the context of the efforts to strengthen democratic governance, the Commission strongly encourages the development of a professional and unbiased civil service. Although the Commission is already well advanced in addressing governance challenges at sector levels, more work is being done to improve and systematise implementation further. In doing so, the Commission underscores that governance is unique to the specific situation and context of each country; that it is important that donors are not normative; and that governance reforms are home grown, owned by the partner country, and sought progressively (i.e. a "good enough governance" approach should be applied).

Gender

Promotion of equality between men and women takes an important place in EU foreign policy. Gender equality is taken into account both in political dialogues and in external assistance. A Communication on *Gender Equality and Women's Empowerment in Development Cooperation* adopted in March for the first time advances a strategy at the European level¹⁰. This strategy provides guidance for making gender mainstreaming more effective, proposes specific actions in five fields and describes the various ways of promoting gender equality through the new aid delivery methods. The Council called on the Commission to prepare an action plan on gender equality and women's empowerment in development cooperation and to ensure its follow-up. In addition, so as to ensure more effective mainstreaming of gender equality in the Commission's actions, a Communication will be prepared on the mainstreaming of horizontal issues (environment, human rights, gender equality, HIV/AIDS).

¹⁰ COM(2007)100 final

In several country strategy papers for the 10th European Development Fund (2007-2013) the promotion of equality was thoroughly taken into account in the analysis of the situation and in the Commission's strategic answer. The ENP action plans agreed with the partner countries contain provisions to promote the role of women in economic and social progress and to fight against discriminations and violence towards women. Women's rights issues are addressed in the sub-committees that ensure the monitoring of the ENP – in the human rights and democracy sub-committees in particular.

Within the Euro-Mediterranean partnership, the Commission played a crucial role to ensure the monitoring of the Istanbul Framework of Action and of measures to promote women's rights and their full participation in the civil, political, social, economic and cultural fields. An ad hoc meeting was held in October to discuss the follow-up given to the conclusions of Istanbul during its first year of implementation. A report on the main initiatives implemented by the Euro-Mediterranean partners was finalised near the end of 2007, while two further ad hoc meetings will be held in 2008.

The Commission supports state and non-state actors active in the field of gender equality promotion through various instruments, including the "Investing in People" thematic programme, the regional programme on gender equality and the European Instrument for Democracy and Human Rights.

The Commission engaged in a strategic partnership with UNIFEM and the International Training Centre (ITC/ILO) toward promoting equality for development and peace and toward incorporating gender equality and women's human rights in the new aid methods. This partnership focuses on the role of women in conflict and post-conflict situations and more particularly on the good application of United Nations Security Council Resolution 1325.

The Initiative for Peace Building, a project funded through the European Instrument for Democracy and Human Rights (EIDHR) and implemented by a network of civil society organisations, aims to develop analytical tools and resources for policymakers – including the European institutions – on the issue of women's protection in conflicts and the role of women in the promotion of peace and international security.

Awareness-raising, exchanges of good practice, and qualification of Commission staff in mainstreaming gender issues in programmes and projects were continued through training and by the creation of a network of gender focal points throughout the Commission's Delegations. Capacity building activities will continue in 2008.

Statistical capacity building activities were supported so as to enable countries to provide accurate information for monitoring progress and measuring the impact of development actions. Gender-disaggregated statistics are consistently recommended in order to increase understanding of women's and men's roles in maintaining the three pillars, economic, social and environmental, of sustainable development and to develop appropriate policy responses.

Children

In accordance with the European Consensus on Development, all Commission external assistance programmes and projects must take children's rights into consideration. This approach is beginning to show its fruits and will have positive effects in the long run. Several country strategy papers adopted in 2007 show real inclusion of children's rights in how activities and target populations are addressed.

In addition, the Commission entered into a partnership with UNICEF to prepare a "comprehensive toolkit to address child rights in European development cooperation and external relations" (see point 2.3 below). This toolkit aims to help all stakeholders (including Commission staff) directly or indirectly concerned with children's rights and needs, to address and mainstream these in programming and project implementation.

Social cohesion and employment

The importance of employment for a more integrated way of reaching the MDGs was expressed in the Millennium Declaration of the 2005 World Summit, where a UN inter-agency group proposed appropriate indicators for a new target "[to] achieve full and productive employment and decent work for all, including women and young people" under MDG 1 (Eradicate extreme poverty and hunger). Since then, in addition to promoting employment directly, there is a substantial and increased international acknowledgment of the need to step up efforts to promote employment as a cross-cutting issue in other areas of development aid (such as education, post-conflict reconstruction, rural development, and so on).

A Staff Working Document entitled *Promoting Employment through EU Development Cooperation* was approved in April. The document underscores the importance of promoting full and productive employment and decent work for all – with a focus on youth and women so as to avoid increasing the gap between the rich and the poor. The Staff Working Document proposes to increase EU support to developing countries in their efforts to implement the decent work agenda. Priority should be given toward creating new productive jobs in the formal economy as well as toward improving the living and working conditions in the informal economy. The paper also serves as a trigger for a broader debate with EU Member States on how best to promote employment through development policies within the overall framework of the Decent Work Agenda. The outcomes should be reflected in the programming of EU aid.

To facilitate the mainstreaming of employment, social protection and decent work in external cooperation, the Commission has organised thematic regional seminars with Commission Delegations and ILO local offices since 2006. Latin America was the focus of the 2007 joint seminar. These seminars aim to implement the joint strategic partnership at local level, to improve mutual understanding, cooperation, synergies and contacts.

Environment

In the programming of the new generation of country and regional strategy papers, environmental integration efforts were directed toward gaining attention to environmental protection and sustainable natural resources management both through specific actions within the intervention sectors and as a cross-cutting theme.

Emphasis was put on the preparation of country environmental profiles and the use of strategic environmental assessments as a means to integrate environmental sustainability as well as climate change concerns in sector policies and programmes and large plans.

Public consultations were held on the key elements and priorities of a possible EU-wide strategy in this area, building on the 2001 integration strategy as well as addressing new challenges. The methodological approach developed in the Commission's environmental integration handbook was shared with EU Member States. Meetings were also held with Member States and development partners during the first part of the year to discuss progress on the environmental dimension of the 10th EDF.

Activities in the area of capacity-building and awareness raising continued. Environmental integration seminars and online training reached a total of over 300 staff, quite evenly split between the Commission and relevant institutions of partner countries. Awareness-raising talks for Commission staff and the wider public focused on issues such as deforestation avoidance, ecological footprint mapping, and sustainable consumption and production. Providing Commission Delegations with relevant knowledge on environmental issues, such as climate change, is crucial to enable Commission staff in the field to engage in dialogue with partner countries to explain the position of the EU and ensure that mitigation and adaptation approaches are appropriately considered in economic development and poverty reduction strategies. Consequently, engaging Delegations on climate change and other environmental issues will continue to intensify in 2008.

1.6. Aid effectiveness and co-financing

Aid effectiveness

The EU is preparing for the mid-term review of the Paris Declaration in the third High Level Forum that will take place in Accra in September 2008.

The Paris Declaration on Aid Effectiveness advances 12 commitments which are to be implemented before the end of 2010. Additionally, the EU (Member States and Commission) signed up to four additional ambitious objectives, both as individual donors and as collective group. The EU targets were stated in the European Consensus and were reconfirmed by the Commission and Member States in Council Conclusions in April 2006 and November 2007.

The EU additional targets are to: (i) provide capacity-building assistance through coordinated programmes with an increasing use of multi-donors arrangements; (ii) channel 50% of government-to-government assistance through country systems, including by increasing the percentage of assistance provided through budget support or swap arrangements; (iii) avoid the establishment of new project implementation units; and (iv) reduce the number of uncoordinated missions by 50%.

With respect to the four additional EU targets, the Commission has adopted two strategies: one for increasing the use of country systems and the other for joint missions. The process has started for the development of strategies for coordinated technical cooperation and the reduction and avoidance of parallel project implementation units.

Monitoring progress

Monitoring progress on both the Paris Declaration and the four EU additional targets is vital for ensuring transparency as well as identifying where progress is necessary. According to the Council Conclusions of 2006, the monitoring exercise on the four EU additional targets has to be conducted in the existing mechanisms which are the OECD/DAC system.

The 2006 OECD Survey on Monitoring the Paris Declaration provides data calculated on the basis of a sample of 34 partner countries and is considered a baseline exercise. A second Survey to be conducted in 2008 will allow for measuring progress since the 2006 survey. This survey will cover more (emerging) donors, as well as more partner countries.

Concrete steps facilitating the aid effectiveness agenda

The adoption of the *EU Code of Conduct on Complementarity and Division of Labour in Development Policy*¹¹, represents a landmark advance in the implementation of the EU's promise to deliver "more, better and faster aid". Implementation of the EU Code of Conduct is already taking place through consultations at field-level between Commission Delegations, EU Member States, partner countries and other donors. To facilitate the consultation process on the implementation of division of labour in the field, the Commission also organises regular technical seminars for Member States.

The EC's Financial Regulations now make co-financing with Member States possible, in particular in the form of fund managing and delegated cooperation. The Commission is preparing a *Compendium on Best Practices in Division of Labour* with case studies of best practices from across the donor spectrum. The compendium will also identify bottlenecks and drivers of division of labour, and will attempt to develop indicators for division of labour (i.e. a measure for the fragmentation of aid). A *study on EU co-financing*¹² provides information on "who's doing what with whom and how" in terms of co-financing at EU level and identifies key lessons learned from bilateral, EC and decentralised co-financing experiences as well as determining possible future actions for developing a comprehensive EU strategy for co-financing.

The *Donor Atlas 2006*¹³ provides baseline data on states in situations of fragility for a possible discussion among the international community on cross-country complementarity in fragile situations.

Timely and substantial inputs were provided into the pertinent international processes, promoting the coordination, coherence and visibility of EU and Commission positions in international organisations. This has been particular true for FAO and UNCCD, institutions which have been through a reform process (to be continued in 2008).

¹¹ At the Council meeting on 15 May

¹² Study on EU co-financing, Sigrid Willibald, November 2007

¹³ http://ec.europa.eu/development/icenter/repository/eu_donor_atlas_2006_en.pdf

To move the aid effectiveness agenda forward, it is equally important that it is dealt with in sectors of cooperation. This is done through thematic coordination mechanisms and platforms. Progress was made, particularly in the Rural Development sector. A process of elaboration of specific guidelines on Aid Effectiveness was launched by the Global Donor Platform on Rural Development during the Second EU Forum on Rural Development in Berlin in June. Other sectors where donor coordinating mechanisms exist/have been strengthened at an operational level include Agriculture, in particular Agricultural Research for Development and Livestock.

Financing for development (the "Monterrey process")

In the context of the 2002 Monterrey International Conference on Financing for Development, the EU (Commission and Member States) agreed on a series of thematic commitments. This was the first time the EU spoke with "one voice" in the area of development policy. The Council has mandated the Commission to monitor and provide annual progress reports on these commitments. Ownership and confidence of EU Member States in this process is very high and in view of the UN World Summit in 2005 has led to agreement of additional commitments.

The EC monitors the implementation of the following commitments: the scaling up of ODA (commitments 2010-2015); innovative sources of financing; debt relief; aid effectiveness; more predictable, less volatile aid mechanisms; exogenous shocks; untying of aid; Global Public Goods; reform of the International Financing Institutions; and trade and development.

These commitments have become key elements of the European Consensus on Development. Aid effectiveness and aid for trade have, over time, developed into almost independent strands (linked to the progress of work in the OECD/DAC and WTO). The Council has repeatedly insisted on maintaining the link with Monterrey and has called on the Commission to report progress on aid effectiveness (i.e. division of labour) and aid for trade (i.e. EU aid for trade implementation strategy) in the context of the Monterrey report.

The "Monterrey report 2007" enabled the Commission to highlight Europe's commitment to the millions of people afflicted by poverty, as most Member States met or exceeded their promises for 2006. It also showed that Europe is at the forefront in the development of innovative sources of finance for development and the aid effectiveness agenda. At the same time, the report allowed to place pressure on those Member States that are still struggling to fulfil commitments. In that sense, this monitoring exercise ensures that commitments are put in place by the Member States, moving Europe from rhetoric to reality in the arena of development policy.

The "Monterrey report 2008" is being prepared as part of the Accra/Doha package to be adopted by the Commission in June 2008¹⁴. Replies from most of the Member States to the annual questionnaire, covering all commitments, are available. The report will assess progress achieved (ODA to Africa and support for new debt

¹⁴ The package will comprise a short political umbrella Communication, the reports on financing for development, aid effectiveness, aid for trade, and on policy coherence.

architecture), highlight drawbacks (decreasing ODA levels in 2007- 2008) and make proposals for a single EU line to take at Doha.

Non-state actors and local authorities in development

As reflected in the "European Consensus" and in several conclusions, resolutions and opinions, civil society and its various actors play a key role as promoters of democracy, social justice and human rights. The EU recognises the vital contribution of non-state actors (NSA) by virtue of their dual role as strategic partners in political, social and economic dialogue and key aid delivery actors. The EU promotes constructive and continuous dialogue with all types of non-state actors and local authorities, which is essential to ensure integration of the priorities and concerns of stakeholders in development strategies and programmes, to strengthen their voice in the development process and to advance political, social and economic dialogue.

Throughout 2007, the Commission engaged in discussions on the multi-annual strategy for the new thematic programme "Non State Actors and Local Authorities in Development" which replaces the former budget lines "NGO Co-financing" and "Decentralised Cooperation". The strategy for 2007-2010 was approved by Member States and adopted by the Commission in June following consultation with civil society and dialogue with the European Parliament. Lessons learned and policy evolution as regards participatory approaches resulted in several important innovations, including relaxing eligibility criteria for all types of NSA and local authorities as well as stakeholders in partner countries. Furthermore, in the context of devolution and to ensure stakeholder participation in partner countries, Commission Delegations will, in future, assume greater management responsibility for interventions conducted at country level, including launching local calls for proposals.

The overarching objective of the programme is poverty reduction in the context of sustainable development, including pursuit of the MDGs and other internationally agreed targets. More specifically, the programme aims to (i) promote an inclusive and empowered society in partner countries so as to facilitate stakeholder participation; (ii) raise public awareness on development issues and promote education for development in Europe; and (iii) support coordination and communication activities of NSA and local authority networks in Europe. The Commission adopts annual action programmes (AAP) to implement this strategy. The 2007 AAP was adopted in December following the approval of Member States. Subsequently, the first (local and central) call for proposals was launched.

The provisions of the Cotonou Agreement have facilitated and consolidated participatory approaches in cooperation with ACP countries. The revision of the Agreement in 2005 provided the opportunity to strengthen these provisions further, by facilitating NSA access to funding and by extending the provisions on participatory approaches to local authorities. Participation of NSA and local authorities was a fundamental principle of the 10th EDF programming process that occurred throughout 2006 and 2007. The programming guidelines were distributed widely and placed online to facilitate the participation of a broad range of actors.

Progress made regarding participation of NSA and local authorities in policy dialogue is regularly assessed. In 2007, the Commission produced a summary report

on the experience of its Delegations with consultation of stakeholders in the elaboration of country strategy papers under the 10th EDF. The results of the report are mixed. While the quality of participation varied, each of the 64 countries reviewed engaged in dialogue with stakeholders. Nevertheless, in several cases, policy dialogue was limited to information rather than consultation. Even so, the number of countries where thorough consultation of NSA has occurred has increased since the Mid Term Review of programming in 2004. The full report is available on the DG Development website on Europa.

A further important issue in 2007 was the growing momentum across the board to examine the role of civil society in the aid effectiveness agenda. Indeed, NSA have been long considered the "missing link" in the Paris Agenda. In this context, the Commission has been following the deliberations of an "Advisory Group" (AG) established by the Working Party on Aid Effectiveness (WP-EFF) to develop concrete recommendations on how best to include NSA in the international discussions on aid effectiveness in the light of the HLF in Accra in September 2008.

EU12 Member States: Capacity Building Scheme for Development Policy (CBS III)

During the second semester the Commission held bilateral discussions with each of the MS-12 toward initiating and launching the third Capacity Building Scheme for Development Policy (CBS III) for MS-12. CBS is a demand driven programme to provide training and technical assistance to MS-12 so as to build their capacity for development cooperation on a "just-in-time, just-enough" basis. The objective of CBS III is to help the MS-12 capitalise on their recent achievements in development cooperation undertaken under Capacity Building Schemes I and II and to take coherent steps ahead while paying particular attention to the fulfilment of obligations undertaken at the EU level. This programme will continue from CBS II (albeit having a different form and substance) which attained its final phase. Discussions with MS-12 focused on their needs for capacity building in development aid, modalities of implementation and operational aspects and how and to what extent CBS III can satisfy these.

1.7. Partnership with United Nations and World Bank

United Nations

Relations between the United Nations and the European Union have grown over time into a rich and diverse network of contacts, cooperation and dialogue covering virtually all areas of the EU's external relations and spanning the entire scope of the UN Charter, from peace, security and human rights to social and economic affairs, including development and humanitarian activities and trade policy.

The Commission, in line with the European Security Strategy (2003), is committed to a strong UN equipped to confront global issues and develop global solutions. It supports UN reform and the implementation of the 2005 World Summit Outcome. In 2007, the Commission backed UN plans to promote inter-agency system-wide coherence, especially the launching of "Delivering as One" initiatives in eight pilot countries, and is considering the possible implications for its future cooperation with UN Agencies, Funds and Programmes. In the spirit of system-wide coherence, the

UN is now increasingly practicing inter-agency cooperation and speaking with one voice on policy issues in its dealings with the European Union.

This year, the focus of the whole international community was on climate change. In September, the UN Secretary-General organised a High-level event on Climate Change in New York City, and the year ended with the adoption of the Bali Roadmap at the UN Climate Change Conference in December. The Commission participated actively in both events, which were organised together with the EU Presidency. The European Development Days sought to tackle the same theme by finding global and European solutions to the issues at hand while strongly promoting the relationship between development and climate change.

2007 marked the mid-way point towards the 2015 target date for the MDGs. The UN Secretary-General launched the MDG Africa Steering Group with major multilateral and regional development partners to devise strategies and to prepare actions to bring sub-Saharan Africa, in particular, on track to meet the MDGs. President Barroso is a member of the Steering Group and the Commission actively shared its experience and views in the Group.

2007 was the first full year of operation of the new UN Peacebuilding Commission (PBC). Together with other EU actors, the Commission participated in its work on both country-specific and thematic issues. The PBC adopted integrated peace-building strategies for Burundi and Sierra Leone and agreed tracking and monitoring mechanisms to follow-up on their implementation. The PBC also held several debates on thematic issues of horizontal relevance to its work on peace-building; such as strategic frameworks for peace-building, indicators and monitoring; local governance and decentralization in post-conflict settings; regional peace-building experiences; budget support in post-conflict countries; and gender and peace-building.

The Commission continued in other ways to participate actively in UN processes, together with EU Member States, by promoting the adoption of important development-related resolutions and policy documents at the General Assembly, ECOSOC and other UN bodies. As an example, representing the EC as a full FAO member, the Commission played a key role at the 34th session in November, which successfully set in motion the FAO reform process.

The Commission continues to build a partnership with the UN system as a whole, as well as with individual UN entities, covering policy and normative work as well as operational activities. In this context, several high level meetings between the Commission and the UN took place, beginning in January when the new UN Secretary-General Ban Ki-moon made his first mission outside the USA to Brussels to meet the Commission and other EU Institutions. During the year, Commission-UN policy dialogues and meetings to review cooperation included sessions with the FAO in March, agreeing upon future priorities (climate change, statistics, Africa); the Office on Drugs and Crime (ODC) in May focusing on trafficking issues; the World Health Organisation (WHO), in both June and October, addressing issues such as priorities for Africa, health funding, social determinants of health, and the ILO in November especially on the decent work agenda. The Commission also supported the work of the UN-led International Working Group on Sport for Development and Peace (SDP IWG). In an effort to fully use the potential of sport for development,

this group made further progress in engaging with national governments on policy recommendations to support the integration of sport and physical activity into their national and international development strategies and programmes. The Commission gave its input to the final policy recommendations, which will be published in 2008 to coincide with the Beijing Olympics.

Finally in December, there was a high-level meeting to review the Commission-UNDP strategic partnership, which noted joint achievements on issues such as electoral assistance and conflict and disaster needs assessments. The meeting also identified areas of mutual interest for 2008-2011: electoral assistance, strengthening of parliamentary systems, justice and security sector reform (SSR), disarmament, demobilisation and reintegration (DDR), harmonization of governance indicators, fragile situations, post-conflict and post-disaster needs assessment and climate change.

Cooperation also continues with other UN entities such as UNICEF, on children's rights and protection, and MDG indicators; or UNIFEM, with which a Partnership on Gender Equality for Development and Peace was agreed.

International Financial Institutions

The Commission has reinforced its policy dialogue with the international financial institutions (IFIs), particularly with the World Bank, the International Monetary Fund (IMF) and the regional development banks.

World Bank and International Monetary Fund

The fourth High Level "Limelette" Meeting between the European Commission and the World Bank on their cooperation in Africa was held on 17-18th September in Brussels, in the framework of the so-called 'Limelette cooperation process'. This process, which started in Limelette, near Brussels, brings together senior management and field officers of the two institutions for a candid policy dialogue on how to better coordinate and harmonise Commission and World Bank policies in Africa. During this meeting, joint action plans were agreed.

Policy dialogues took place with the World Bank and the IMF in the regions of the candidate or potential candidate countries, the Eastern Neighbourhood and Central Asia, as well as in the Mediterranean region. This cooperation takes place under the umbrella of a Memorandum of Understanding for each of these three regions. Following an EU-IFIs annual consultation in April focusing on Neighbourhood strategies and programming for the European Neighbourhood and Partnership Instrument, the World Bank offered concrete proposals to strengthen cooperation between its country strategies and EU action plans. In addition it was agreed to pursue joint work on public finance management indicators in selected neighbouring countries. In summer, the International Finance Corporation (IFC) joined the existing EU-IFIs Memorandum of Understanding for the Mediterranean region. The Council of Europe Development Bank became a signatory of the EU-IFIs memorandum of Understanding on NIS. Within the framework of the IFIs' Advisory Group created in 2007, operational coordination also started between the new IPA instrument for potential candidate and candidate countries in the Balkans and the IFIs' supportive

operations in the region. In the case of Kosovo's final status settlement process, specific operational cooperation also took place.

Another kind of relationship between the Commission and the World Bank consists of European coordination among the European Union members of the Board of Directors of the WB (EU EDs) and the Commission. One way in which the Commission reinforces this coordination is by organising an annual visit by the EU EDs to the European Institutions in Brussels. The group paid their fourth visit to the European Institutions in Brussels on February 5-6. They met Commissioners from the External Relations Group, as well as NGOs and the Parliament. In addition to the annual visit, the Commission encourages the adoption of common European positions by the EU EDs on items to be discussed within the World Bank Board by transmitting Commission positions whenever possible on these items for discussion at the weekly coordination meetings in Washington, DC between the EU EDs and the Commission Delegation. The EU EDs presented more than thirty common statements to the Board in 2007, continuing its practice of previous years.

The bi-annual ministerial joint World Bank/IMF Spring and Annual Meetings took place respectively on 14-15 April and on 20-22 October in Washington, DC. The main topics discussed between the Commission and the World Bank were governance reforms, the strategic direction of the World Bank Group, climate change (a new Global Climate Financing mechanism is being developed), and Middle Income Countries. Commissioner Michel addressed the Ministerial Development Committee on both occasions, while Commissioner Almunia attended the Ministerial IMFC. The Commission has an observer status in both meetings.

Finally, bilateral high level policy discussion took place between the Commission and the World Bank/IMF. Mr. Zoellick paid an orientation visit to the Commission on 12 June before his appointment as WB President and met Commissioner Michel again in November in Brussels. Mr Strauss-Kahn was elected by the Executive Board in September as the new Managing Director of the IMF, replacing Mr. de Rato, who stepped down after the IMF Annual Meeting.

Regional Development Banks

On January 25-26, a high level meeting was held for the first time in Brussels between the EU Executive Directors (EU EDs) of the Regional Development banks (Inter-American, African, and Asian Development Banks) and Commission Senior Management. This meeting had the same format as the meeting between the Commission and the EU EDs at the World Bank mentioned above. European coordination among EU Directors in the Boards of regional development banks is only in an early stage.

The Commission launched a reinforced cooperation process with the African Development Bank (AfDB) this year by organising a High-Level meeting between the senior management of the Commission and the AfDB which was held on 3-4 September in Brussels during which an action plan was agreed between the two institutions (similar to the existing EC-WB Limelette meetings mentioned above). The 2007 edition of the African Economic Outlook (AEO) was managed by the OECD, but the AfDB assumed the lead in 2007 for future editions. The AEO is a valuable compendium on the economic and social development statistics of African

countries. Indeed, the AEO is widely used by practitioners in various organisations. The Commission has financially supported the publication of the AEO in previous years and decided in December to contribute financially to the next two editions.

Regarding the Interamerican Development Bank, a new Memorandum of Understanding (MoU) was prepared and signed for the period 2007-2011. The MoU's main priorities are in the areas of social cohesion, regional integration, climate change, renewable energy and statistics. With regard to the Asian Development Bank (ADB), a Memorandum of Understanding was signed on cooperation with Eastern Europe and Central Asia leading to annual consultations on strategies and programmes.

1.8. Poverty focus in middle-income countries¹⁵

The Commission is active in more than 80 Middle Income Countries (MIC). These countries are the home to over 50% of the developing world's population of which around a billion have an income of less than two US dollars a day.

In these countries the Commission pursues a mix of external actions. The EC's commitment to eradicating poverty and promoting sustainable development, including the pursuit of the MDGs has traditionally been, and remains, dominant in Asia and Latin America, where many people are excluded from the benefits of rapid economic growth and where the income distribution gap remains high, leading to social exclusion and inequality. In these countries, in view of the existence of relatively developed social and economic institutions and structures, the Commission promotes the achievement of poverty reduction and sustainable development across a broad front of possible interventions. These include support to sectors such as trade, regional integration, agriculture, environment, climate change, security, migration, the social dimension of globalisation, employment and decent work, and international scientific cooperation, including health research. The mix of interventions in each country is determined by national conditions and priorities, in accordance with the Development Cooperation Instrument (DCI) which became the main funding mechanism for assistance to Asia and Latin America upon its entry into force on 1 January. EC assistance to enlargement countries and to countries in the 'Neighbourhood' region, while based on promoting sustainable social and economic development, also aims to strengthen mutually beneficial ties with the EU, as established in the European Neighbourhood Policy Instrument (ENPI) and Instrument for Pre-accession Assistance (IPA), which also came into effect on 1 January. In addition, action is taken to respond to crisis, reconstruction and rehabilitation needs in countries such as Iraq. In assisting these countries, the needs of the poorest communities are also addressed. In Latin America, with the exception of Nicaragua, all countries are MIC. Each of these countries will receive around €100 million of aid annually, during the period 2007-2010. Progress made in economic reform and social policies has led to a slight reduction in poverty levels in the MIC. However, absolute poverty remains high, affecting 40% of the population, according to the latest UN estimates. Latin America is the most unequal region of the world in terms of income distribution and this situation is not improving substantially. Accordingly, EU programmes provide support to fight poverty and promote reforms.

¹⁵ The definition of Middle Income Countries used here is that of World Bank List of Economies <http://siteresources.worldbank.org/DATASTATISTICS/Resources/CLASS.XLS>

Key EU strategies towards MIC in Latin America include support to regional integration, the promotion of social cohesion, and increasing trade links and other business opportunities between Latin America and Europe. All these EU strategies are expected to raise personal incomes and reduce inequality. EU policy dialogue with partner countries and their regional groupings has been broadened recently, to include competitiveness, migration, governance and environment, energy and climate change-related issues.

During the 2007-2010 period, Middle Income Countries (MIC), which represent 11 countries in Asia, are expected to receive an average of €290 million per year of EC programmable cooperation, representing approximately 35% of total EC cooperation allocated to Asia. In line with a differentiated and flexible approach, EC development cooperation has adapted to different needs and specific conditions. Social and economic progress has been registered in Asian MIC countries as expressed by the general steep reduction in levels of poverty, sometimes on an impressive scale as in China. However the absolute number of poor people remains very high and income disparities have been widening. The EU has also supported the regional integration process through its support to ASEAN in particular. Policy dialogues, both at bilateral and at regional level, have acquired a growing relevance in different fields including economic issues, environment/energy/climate change and dialogues with civil society.

All countries in the ENPI Eastern Region are now classified as MIC. While poverty in the region has been reduced, social inequality and exclusion are still increasing at country and regional level. Introducing ENPI and increasing assistance in the form of sector budget support add to the efficiency of the EC assistance; however regional needs remain significant. Despite being reclassified as a low-MIC, Moldova remains the poorest country in Europe. Thus, poverty reduction is central to the Moldovan Government's economic growth and poverty reduction strategy, its National Development Plan, and to the EC's assistance under ENPI. The Southern Mediterranean region also has to deal with the problem of poverty; however, societies in this region, usually based upon religious values of solidarity, are more redistributive and the percentage of citizens living in poverty is smaller than the global average. EC assistance through ENPI focuses on support to administrative, economic and social reforms, strengthening institutions and mitigating the social effects of the transition process. The sustainability of socio-economic development is often included as the priority for EC assistance. However, coherent national strategies and commitment to reform in this area are needed.

1.9. Sectoral policy / strategy developments

Human and social development

A thematic strategy for human and social development, *Investing in People*, was adopted on 10 May¹⁶ for the period 2007–2013. Driven by the ambition to help partner countries to achieve the MDGs, and with an overall budget of €1.06 billion in 2007-2013, the strategy proposes to support activities under four main pillars: good health for all, education, knowledge and skills, gender equality, and other aspects of

¹⁶ C/2007/1957

human and social development (including social cohesion, employment, decent work, children and youth, and culture).

To promote the development of skills, knowledge and quality higher education, an Erasmus Mundus External Cooperation Window was launched in 2007 (based on the success of the 2006 call for proposals). This window is complementary to and in synergy with the Erasmus Mundus programme and promotes cooperation between higher education institutions and the mobility of students, researchers and academic staff between the EU and third countries. The Erasmus Mundus External Cooperation Window call for proposals published in 2007 (for the academic year 2008-2009) promotes both academic cooperation and mobility of students, researchers and academic staff of the EU and participating ENP countries. Likewise, the Tempus programme continues to contribute to the creation of an area of cooperation in the field of higher education for the period 2007-2013¹⁷. Tempus supports the modernisation of higher education in partner countries in the Western Balkans, Eastern Europe and Central Asia, North Africa and the Middle East. It promotes both the voluntary convergence with EU developments in higher education, deriving from the Lisbon Strategy to create more jobs and growth, and the Bologna Process to establish a European Area of Higher Education.

Working together with Member States and other donors and stakeholders, the Commission played an increasingly central and influential role internationally in education and health. In collaboration with the World Bank and the UK Government to mobilise political commitment to deliver on promises on education, in May, the Commission organised a high level education event *Keeping Our Promises on Education*. As in previous years, the Commission played a key role in the 'Global Fund to fight HIV/AIDS, Tuberculosis and Malaria' (GFATM) to which the EC contributed €100 million in 2007 alone. Total EC contributions have reached €22.5 million over the last 6 years. From May 2006 until April 2007, the Commission held the position of Vice-Chair of the Board of the GFATM. From July 2006 to June 2007 the Commission was also Co-Chair of the 'Education for All – Fast Track Initiative' (FTI) and focused during its chairmanship on promoting donor harmonisation and aid effectiveness as well as on improving the quality assurance of the processes of the Initiative. The financial contribution to these global initiatives on health and education is part of the Commission's political commitment of supporting social sectors under the DCI.

Furthermore, the Commission worked with the G8 Presidency and European G8 members to maintain a strong commitment of the G8 to scaling up efforts to combat HIV/AIDS, tuberculosis and malaria and to strengthen health systems. A policy initiative, conceptualised by the Commission Delegations, was launched, in the context of the *European Programme for Action to Confront HIV/AIDS, Malaria and Tuberculosis through External Action (2007-2011)*¹⁸, to strengthen the response to the HIV/AIDS crisis in Southern Africa. On 1 December, the Commission collaborated with the EU Presidency and Member States on the EU Statement *Keeping the Promises to Stop HIV/AIDS* for World AIDS Day.

¹⁷ <http://ec.europa.eu/tempus/>
¹⁸ COM(2005)179 final

A joint Communication of Directorate Generals Education and Culture, Development and External Relations on Culture *European Agenda for Culture in a globalizing world* was adopted in May¹⁹. This document highlights the role of culture in Europe and in EU external relations and proposes objectives for a new common EU agenda for culture. On the one hand, the paper recommends a twin track approach that systematically integrates the cultural aspect in all external policies, projects and programmes, while enhancing the sustainability of our actions through better understanding of the cultural context of our partner countries. On the other hand, the paper proposes to fund cultural actions that contribute to the preservation of cultural heritage as well as to the emergence of viable cultural industries. The Communication aspires to set up an EU-ACP cultural fund for the strengthening of distribution and production of ACP cultural goods and services.

Agriculture

The Commission has enhanced its engagement in agricultural development with African institutions, particularly the African Union Commission (AUC) 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, natural resource management and early warning systems for food security. On 24 July, the Commission adopted a Communication *Advancing African Agriculture*²⁰. As confirmed by the Council Conclusions adopted on 20 November, the EU will support agricultural development in Africa in the framework of a long-term cooperation with the African organisations at regional and continental level that are coordinating the Comprehensive African Agricultural Development Programme (CAADP). This support, based on seven priorities aims to reinforce the sector growth, namely through improving agricultural policies and governance. The Commission also organised, with the German Presidency, the second European Forum on Sustainable Rural Development in Berlin from 18 to 21 June. The theme was "Sustainable growth and poverty reduction in rural Africa: how can Europe be a more effective partner?"

The Commission continued its work on implementation of the 2004 *EU Land Guidelines*²¹, continuing its dialogue with major actors such as the AUC, 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. In 2007, the Commission fully restored its partnership with the Consultative Group on International Agricultural Research (CGIAR) and strengthened its cooperation with IFAD.

In the context of the accompanying measures for Sugar Protocol countries, established to cushion the impact of the reform of the EU sugar regime, on 18 April the Commission decided on the indicative allocation of the available budget between eligible countries. It also adopted support strategies for the last five of eighteen countries concerned, and proceeded with the implementation of its support for the others.

¹⁹ COM(2007)242 final

²⁰ COM(2007)440 final

²¹ http://ec.europa.eu/development/icenter/repository/EU_Land_Guidelines_Final_12_2004_en.pdf

Food security

On 4 May the Commission adopted the food security thematic strategy and its multi-annual indicative programme 2007-2010. This strategy plays a central role in the implementation of EC food security policy which complements the humanitarian and the geographical approaches, in crisis situations and in development contexts respectively. The thematic strategy aims to reduce 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).

Environment

On desertification the Commission actively contributed to the preparatory work, and the adoption at the 8th Session of the UNCCD Conference of the Parties (CoP-8) in September 2007 in Madrid, of the UN Convention to Combat Desertification (UNCCD) progressive reform package. The *Ten-Year Strategic Plan and Framework to Enhance the Implementation of the UNCCD* establishes the principles for a streamlined and consistent operational structure for the UNCCD with clearer roles for the various institutions and bodies, timely management tools and results based management allowing matching of resources to objectives and deliverables.

As the 2001 Environment Integration Strategy was due for review, and also in response to the Special Report of the Court of Auditors on the Commission's performance in the area of environment in development, an inter-service group on environmental integration in development cooperation was created. Public consultations were held on the key elements and priorities of a possible EU-wide strategy in this area. Meetings were also held with Member States and development partners during the first part of the year to discuss progress on the environmental dimension in the 10th EDF.

On 20 June, the Commission adopted the thematic strategy for the environment and sustainable management of natural resources, including energy (ENRTP) and its multi-annual indicative programme 2007-2010. This strategy aims to integrate environmental protection requirements into the EC's development and other external policies as well as to help promote its environmental and energy policies abroad in the common interest of the EU and partner countries and regions. It includes two new initiatives related to climate change and renewable energy; the Global Climate Change Alliance (GCCA), and the Global Energy Efficiency and Renewable Energy Fund (GEEREF). The strategy addresses challenges that have a profound effect on the lives of poor people, in particular rapidly degrading key ecosystems, climate change, poor global environmental governance and inadequate access to (and security of) energy supply. It is characterised by flexibility in the choice of implementing partners, allowing partnerships with, among others, community-based organisations, research organisations, civil society, the private and financial sectors and international bodies and organisations.

In September, the Commission issued the Communication *Building a Global Climate Change Alliance between the EU and poor developing countries most vulnerable to climate change*. The GCCA aims to deepen dialogue that adds to a shared vision for a post-2012 UN climate change agreement, exchange of experience, and the advancement of concrete cooperation on climate change adaptation and mitigation between the EU and the most vulnerable countries, in particular Least Developed Countries (LDCs) and Small Island Developing States (SIDS). The European Development Days in Lisbon (7-9 November) were a first occasion for the EU to present this initiative.²²

The EU Action Plan for Forest Law Enforcement, Governance and Trade (FLEGT) is the European Union's response to illegal logging and associated trade. The Action Plan proposes voluntary partnership agreements (VPA) between producing countries and the EU. These VPA are legally binding agreements by which the partner country and the EU commit to work together to promote better forest governance, law enforcement and implement a timber licensing scheme. In 2007, Indonesia, Malaysia, Ghana and Cameroon formally started negotiating with the Commission on a VPA. Congo, Central African Republic, Gabon, Liberia have indicated they are keen to enter into a partnership agreement and are now preparing for this. The Commission, together with Member States, has responded favourably to these requests and is actively supporting the consultative and policy processes at national level.

Infrastructure

The EU-Africa Partnership on Infrastructure was launched by the AUC and the European Commission at the African Union Headquarters in Addis Abba on 24 October. The main focus of the Partnership is trans-boundary, regional and national infrastructure: transport, water and energy infrastructure as well as ICT networks. By facilitating continental interconnectivity and strengthening regional networks, the partnership is a coordinated EU response to NEPAD's Infrastructure Action Plan and Africa's goals of regional integration, economic growth, and increased trade to reach the MDGs.

Strong stakeholder commitment at the launch of the partnership resulted from a closer dialogue between the European Commission, the AUC and the Regional Economic Communities, which serves as a sound foundation for advancing the coordination and alignment of infrastructure policies and strategies at a continental and regional level. Policy development within the partnership is led by the AUC and strongly supported by the European Commission in terms of capacity building and skills enhancement. In support of interconnectivity, start-up funding is provided to develop continental priorities and infrastructure corridors and networks.

Working within the integrated framework of the partnership has enabled the European Commission to foster linkages between the programming of 10th EDF national and regional programmes and the objectives of the EU Infrastructure Trust Fund, administered by the European Investment Bank. This innovative trust fund blends grants and loans, which leverages additional finance for infrastructure. The

²² For details, see feature article *Climate Change in Development and External Assistance*

approach has strengthened dialogue with EU Member States and European development financial institutions, facilitating coordinated efforts to scale up aid to African infrastructure.

Water and sanitation

The policy focus in water and sanitation has been principally to enhance coordination between the Commission and the Member States. Following an independent review of the EU Water Initiative (EUWI), a multi-stakeholder platform to catalyse coordinated EU support for water and sanitation, new measures are producing better coordination at headquarters and at country level, and more effective streamlining of EC and Member State activities. The African component of EUWI has developed a constructive dialogue between the African Ministerial Council on Water and the EU on the African-EU Strategic Partnership on Water Affairs and Sanitation, a Partnership signed by Heads of State in 2002.

Increased efforts to maintain the national policy dialogues in Ethiopia, Congo Brazzaville and the Central African Republic produced improved coherence between water and growth and poverty reduction strategies. The EUWI Finance Working Group focused on capacity building and methodologies for developing sector financing strategies. Support to transboundary water management was enhanced through activities supported by the ACP-EU Water Facility and through the EU-Africa Partnership on Infrastructure. Within the Partnership, the water component focused on river basins prioritised by NEPAD in its 2005 Infrastructure Action Plan for Transboundary Water Management (Niger, Senegal, Congo, Lake Chad, Nile, Okavango and Zambezi) and on expanding support for other basins. Support covers the establishing and developing of basin authorities, capacity building as a necessary foundation for sustainable infrastructure development and contributing to project preparation and implementation. The Latin American component of the EUWI is taking shape with the continued implementation of water development projects as well as international research collaborations addressing the systems and basin management aspects.

Energy

Energy access, energy security and concerns on climate change are the central policy challenges. The Commission increased its efforts to enhance coordination and synergies in the energy sector and the concerns on climate change – as demonstrated during the European Development Days conference held in Lisbon in November. These efforts were supported by the Council Conclusions of 14 May and the launch of the Africa-EU Energy Partnership at the Lisbon Summit in December. Consequently, the EU Energy Initiative is becoming a strengthened platform for better coordination and more streamlined EU Member State and EC support to the sector. Similarly, an enhanced dialogue with the AUC and the Forum of Energy Ministers of Africa (FEMA) produced an Action Plan for 2008-2010 for the Energy Partnership.

EC support to energy has increased with its inclusion as a priority area in the EU development policy (the European Consensus), and the awareness created by the ACP-EU Energy Facility as well as the energy component of the EU-Africa Partnership on Infrastructure. Energy is a development sector in 16 countries of the

10th EDF Indicative Programmes, half being in Africa. Additional support to energy is included in the thematic programme on environment and sustainable management of natural resources, including energy (ENTRP).

Transport

Policy and strategy development has continued to strengthen the sectoral approach for delivery of affordable, safe and sustainable transport through developing sector programmes, wherever possible financed by sector budget support. Within the framework of the EU-Africa Partnership on Infrastructure, emphasis was given to increasing complementarity between 10th EDF national and regional programme to develop the Trans-African Transport Corridors, thereby enhancing interconnectivity between countries and regions. These efforts have led to transport being a focal development sector in 38 ACP countries so far, of which 35 are in Sub-Saharan Africa.

The European Commission continued as the lead donor of the Sub-Saharan Africa Transport Policy Programme (SSATP). SSATP is a partnership of 35 Sub-Saharan countries, Regional Economic Communities and donors that facilitates the development of transport policies and implementation strategies to strengthen economic growth and reduce poverty. It is recognised as a key policy instrument of the AU-NEPAD Infrastructure Action Plan and of the EU-Africa Partnership on Infrastructure.

The European Commission enhanced its coordination with the other two main financiers of transport in Africa, the African Development Bank and the World Bank. Coordination was pursued on a bilateral basis and by participation in the G8-created Infrastructure Consortium for Africa, which in 2007 had transport as its thematic focus. This international coordination, linked with well-developed country sector-wide coordination, fosters the ownership, alignment and harmonisation principles of the Paris Declaration.

New technologies

Policy development has focused on continued advocacy of the role new technologies play in contributing to economic growth and delivery of social services. The Commission's strategy gives priority to increasing access to affordable broadband telecommunications. Working closely with international partners, the Commission was able to support the management and financing arrangements that accelerated efforts to extend a broadband telecommunications loop to maritime and land-locked countries in Eastern and Southern Africa – the “EASSy” submarine cable. Similarly, coordination with the European Space Agency provided strategic support to advancing satellite-based telemedicine applications in Africa.

The EU-Africa Summit in Lisbon boosted progress with Global Monitoring for the Environment and Security (GMES) and marked the initial steps towards an Earth Observation Programme for Africa. It also created an EU-Africa Partnership on the Information Society, Science and Space Technologies (I3S) - an integral part of the EU-Africa Joint Strategy. Increased efforts were undertaken to prepare for “2008 Africa – the Year of Science” with a focus on capacity building in science and technology in the ACP States, and a cooperation agreement with the International

Telecommunications Union for creating a unique Telecom Regulation Framework in Africa.

Within the framework of the EU-Africa Partnership on Science (Lisbon 2007), the Commission launched an enhanced dialogue with EU Member States that aims to develop a strategy for Innovation, Research, Sciences and Technologies to better respond to Africa's development. This Partnership on Science needs to build on the existing African Science and Technology Consolidated Plan of Action.

1.9.1. ENP

Important progress was made in the implementation of the European Neighbourhood Policy (ENP), a comprehensive policy framework encompassing the strengthened relations between the Union and 16 of its southern and eastern neighbours. Two new Action Plans were agreed, with Lebanon in January and Egypt in March, bringing the total amount of the ENP Action Plans to twelve.

The first ENP Ministerial Conference, entitled "Working Together – Strengthening the European Neighbourhood Policy", was organised in Brussels on 3 September. The event was attended by all EU and ENP states and gathered more than 700 participants representing the governmental sector, non-governmental organisations and business groupings. Discussions focused particularly on opportunities for trade liberalisation, mobility and the challenges of climate change and energy security in the ENP area.

On 5 December the Commission presented the Communication *A strong European Neighbourhood Policy*²³. Recommendations include increasing the EU "offer" on economic and trade integration with the partners, reducing obstacles to short-term travel, facilitating more exchanges and tackling frozen conflicts in the ENP area more vigorously. In the Mediterranean region, the EU pursues its objectives within the overall framework provided by the Euro-Mediterranean Partnership.

Following the latest round of enlargement, bringing the EU borders to the Black Sea, in April the Commission adopted a Communication introducing the "Black Sea Synergy", a regional cooperation initiative for the Black Sea region. The official launch of the Black Sea Synergy will be marked by the Black Sea Region and the EU Ministerial Meeting on February 14, 2008 in Kiev.

Relations between the EU and the Russian Federation remain distinct from the ENP. In 2007 two summit meetings between EU and Russian leaders took place. The focus of relations was on implementation efforts and negotiation of a new overall EU-Russia agreement. The Commission also continues its involvement in regional cooperation in Northern Europe and the Barents Region through activities within the framework of the Northern Dimension.

1.9.2. Aid for Trade

At the WTO Ministerial held in Hong Kong in 2005, the European Union pledged to raise its support for Trade-Related Assistance to €2 billion per year from 2010 (€1

²³ COM(2007)774 final

billion from the Community aid budget and €1 billion in bilateral aid from the Member States) as a contribution to the collective efforts of donors and developing countries to increase the production and trade capacities of developing countries. During the year, intensive discussions between Member States and Commission experts took place to shape a common strategy enabling the Union to deliver an effective, coherent and co-ordinated response to the partner countries' trade-related priorities. On 15 October, the Council adopted the "EU strategy on Aid for Trade". The Commission and Member States are now working on the concrete follow-up activities, including linking these orientations to the ongoing programming processes for the ACP countries, in order to rapidly deliver on the strategy. So as to ensure a wide geographical coverage of EU Aid for Trade, similar efforts will be made in other regions.

The strategy is an important complement to active trade negotiations on multilateral, regional and bilateral levels, such as the Doha Development Agenda and the Economic Partnership Agreement negotiations. It addresses relevant broader issues, covering classic Trade-Related Assistance (including assistance in the fields of trade policy and regulations and trade development) as well as assistance to efficient capacity building related to trade infrastructure and trade adjustment issues, i.e. to contribute to partner countries' efforts to mitigate fiscal effects of trade liberalisation.

In addition to increasing the volumes of its assistance devoted to Trade-Related Assistance and wider Aid for Trade, through the implementation of this strategy the EU expects to enhance the quality of its aid. It aims to render its Aid for Trade more pro-poor, to specifically promote regional integration processes (in particular of the ACP countries, for which around 50% of the increase in TRA is to be made available), and to strengthen EU capacity to deliver aid effectively using more joint planning and delivery approaches under country and regional leadership. The strategy contains provisions to monitor its implementation by the Commission and the Member States and to report on results.

1.10. Outlook 2008 (conclusions and perspectives)

The priorities and focus for the European Commission's development policy in 2008 will be articulated around five main policy documents: a package of Communications on EU development policy; a Communication on economic development and regional integration; a Communication on the implementation of the Joint EU-Africa Strategy; a Communication on EU-Africa-China cooperation and a Green Paper on future relations with Overseas Countries and Territories.

A Communication on development policy, *The EU as a global partner for development: doing more, better and faster*, will outline the EU contribution to the Third High Level Forum on Aid Effectiveness (Accra, September 2008) and to the Follow-Up Conference on Financing for Development to Review the Implementation of the Monterrey Consensus (Doha, November-December 2008). It will also address policy coherence for development issues, drawing lessons from the debate on the first EU report on this topic issued in September, Aid for Trade and the state of play regarding the MDGs. The Communication will be supported by policy papers covering the five themes.

With regard to aid effectiveness, it is expected that the High Level Meeting in Accra in September 2008 will provide a unique platform for the EU to demonstrate its performance, as well as an opportunity to involve non EU-donors in applying the recently approved EU Code of Conduct on Division of Labour among donors. A comprehensive paper will include a declaration on the need for division of labour, the Code of Conduct, some positive examples of applying the Code in selected countries, a compendium on best practices in the division of labour and reporting on the Member States' and the Commission's self-assessment of comparative advantage, the achievement of the additional commitment and the Commission's performance. Concerning the Monterrey commitments, the High Level Meeting in Doha in December 2008 will review progress on the commitments made in 2002 on financing for development. The report prepared by the Commission will cover the whole range of EU commitments.

A Staff Working Paper on policy coherence for development will draw lessons from the discussions on the first EU Policy Coherence for Development report (issued in September) and will present more specific and concrete recommendations to enhance the coherence of EU policies with development objectives in three policy areas, namely migration, research and climate change. The development package will also include a monitoring report on the implementation of the EU Aid for Trade Strategy adopted in 2007. This document will cover the activities of the Member States and the Commission in supporting trade in partner countries and will assist in tailoring EU support to achieve the overall Aid for Trade strategy objectives by 2010. Finally, an annex on the MDGs will provide an assessment of progress so far, outlining the policy and institutional context as well as several key focal areas for action.

The second policy document is a Communication on economic development and regional integration in the ACP. The paper will consider the best approach to foster economic development and regional integration in the ACP, with a strong focus on private sector development. The objective will be to develop a strategy to ensure complementarity of actions and instruments existing at EU and Member States level.

The third pillar will be a *Communication on the Implementation of the Joint EU-Africa Strategy: concrete follow up measures to the Joint EU-Africa Strategy*. The document will present the second evaluation of the implementation of the EU Strategy for Africa. It will integrate the priorities identified in the first action plan implementing the Joint EU-Africa Strategy and set the necessary guidelines for their implementation. The Communication will be based on a questionnaire circulated to Member States in early 2008 to create an EU monitoring document. Synergies with the Monterrey Communication will be ensured.

The fourth Communication will be on *The EU, Africa and China – cooperation for Africa's peace, stability and sustainable development*. It aims to articulate an innovative agenda for a trilateral dialogue and cooperation as a response to major new developments in the EU's relations with both partners and South-South cooperation. The impacts on security, stability, sustainable development in Africa and on global governance, notably of China's emergence as a leading partner for Africa in the past few years, require a policy response by the EU and an effort to improve the coherence of our agendas regarding both Africa and China. It will propose a constructive dialogue, cooperation and ways to manage competition in

such a way as to make it beneficial to peace, prosperity and sustainable development in Africa.

The fifth priority will be a Green Paper on the future relations between the European Union and the Overseas Countries and Territories (OCT). This will be a discussion document intended to stimulate debate and to launch a consultation process. The Green Paper will put options on the table and constitute a basis for discussion about a modernisation of the OCT-EU association. It is intended as a preparation of a substantial revision of the Overseas Association Decision, within the limits of the EC Treaty.

Finally, the Commission will produce a Communication on local governance and development, which will also be the focus of the European Development Days in 2008.

2. IMPLEMENTATION

2.1. European Neighbourhood and Partnership

2.1.1. Bilateral cooperation

2.1.1.1. Introduction

This was the first year of implementing assistance to the EU's neighbours through the European Neighbourhood and Partnership Instrument (ENPI). ENPI provides the framework for Community assistance in support of the relations with 16 ENP partners, with the Russian Federation and for cross-border cooperation programmes on the EU's external border. The overall budget for cooperation with neighbouring countries for the period 2007–2013 stands at €12 billion (€1.2 billion from ENPI and the rest from thematic programmes and instruments). This constitutes a 32% increase in real terms from the previous budget period.

All the country strategy papers for the period 2007-2013, as well as the regional South and East and the Interregional and Cross Border Cooperation (CBC) strategy papers were adopted in March. These define priorities for financing and allocations for each of the programmes. To enhance ENPI's effectiveness, the Commission established additional financial mechanisms during the year. A Governance Facility provides additional support to countries making particular progress in the implementation of reforms. A Neighbourhood Investment Facility pools grant resources to leverage investment in partner countries from European development and finance institutions. The introduction of a policy-driven single instrument, managed on the basis of uniform programming and implementation principles for all beneficiary countries and endowed with increased resources, allowed for a more ambitious and coherent policy towards all of the EU's neighbours in the east and in the south. It also strengthened the integrated nature of the European Neighbourhood.

Bilateral relations

The implementation of the ENP Action Plans of Armenia, Azerbaijan and Georgia, adopted in 2006, is already underway. The region enjoyed substantial growth in 2007, fuelled by oil and energy-related activities, but limited redistribution of wealth

remained a matter of concern. The unresolved conflicts in Nagorno Karabakh, South Ossetia and Abkhazia continue to undermine regional stability and significantly hamper development. In addition, in December clashes with the opposition and street riots led to early presidential elections in Georgia.

Moldova made significant progress in implementing reforms based on the EU-Moldova ENP Action Plan. It concluded Visa Facilitation and Readmission Agreements with the EC, which entered into force on 1 January 2008, and a Common Visa Application Centre was opened under Hungarian leadership in Chisinau in April 2007. The EU granted Moldova additional Autonomous Trade Preferences which entered into force on 31 January 2008. The EU continued its active involvement in the Transdnistria settlement efforts. The mandate of the EU Border Assistance Mission to Ukraine and Moldova (EUBAM) was extended until 2009. Negotiations on a new Enhanced Agreement between the EU and Ukraine started in March. Agreements on Visa Facilitation and Readmission entered into force on 1 January 2008. There was positive cooperation on foreign policy and substantial progress on energy cooperation. Although the year was marked by long pre- and post-election periods of instability, which slowed down the pace of implementation, the ENP Action Plan continued and Kiev received an additional financial allocation from the ENPI Governance Facility.

As the Russian Federation is not part of the ENP, financial cooperation between the EU and Russia was geared towards the implementation of the "four Common Spaces" of the EU-Russia Strategic Partnership – a framework for the bilateral cooperation. The EU maintained special interest in supporting the development of neighbouring Kaliningrad Oblast.

Most of the economic and social reforms supported in the ENP Action Plan with Tunisia made good progress. Meetings of six subcommittees took place, including a first meeting of the subcommittee on human rights and democracy. Furthermore, in November the EU-Tunisia Association Council met for the first time in two years. Implementation of the ENP Action Plan with Morocco continued to make progress and sub-committees met regularly. In July the EU-Morocco Association Council decided to launch a reflection process on the strengthening of bilateral relations. As a reward for successful implementation of the reforms, Morocco received an additional financial allocation from the Governance Facility.

The Egypt ENP Action Plan was adopted in March. Assistance will focus on reforms in the areas of democracy and human rights, competitiveness and the sustainability of development. Negotiations on a Memorandum of Understanding between the EU and Egypt on a Strategic Partnership on Energy were concluded and Egypt hosted the "EU-Africa-Middle East Energy Conference" in Sharm-el-Sheik. EU-Israel relations developed further, resulting in Israel's participation in the 7th Framework Programme for Research and Development, in the Entrepreneurship and Innovation Framework Programme as well as in establishment of the EU-Israel business-to-business dialogue. Jordan made further progress with the implementation of its ENP Action Plan. A second round of sub-committees was held, including a dialogue on human rights. The Commission and Jordan stepped up cooperation in the energy sector and signed a Joint Declaration. The adoption of the Action Plan in January marked the launch of the ENP in Lebanon. In addition, the Commission devoted its attention to

the implementation of the financial package of €50 million for actions aiming to reinvigorate and rehabilitate the country after the 2006 military conflict.

The Commission continues to be the largest donor of assistance to the Palestinians. Together with support granted through international organisations and numerous NGOs, EC support to the Palestinian people reached an unprecedented amount of €50 million. In June the EU resumed normal relations with the Palestinian Authority, including the resumption of financial assistance. The Temporary International Mechanism (TIM) continued to provide vital assistance directly to the Palestinian population. The Commission continued to respond to the difficult socio-economic situation in the Hamas-controlled Gaza Strip, but difficulties in access significantly hamper the assistance.

The EU also continued its cooperation with those countries that have, heretofore, no legal agreements providing the basis for ENP relations. In relations with Algeria, priority was given to putting the Association Agreement's potential into practice. In April the second Association Council meeting was held. The technical subcommittees met regularly and worked effectively. However it is still premature to anticipate the adoption of an ENP Action Plan by Algeria. Relations with Libya developed. In October the Council requested the Commission to submit draft negotiation directives with a view to a future EU-Libya framework agreement. The negotiations are expected to start in 2008. Political relations between the EU and Syria remained tense in 2007, but efforts were made to ease them, including a visit by Javier Solana to Damascus. No progress was made regarding the Association Agreement. Nonetheless, the Syrian government continued to implement economic reforms. No real progress was noted in Belarus. The EU continued its sanctions against the Belarusian government and – after persistent violations of trade unions rights – withdrew the Generalised System of Preferences. Only some technical talks between the Commission and Belarus were held on energy and transport. Intensification of contacts might follow if the political situation permits. Belarus is offered to fully benefit from ENP if it takes convincing steps towards democratisation.

2.1.1.2. Aid effectiveness and donor coordination

In most of the countries of the ENPI region enhanced donor co-ordination with a view to creating strong synergies and linkages between the various EC programmes and the programmes of other donors is well established. This is usually achieved through coordination with IFIs (including the EBRD, EIB, World Bank and the African Development Bank) or cooperation with EU Member States.

In the ENPI-South region, the successful implementation of the Temporary International Mechanism (TIM) serves as a good example of what effective donor coordination can achieve. The Member States and the Commission have channelled most of their aid in favour of the Palestinian population through the TIM since mid-2006. That year, the Commission committed a total amount of €389 million for the TIM; Member States and other donors contributed an amount of €131 million. Implementing the TIM continued to be a collaborative effort with strong co-ordination locally complemented with co-ordination in capitals. Based on the lessons drawn from the TIM's success, a new instrument will be put in place in 2008 making full use of the existing local coordination groups in full liaison with the Palestinian

Authority administration, the Office of the Quartet Representative and the Ad Hoc Liaison Committee structures.

In the ENPI-East region, donor coordination is improving, with regular exchanges between the Commission, Member States and international donors often hosted by the local Commission Delegations. Appropriate coordination mechanisms are being created in several countries. For example, this year donor coordination and harmonisation in Moldova further benefited from the Development Partnership Framework signed in 2006 between the government and key donors, including the Commission. It contains performance indicators for both government and external partners to assess progress towards measures for increased aid effectiveness. In addition, this year Ukraine joined the Paris Declaration. However, government-led donor coordination is still weak in the region. From 2008 there will then be full-fledged Commission Delegations in all Eastern ENPI countries, which will further enhance the coordination process.

2.1.1.3. Working towards the MDGs

ENPI gives a high priority to the promotion of sustainable development and fighting poverty, including through measures leading to the progressive participation of beneficiary countries in the EU's internal market.

Based on monitoring results, it appears that 72% of active projects in ENPI-South countries directly or indirectly address one or more MDGs. MDG 8 ("developing a global partnership for development") is best represented in the Mediterranean region, with 65% of the monitored active projects falling into this objective. A high proportion of the projects focused on the development of an open rule-based trading and financial system – including the commitment to good governance, development and poverty reduction. MDG 7 concerning environmental sustainability is addressed by 28% of monitored projects in progress. Most of these projects focus on regional integration involving all the partner countries.

In the ENPI-East region virtually all EC projects and programmes are geared to, directly or indirectly, reducing poverty and reaching other MDGs. For instance, support to institutional reform focuses on good governance, which ultimately also represents a benefit for the most vulnerable layers of the population. Specific projects in several countries focus on child protection, e.g. in Moldova and Georgia. To combat HIV in Ukraine, the Commission is funding a project focussing on the armed forces. EC assistance to the vocational education reform in Armenia will lead to a reduction in unemployment and thus reduce poverty. The special North Caucasus Programme has a strong component to support primary education.

2.1.1.4. Regional cooperation and integration

ENPI programmes for regional cooperation play an important role in fostering cooperation between countries on issues of mutual interest, both in Eastern Europe and the Mediterranean basin.

This year, €7.4 million was made available for regional cooperation with Mediterranean partners on a variety of projects. The Commission continued to support civil society initiatives in support of the Peace Process through a new allocation for the Partnership for Peace programme, which encourages cooperation

between Israeli and Arab people through several civil society initiatives. A new programme provides support to regional disaster preparedness, building on earlier Commission-supported pilot projects. Its aim is to reinforce prevention capacity at regional and local level in the wake of man-made natural disasters. Other programmes approved this year focus on women's rights and support civil organisations, and the promotion of Mediterranean cultural heritage. Finally, the Commission made available €32 million in support of the multi-lateral investment fund for the Middle East, FEMIP, which will allow the EIB to provide technical assistance as well as risk capital support both through direct investments as well as increasingly through participations in regional funds.

New regional programmes in partner countries along the Eastern border of the EU received funding this year. These include programmes to support the beneficiary countries' administrations in the implementation of air and land transport safety and security measures, to deepen the integration of the energy markets in the region and to develop energy efficiency and renewable energy more extensively. A new programme started on sustainable forest management to strengthen the rule of law in this field. The successful European Union Border Assistance Mission to Moldova and Ukraine (EUBAM) was also financed. The Commission will also intervene in Belarus in order to destroy the country's stockpiles of anti-personnel landmines.

Other activities continued in 2007 in the domains of natural resources, energy and transport. Several projects deal with the use and preservation of water resources, the improvement of water governance or the integrated trans-boundary management of river basins in the region. A specific programme supports energy cooperation between the EU, the countries bordering the Black and Caspian Seas and their neighbours. This year it focused on the convergence of energy markets, the enhancement of energy security, sustainable energy development and the raising of investment in energy projects of common and regional interest. Progress was made to improve international transport in the Black Sea region, the Caucasus and Central Asia. Ambitious projects were launched to improve maritime links with the neighbouring countries, notably through the development of 'Motorways of the Seas' for the Black and Caspian Seas. Specific expertise was also dedicated to the transport of dangerous goods and LPG along the TRACECA corridor, while intensive training and support was provided to the region's freight carriers. The objective is to create an effective transport market involving the EU and its neighbours. Finally, through a pilot project launched this year, the Commission provided 35 scholarships for the academic year 2007-2008. These will enable university graduates from ENP countries and Russia to pursue a Master's in European Integration at the College of Europe so as to further develop their professional skills and to enable them to better understand the European Union.

2.1.1.5. Implementation

2007 was a transition year, marked by the adoption of annual action programmes in the new ENPI framework for all Southern and Eastern countries. In total, €1.7 billion in assistance was decided in favour of the 17 countries of the Eastern and Southern border of the Union from the 2007 EC Budget. In the Eastern ENPI countries, the annual action programmes included energy sector reform in Ukraine and Azerbaijan, with particular attention to energy efficiency and sustainability; poverty reduction in Moldova, with special attention to the reform of the social assistance sector; and

fighting unemployment in Armenia, where the Commission uses sector support to contribute further to the development of vocational education and training. For ENPI-South, new programmes focused mainly on support to social sectors, including basic health and education (around 40%) and economic issues (around 30%); but also governance, regulatory framework and capacity building (around 24%), and energy and environment, including demining actions (around 6%).

As under the MEDA regulation, the Maghreb countries continued to be important beneficiaries of Commission support. Morocco faces important social challenges. Programmes were supported to fight poverty, and to provide medical insurance for the poorest, alphabetisation and non-formal education. Support for administrative reform, including the modernisation of human resources management and decentralisation continued. Tunisia obtained new support for accompanying the implementation of the Association Agreement and the Action Plan, building on a similar programme operational since 2004. Thus, Tunisia continues to benefit from twinning programmes with a view to enhancing and modernising its administrative capacity. The same objective is pursued with a new programme that promotes the modernisation of public finance management by introducing 'budgeting by objective'. Two other new programmes, an environment and energy programme and interest rate subsidy in support of industrial de-pollution, are intended to enhance sustainability. Cooperation with Algeria was given new impetus through the adoption of two new programmes. The first supports the development of small and medium-sized enterprises, building on an earlier programme which has supported over 400 Algerian SMEs. The second concerns the modernisation of prisons by modernising imprisonment conditions and supporting vocational training and re-integration. The Commission made available another €2 million to Libya in support of the EU-supported HIV/AIDS Action Plan for Benghazi.

Egypt remains one of the main beneficiary countries of the ENPI-South region. A substantial package was committed to support the Education Sector Policy Support Programme, a coordinated multi-donor effort in support of comprehensive education reforms that emphasises decentralisation, quality improvement and higher efficiency. To support implementation of the ENP action plan adopted in March, additional funds were made available for twinning programmes. Recent examples of twinning actions have been in the field of Tourism, Postal Management and Maritime Safety. In Lebanon, socio-economic development was much affected by the persistent political deadlock. In addition, the loss of life and extensive damage to the Nahr el Bared Palestinian refugee camp affected the stability of the country. At the Paris Donors Conference in January, the Commission reiterated its pledge in support of Lebanon's reconstruction and socio-economic reform programme. Under the 2007 bilateral national action programme, Lebanon was granted substantial resources for economic recovery, political reforms, access to finance, and de-mining and clearance of unexploded ordinance.

In Jordan, the Commission continued to support the extensive reform efforts that the government is implementing by approving a National Financing Plan covering three priorities: the development of the services sector and its export capacities through a services modernisation programme; the launching of an ambitious public finance reform programme, and a vital de-mining programme at Jordan's northern border that will make Jordan completely mine-free by 2009. In Syria cooperation focused mainly on economic reforms via a Trade Enhancement Programme to accompany the

opening up and diversification of the Syrian economy. A smaller Business Environment Simplification Programme will assist Syria in simplifying procedures for economic operators, reducing red tape, and improving services to the business community. Lastly, a small envelope was decided in favour of Israel, allowing the launch of the first twinning project in the field of Data Protection.

This was a difficult year for the Palestinian people, with social and poverty indicators continuing to deteriorate. Political developments were significant with the effective take-over of Gaza by Hamas and the formation of a new independent government. These developments directly affected the orientation and implementation of EC assistance. The Temporary International Mechanism (TIM) continued its operations throughout the year in the West Bank and in Gaza, with the Commission, making available €50 million to all areas of the TIM. The Commission also developed a scheme to support economic activity and employment by helping to reduce the stock of arrears of the Palestinian Authority due to the private sector. €20 million have been allocated and payments began this year. In addition, the Commission continued other projects, including its regular and significant support to UNRWA with a €6 million contribution. In East Jerusalem, support was provided for social initiatives. The Partnership for Peace Programme, which aims to promote the Middle East Peace Process through direct civil society relationships, continued. Funds were also made available to improve food security and to support the work of the Quartet Representative. Taken together, total resources made available to the Palestinian people this year amounted to over €50 million.

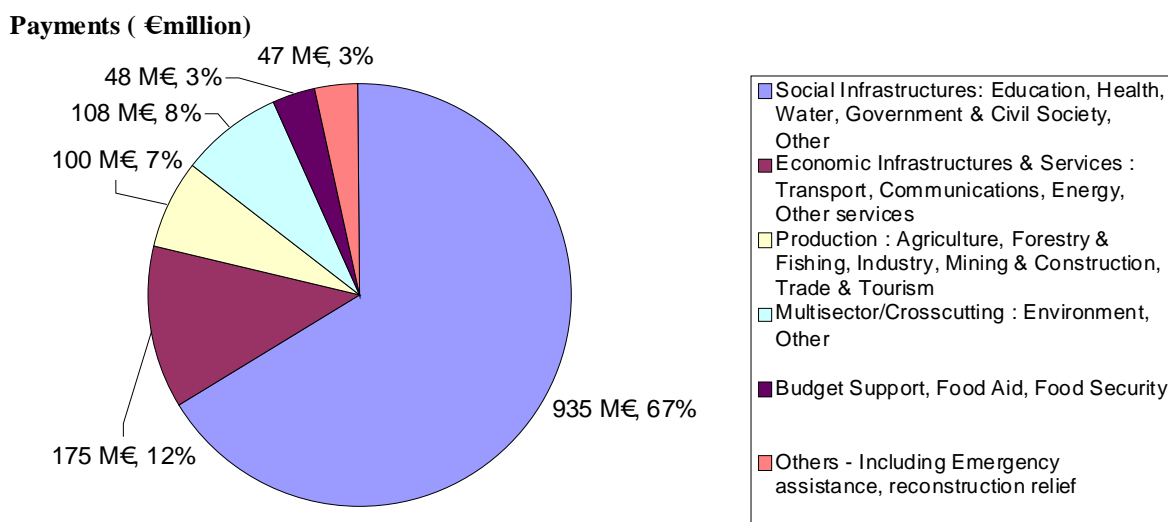
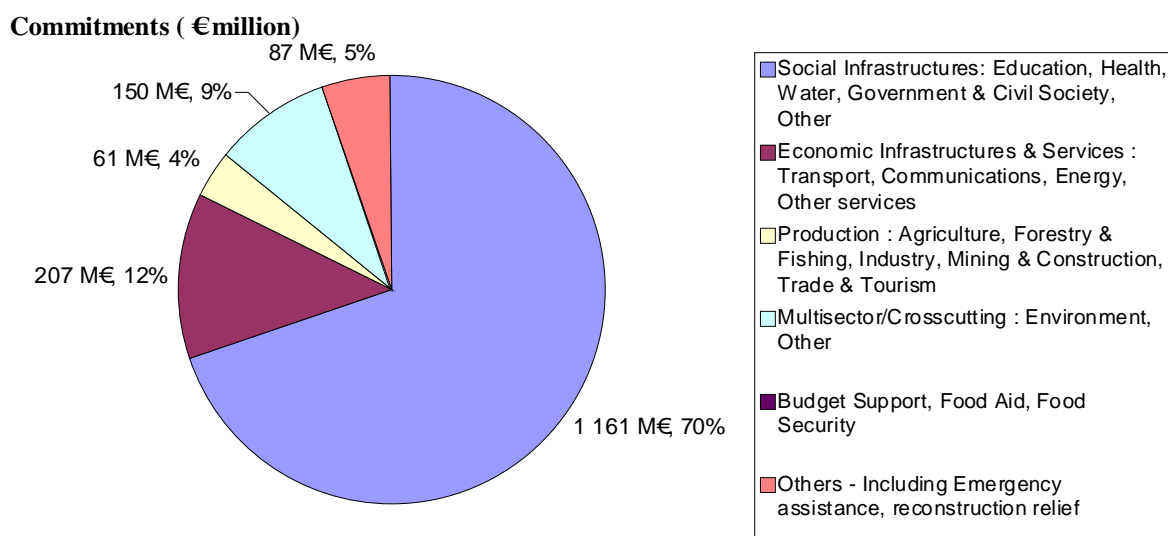
In Russia, the Kaliningrad region remains a major focus of assistance. Due to its location as a Russian enclave within the EU, Kaliningrad has a strategic importance for both Russia and the EU. A major project started to assist the regional government in the implementation of public administration reform and to raise Kaliningrad's profile as a favourable investment destination. Border crossings are also a priority. A border crossing station at the Lithuania-Kaliningrad border now contributes to expanding trade and accelerating the traffic flow between the EU and the Russian Federation, and a new one is being built on the Poland-Kaliningrad border. Another focus for EC assistance to Russia was the special programme for economic recovery for the North Caucasus, implementation of which continued. The health and education components of this programme are now well on their way, and during the year, medical as well as class room equipment was delivered to the region, and many health care specialists and school teachers received training. In the area of environment protection and waste water treatment, the construction of the sludge incineration plant in Saint Petersburg was completed – the largest and most complex investment project ever financed through EU funds.

In Ukraine and Moldova, institutional reform, e.g. establishing an independent, impartial, efficient and professional judiciary, remained an important priority. Legal approximation in Ukraine continued to be supported through the Ukrainian-European Policy and Legal Advice Centre. Economic reforms and the private sector also received backing, e.g. through projects assisting SME in both countries. This year implementation of the first Twinning Facility project in an Eastern ENPI country began in Ukraine in the field of energy sector reform. In Moldova, preparations for twinning are well advanced and the first project is expected to start in 2008. Support to local development was a priority for EC assistance in all regions in Ukraine, with several actions aimed to elevate the infrastructure of municipal services and to

improve local management. Health care reform is another focus. In Moldova, access to essential social services for vulnerable layers of the population, including primary health care and social assistance, was improved by an important EC-funded initiative. In Ukraine, young drug users were assisted through a project aiming to establish a specific system of social services. In Belarus, the Commission continued to provide access for young Belarusians to higher education abroad if they were unable to study at home for political reasons. Support was provided for the independent Belarusian media, for the production of independent radio and TV programmes for Belarusian citizens, and for training journalists. Further assistance included promotion of human rights, support for Belarusian NGOs and local authorities and for regions affected by the Chernobyl disaster.

In Georgia, judicial reform was one of the main priorities for EC assistance. Public finance management reform was also a focus area and a sector support programme was signed. These initiatives focused on the Ministry of Justice and its services and on the Ministry of Finance (including its tax and customs departments). In order to tackle the social consequences of transition, continued support was provided to reform primary health care, concentrating on the Kakheti region. Other sizeable projects in the social domain focusing on specific regions contributed to poverty reduction and economic development. In addition, a large project concerning child welfare reform started. A specific and continuing concern of EC assistance to Georgia was rehabilitation in the Georgian-Ossetian and Georgian-Abkhaz conflict zones. In Armenia, administrative reform was further successfully supported by the Armenian-European Policy and Legal Advice Centre. In the area of education, interventions were mainly aimed to rehabilitate and develop the vocational education system. Reforming child care and child protection were priorities. Regional development projects concentrated on regional development strategies, regional planning and investments for SME, and agricultural development. In Azerbaijan, institutional reform projects focused on the social protection sector and the Ministry of Transport. A major initiative to support regional economic development, ultimately focusing on poverty reduction, has gone ahead, as has a large border management project at the border between Azerbaijan and Iran. Preparations are well advanced for the start of twinning projects in 2008.

Table 1 ENPI-Sector Breakdown by sector of external aid financed on the General Commission Budget managed by EuropeAid in 2007



Bilateral and Multilateral ODA/OA (EuropeAid only).

Table 2 ENPI-Total External aid financed on the General Commission Budget managed by EuropeAid 2007

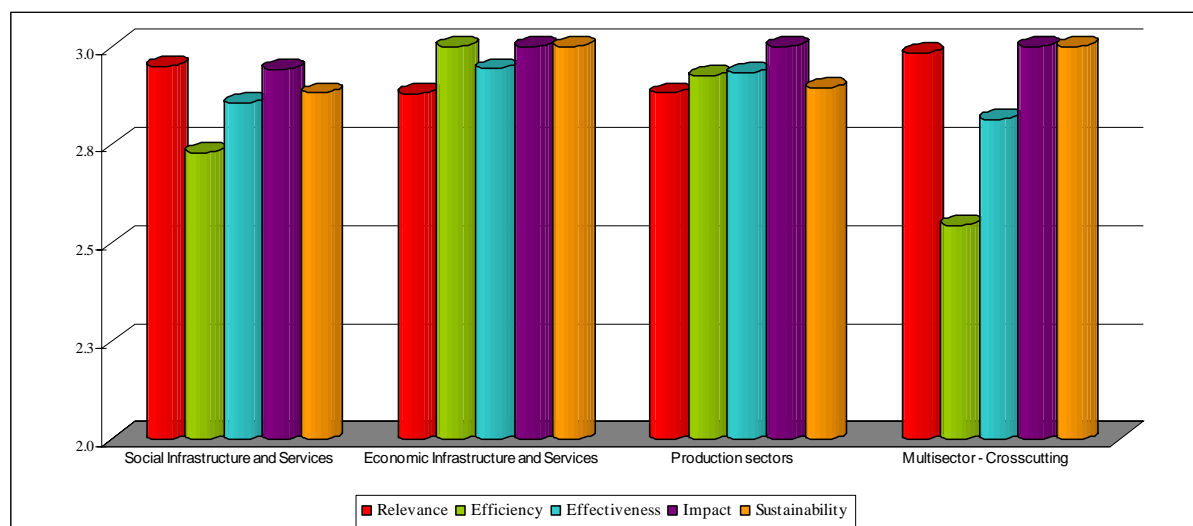
€millions	2007
Commitments	1 666
Payments	1 412

Bilateral and Multilateral ODA/OA (EuropeAid only).

2.1.1.6. Monitoring

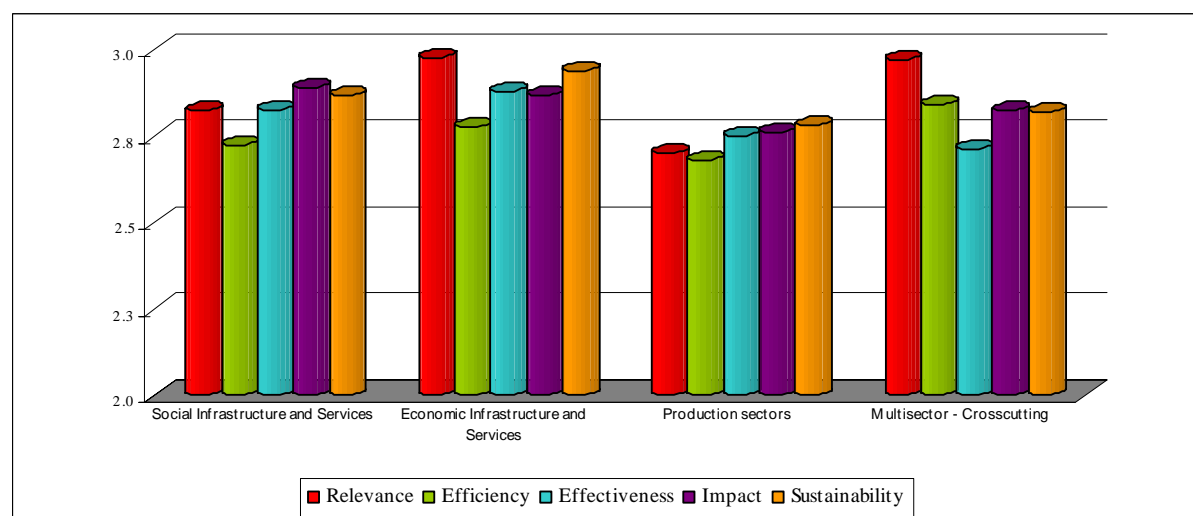
In the Southern ENPI region, external results-oriented monitoring (ROM) was pursued and further developed, capitalising on the results of the previous years. A total of 141 active projects with an overall value of €1.4 billion were monitored (99 national and 32 regional). As in earlier years, particular attention and follow up was paid to projects with serious deficiencies for one or more of the ROM criteria.

Table 3 Southern ENPI Monitoring Results per ODA Sector



In the Eastern ENPI region, 267 projects and programmes were monitored. Programme performance over the period 2003-2007 shows a stabilisation of the overall scores in five main ROM criteria. The average result for the region is 2.84 (out of 4), thus significantly above the statistical average of 2.50 ("on track"). This general positive picture emphasises the conclusion that assistance in the region (the monitored projects and programmes still belonged to the Tacis programme) can be considered effective and sustainable.

Table 4 Eastern ENPI Monitoring Results per ODA Sector



2.1.1.7. Perspectives

This year saw the operational start of the European Neighbourhood and Partnership Instrument (ENPI). Based on the lessons learned as far as 2006, ENPI makes EC external assistance simpler, more coherent and more flexible. It will now come with fewer annual priorities for increased impact, new financing facilities (Neighbourhood Investment Facility, Governance Facility) and new forms of cooperation (Cross-Border-Cooperation, Twinning and TAIEX), and it will be strictly policy-driven, in accordance with the ENP. ENPI funds allocated to Mediterranean and Eastern European countries will continue to depend on their needs and absorption capacity as well as their implementation of agreed reforms.

For both geographic zones, in and beyond 2008 implementation will continue steadily of existing commitments in priority sectors such as energy, transport, mobility, border management, economic integration and trade, regulatory framework and justice reforms, as well as the gradual introduction of the Neighbourhood Investment Facility (NIF). For ENPI-East countries the main change brought about by the new instrument is the intensification of sector budget support. In this context, the indicative sector allocations of the 2008 annual action programmes will focus on e.g. energy efficiency and mutual trade promotion in Ukraine, social and economic development in Belarus, or the justice sector in the three countries of the Southern Caucasus (Armenia, Azerbaijan, Georgia). Overall, good governance, regulatory reform, administrative capacity building, poverty reduction and socio-economic reform continue to be the main priorities for the partner countries in the East, as defined in the respective national indicative programmes 2007-2010.

For ENPI-South countries the cooperation priorities remain coherent with the strategic orientations for 2007-2013, namely to support economic and sector reforms and to promote regional integration with the EU Single Market and among neighbouring countries themselves. In this light, the indicative sector allocations of the 2008 annual action programmes will mainly focus on economic issues like economic diversification and competitiveness in Algeria, Tunisia and Egypt, support to the private sector in Morocco or trade facilitation in Jordan. Support to the social sectors and governance and the regulatory framework will also be prioritised, e.g. the planned health sector reform in Algeria and Morocco and the promotion of good governance in Egypt, as will capacity building, and growth and sustainable development. Finally, in support of the Palestinian Reform and Development Plan announced at the Paris Donors Conference held in December, the EU will implement PEGASE from February 2008. This programme will provide a flexible and effective financial mechanism, replacing the TIM. It will be the Commission's main instrument to deliver financial support to the Palestinian Authority and to the Palestinian population. PEGASE will be open to the participation of EU Member States and other international donors and will operate in the West Bank, East Jerusalem and the Gaza strip.

Integrated social services for exposed families and children in Ukraine

Ukraine has inherited a Soviet system of child-care that promoted the use of large state-run institutions to care for children. However, institutions are almost always harmful for children's development, and although poverty plays a significant part in their admission to residential care, most children are in care for social reasons. To prevent this from happening

and to reduce the number of children placed in boarding institutions, this project has helped to create favourable conditions and develop alternative social services in order to ensure the right of vulnerable children to live in a safe and secure family environment. The project has produced impressive results. In the Kiev region, 135 cases of potential infant abandonment were prevented, 179 children were re-integrated into their biological families, 42 children were placed in foster care and 153 were adopted. The number of social workers has almost tripled and legislation was improved with a particular focus on prevention of family breakdown and a strong requirement for state authorities to act in the best interest of the child.

The Temporary International Mechanism

Initially established in June 2006 by the European Council for a period of three months, the mandate was extended several times. The Commission, 15 EU Member States, Norway, Switzerland, Canada and Australia have contributed to the TIM. This year, the Commission provided €350 million. By end 2007, over €600 million had been allocated by all donors, over 95% coming from the Commission and EU Member States. The TIM is now expected to cease operations at the end of March 2008, to be replaced by a new EU mechanism called PEGASE.

The TIM performs its operations through three 'windows' that together have helped to alleviate the suffering of Palestinians caused by the worsening socio-economic situation. This has been achieved by providing medicines and other supplies, electricity and other essential utilities, and direct financial allowances to poor and vulnerable Palestinians based upon need. The TIM has developed efficient and effective methods to ensure transparency and accountability. Verification and audit procedures were built as an integral part of operating systems and audit plans were established for all allowance schemes and for the utility (fuel delivery) programme.

2.1.2. Cross-Border cooperation (CBC)

CBC is the new tool within ENPI to enhance cross border cooperation between EU Member States and 17 partner countries for the period 2007-2013. On the basis of a strategy paper approved in March, 15 CBC programmes, (9 land border, 3 sea crossing and 3 sea basin programmes) will be established along the Eastern and Southern borders of the enlarged EU.

The challenge in 2007 was to prepare all the CBC programme documents for approval. Programme documents are drafted by Joint Task Forces and working groups established for all programmes and composed of local, regional and national actors from both Member States and partner countries. The preparation of these documents follows a bottom-up approach. Each will include a socio-economic analysis of the eligible border regions, leading to a strategy to be adopted for the seven-year programme period. Priorities and measures are then identified as well as activities needed to achieve the targets. This will set the basis for future calls for proposals and projects.

By the end of year, all programmes (with the exception of Spain-Morocco and CBC Atlantic) had identified their responsible Joint Managing Authorities in the respective EU Member States. The various participating countries worked together

intensively to formulate cooperation priorities, even in sensitive areas where open dialogues are sometimes difficult. The Baltic Sea programme was the first programme adopted by the Commission in December. The other programmes should be ready for adoption by the Commission in mid-2008. The first calls for proposals should be launched in the second half of 2008 by the respective Joint Managing Authorities.

2.2. European Development Fund

2.2.1. Introduction

On 31 December, the five-year financing cycle under the 9th EDF, covering the period from 2002 to 2007, came to an end. The 9th EDF had been allocated €13.5 billion, including €2.2 billion for the Investment Facility managed by the European Investment Bank. To this initial allocation €4.1 billion was added gradually from uncommitted balances from the previous EDFs and from funds from projects supported under those previous EDFs that were decommitted during the 9th EDF. Moreover, as both EDF contracts and payments reached record levels in 2007, and as the Commission was able to achieve its objective of committing the entire 9th EDF budget before end 2007, before the entry into force of the next EDF, the implementation of development cooperation has accelerated. This is the first time that an entire EDF has been committed before the entry into force of the next EDF.

Preparatory work on the 10th EDF advanced during the year with the adoption of the implementing regulations²⁴ and the aid allocation criteria²⁵. The 10th EDF financial regulation was expected to be adopted by early 2008. On the basis of the aid allocation criteria, the national allocations could be determined, including the allocation of an "incentive tranche" related to the quality of governance action plans elaborated by the partner countries. Fifty-one country strategy papers for the period 2008-2013 were finalised and adopted by the Commission before the end of the year, which represents some €9 billion. Most other country strategy papers were expected to be adopted in the first half of 2008, while the regional strategy papers and the intra-ACP strategy paper should be finalised in the second half of 2008.

The financial envelope adopted for the 10th EDF by the European Council comes to €22.7 billion, which includes the following:

Table 5	EDF10 Amount in M€²⁶
1. National and regional cooperation	17 766
1.1 National indicative programmes (NIP)	
A-envelopes (programmable funds)	13 500
B-envelopes (for unforeseen needs)	1 800

²⁴ Council Regulation (EC) No 617/2007 of 14 May 2007; Official Journal OJ L 152 of 13.6.2007, p. 1

²⁵ Commission Decision C(2007)3617 of 1.8.2007

²⁶ The amounts in bold are those adopted by the ACP-EC Council of Ministers on 2 June 2006

- initial allocation	601
- reserve for B-envelope replenishment and FLEX	1 199
1.2 Regional indicative programmes (RIP) (~13% of A-envelopes)	1 783
1.3 Reserve for NIP/RIP reallocations after reviews	683
2. Intra-ACP cooperation	2 700
Sub-total operational credits for the ACP managed by the Commission	20 466
3. Investment facility (managed by the EIB)	1 500
Total operational credits for the ACP	21 966
OCT	286
Support expenditures	430
Total ACP + OCT + support expenditures	22 682
<i>Own resource contributions from the EIB</i>	-
- ACP	2 000
- OCT	30

As soon as each EU Member State has ratified the 10th EDF Internal Agreement, and all EU Member States and at least two thirds of the ACP states have ratified the revised ACP-EC Partnership Agreement, commitment of the 10th EDF funds will begin.

Table 6 NIP allocations

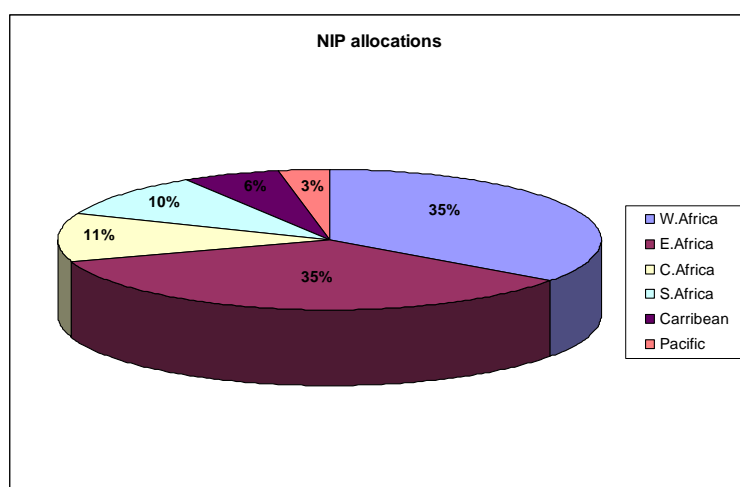
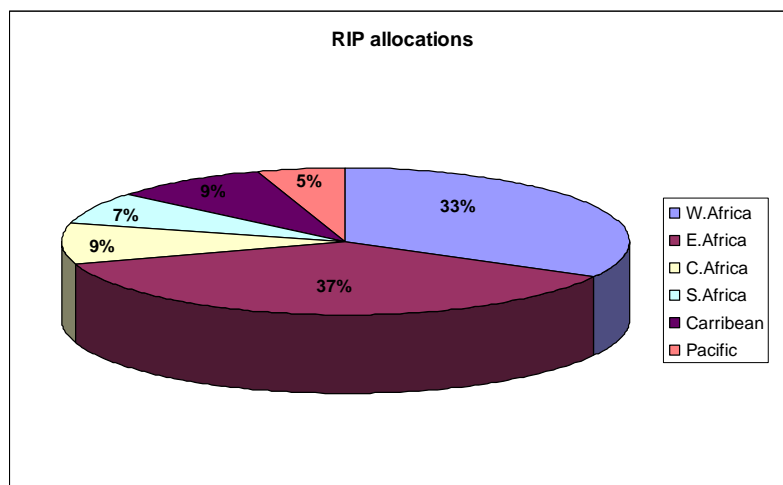


Table 7 RIP allocations



2.2.2. Africa

2.2.2.1. Introduction

This was a very special year in EU-Africa relations. Following the adoption in December 2005 of a common and comprehensive EU Strategy for Africa, the EU and the AU in 2007 took the partnership one step further in the build-up to the second EU-Africa Summit, which was held in Lisbon in December. For two days, leaders had substantive discussions on a large number of key political issues, including peace and security, governance and human rights, trade, regional integration and infrastructure, migration and climate change. Many participants (on both sides) highlighted the positive developments in Africa in recent years – more growth, more democratic elections, more confidence on the international stage, and the emergence of the AU as a strong and independent international actor and a key partner for the EU. Difficult issues, including the Economic Partnership Agreements (EPAs) were openly discussed.

At the end of the summit, the leaders of the two continents – representing 80 European and African countries and almost 1.5 billion people, adopted a political pledge: the Lisbon Declaration, a Euro-African consensus on values, common interests and strategic objectives. The main policy documents adopted at the meeting were the Joint Africa-EU Strategy and the First Action Plan (covering priority actions under eight thematic partnerships for 2008-2010). On this basis, the EU and Africa together will now gradually move the EU-Africa dialogue and cooperation “beyond development” (working more closely on issues such as trade, peace and security, and the environment), “beyond Africa” (jointly addressing issues such as UN reform and the situation in the Middle East, Myanmar, and the Balkans as well as global issues such as terrorism or climate change) and “beyond institutions” (a stronger role for civil society, the private sector and other non-state actors). The challenge is now implementation and delivery of tangible results. It should be noted that this new strategic partnership commits the EU as a whole, including on the financial side with global ODA commitments to increase to 0.56 % of GNI by 2010 and 0.7% by 2015 and half of the increase to be allocated to Africa.

The implementation of the Joint Strategy and our overall relations with the AU will benefit from the creation in January 2008 of an EU Delegation to the AU in Addis Ababa.

2.2.2.2. Aid effectiveness and donor coordination

In 2005, the EU launched a pilot initiative as a concrete step towards the coordination of policies and harmonisation of procedures. Mozambique was one of the four countries selected. In 2007, there was significant progress towards coordinated sector budget support in agriculture, road transport and health as well as harmonisation of donor programmes. In addition, the first phase to reform public finance systems that provide functionalities for direct online budget execution has been concluded. The Overseas Development Assistance to Mozambique Database (ODAmoz) is a new EC-funded electronic tool that provides information on Official Development Assistance (ODA) to Mozambique. It was launched in May and has greatly improved transparency and harmonisation of external aid to Mozambique, providing the government with a solid basis for planning and budgeting.

Other good practices and cases of operational complementarity are developing on an ad hoc basis in the field. Based on a National Plan for Aid Efficiency and a strong technical secretariat, the government of Burkina Faso was able to follow the main recommendations of the Paris Declaration. With the help of various sectoral and sub-sectoral working groups and of a strict division of labour between the partners the cooperation efficiency increased substantially.

The country strategy paper (CSP) for Sierra Leone was drafted jointly by the government of Sierra Leone, the Commission and the UK Department for International Development. The joint exercise in Sierra Leone sets a unique example of joint programming and marks an important step towards fulfilling the EU's commitments on harmonisation and complementarity of donors' activities. For example, other CSPs were jointly drafted for South Africa and Somalia. The EU played an important role in developing the Joint Assistance Strategies in Zambia, Tanzania, Uganda, Kenya, Ghana and Mali, in particular the joint donor response – to be based on a division of labour – to the poverty reduction strategies of these partner countries.

2.2.2.3. Working towards the MDGs

Poverty reduction and the achievement of the MDGs remain at the centre of the EU's agenda, especially in Sub-Saharan Africa. Half way towards the target date of 2015, Africa is still progressing too slowly towards most of the MDG-related targets and indicators. Nonetheless, there are encouraging trends. According to the United Nations 2007 MDG Report, the proportion of people living in extreme poverty is beginning to fall in Sub-Saharan Africa, despite rapid population growth. Moreover, progress has been made towards increasing enrolment in primary education in Sub-Saharan Africa. However, at 30%, the ratio of children of primary school age out of school still remains unacceptably high.

Infant and child mortality rates have improved modestly over the past fifteen years, but accelerated improvements are urgently needed. Health accounts for a large part of EU Official Development Assistance (ODA) to Sub-Saharan Africa and aims for

equitable health services, giving a priority to child health. As far as the Commission is concerned, in addition to direct project and programme support to the health sector, it is primarily providing support as general budget support, where some indicators are linked to improved health policies, strategies and outcomes. Moreover, a large part of EC direct aid for health is channelled through international organisations and global initiatives, such as the Global Fund to fight HIV/AIDS, TB and Malaria (GFATM) and the GAVI alliance.

The MDG targets on water and sanitation remain off-track in Sub-Saharan Africa, where in 2004 only 42% of people in rural areas had access to clean water and 37% had access to basic sanitation facilities. Between 2004 and 2007, the EU has committed €500 million under the ACP-EU Water Facility, focusing on countries where current access levels are particularly low.

2.2.2.4. Regional cooperation and integration

In Sub-Saharan Africa, the regional cooperation and integration agenda was dominated by negotiations on Economic Partnership Agreements (EPAs) with the four African regions. The EPAs will contribute to promoting regional integration and development by supporting progressive integration of African states into the international economy as well as giving improved access to the EU market, which, in turn, will bring trade growth and economic development.

By the end of the year, interim agreements were reached with almost all countries with which agreement was needed so as to avoid trade disruption and to improve market access to the EU. In Central Africa, an interim EPA was initialled with Cameroon and negotiations are continuing with the other countries of the region toward a full EPA. Gabon and Congo Brazzaville, the two other non-LDCs in Central Africa, are considering their adhesion to the interim agreement. In West Africa the Commission has signed interim agreements with Ivory Coast and Ghana, and in 2008 the objective is to conclude a full EPA with the Economic Community of West African States (ECOWAS), including the West African Economic and Monetary Union (UEMOA) plus Mauritania. In East Africa interim agreements were reached with the East African Community and the wider Eastern and Southern Africa group. In Southern Africa, interim agreements with five countries in the region have been signed. A clear agenda and timetable for progressing towards a full EPA in 2008 has been set.

In 2008, EPA negotiations will continue in order to turn the interim agreements into comprehensive economic partnership agreements which foster genuine regional integration. The Commission has provided significant financial support to the preparation of the EPAs as well as to improving institutional capacity building and bolstering EPA negotiations under the TradeCom Facility. In 2007, €16 million was earmarked to further integration of ACP states into the multilateral trading system of the WTO and to finance support to the enhanced integrated framework. Work is underway on regional programming under the 10th EDF with major attention to trade and EPA-related support. Moreover, under national indicative programmes the Commission and ACP States have allocated significant financial resources to poverty reduction and economic growth in ACP countries through private sector development.

In the context of support to regional organisations, the European Commission is increasingly using the mechanism of contribution agreements (CA) to improve the efficiency and effectiveness of delivering aid to its partners. The CA allows regional organisations to use their own rules and procedures, provided that they have been confirmed as comparable with international standards. This substantially improves the speed and efficiency of decision-making and promotes the ownership of regional programmes. Already in 2005, the Common Market of Eastern and Southern Africa (COMESA) has signed a CA for an amount of €33.5 million with the European Commission to advance the regional economic integration process. So far, its implementation has made good progress. Three additional CAs will be implemented with COMESA with funds committed under the 9th EDF, covering a broad range of sectors such as adjustment costs, agriculture and conflict prevention. In West Africa, the Commission has signed CAs with the West African Economic and Monetary Union (UEMOA) and the Economic Community of West African States (ECOWAS) aiming to strengthen the regional integration agenda of both organisations and to support the EPA negotiations.

2.2.2.5. Implementation

In Sub-Saharan Africa, 268 new projects for a total of €2.2 billion have been approved. The total commitments and payments under the EDF in Sub-Saharan Africa totalled €1,150 million in commitments and €1,126 million in payments in the period 2002-2007.

The EU continued to support the governments of Sub-Saharan Africa in the implementation of their poverty reduction strategies. At institutional level, several projects were launched in the field of good governance. For example, Burundi was granted €19.75 million for the preparation and implementation of sectoral policies in justice, decentralisation, human rights and gender equality. In Rwanda, the Commission provided budget support to allow for the overhauling of public finance management and the implementation of new social policies, which led to the improvement of key social indicators. At operational level, the focus was on the modernisation of infrastructure in general and the road sector in particular, where improvements are most urgently needed. The Commission financed, for instance, the completion of a road that is part of the regional corridor connecting southern Chad and the Central African Republic to the port of Douala on the Atlantic coast.

During the year, infrastructure (27%), health and education (9%); and economic development (8%), received the greatest share of EDF commitments. Moreover, the Commission devoted considerable additional resources to global initiatives such as the Global Fund to fight HIV/AIDS, TB and Malaria as well as to EU initiatives such as the EU-ACP Water and Energy Facility and the African Peace Facility. In addition, the Commission launched an Infrastructure Trust Fund for Africa, for which a contribution of €108.7 million has been decided. The Trust Fund should generate increased infrastructure spending and underpin longer-term development. There was a continued investment in general budget support and sectoral policy support programmes, which accounted for 44 actions, corresponding to 22% of the new actions approved during the year.

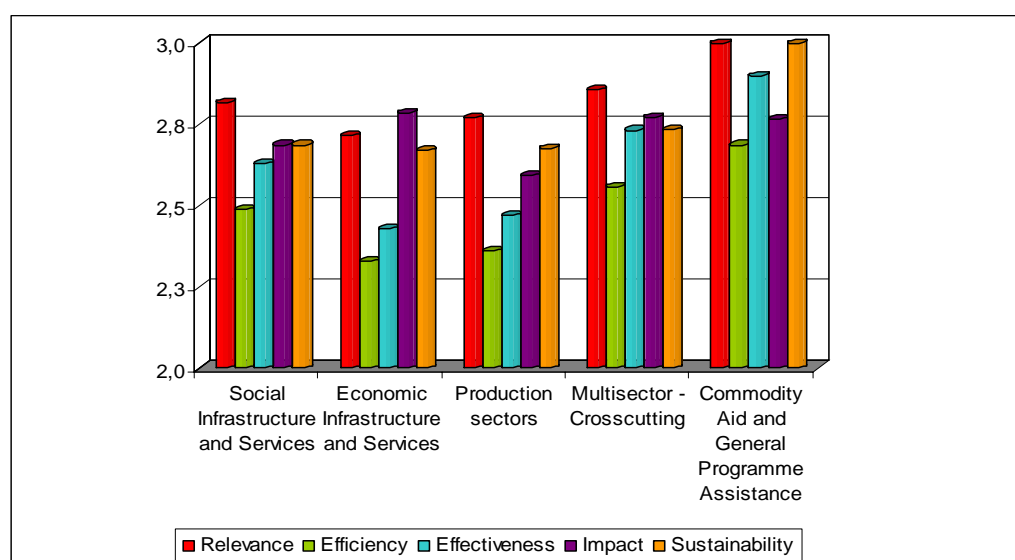
2.2.2.6. Monitoring

Independent monitors assessed 368 operations in 43 countries in Sub-Saharan Africa. These operations consisted of 360 national or regional projects or programmes as well as eight specific components of regional programmes. The total budget of the operations monitored was €4.6 billion, of which €4.4 billion were financed from the EDF.

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

The results of the monitoring exercise showed that projects in Africa performed rather well this year, presenting an overall average score of 2.66 for all criteria. Africa achieved high scores with regard to the relevance of design, impact and sustainability of the projects monitored. However, improvements are needed in the social and economic sector as well as in production, infrastructure and services.

Table 8 Africa Monitoring Results per ODA Sector



2.2.2.7. Perspectives

Over the year, planning continued for the 10th EDF, covering the financing of EC cooperation activities for the period 2008-2013. Programming exercises have been carried out and draft strategy papers completed with all but three countries in Sub-Saharan Africa. Thirty one country strategy papers and indicative programmes defining the cooperation and aid activities have been approved for an amount of €8 billion. The programming process at national as well as at regional and all-ACP level will be finalised in 2008.

Out of the envelope for national and regional cooperation under the 10th EDF, more than 90% (or €16 billion) is earmarked for geographic cooperation with Sub-Saharan Africa. Out of this amount, €12 billion will be programmed within national indicative programmes at the start of the 10th EDF. Of this amount, an estimated €3.4 billion (28%) will be provided under general budget support to the national

treasuries. A further €1.8 billion (15%) is expected to be mobilised in the form of sector budget support in the context of sector wide approaches.

More than a quarter (over €3 billion) of the national indicative programmes will be invested in transport infrastructure. These investments often have a regional dimension and will be complemented with investments in infrastructure funded from the regional and the all-ACP envelopes, including the EU-Africa Infrastructure Trust Fund, to enhance regional integration and continental interconnectivity. Total investment in infrastructure in Sub-Saharan Africa under the 10th EDF is expected to exceed €5 billion.

Other important sectors are governance, including peace and security, for which more than €1.5 billion is programmed, and rural development and agriculture for which more than €1 billion is earmarked. Additional support to the agricultural sector is foreseen for up to €280 million over the period 2007-2010 for the African sugar protocol countries benefiting from EC Budget-funded accompanying measures to help them restructure or diversify out of the sugar sector.

In order to help countries to plan MDG-related public funding better, the European Commission, in consultation with EU Member States, has been developing the MDG Contract that will provide recipient countries with longer term, more predictable general budget support under the 10th EDF. The MDG Contract targets well performing countries that have successfully implemented budget support in the past and show a commitment to achieving and monitoring the MDGs. This form of budget support will provide a guaranteed level of support each year within a strong framework for monitoring performance and results.

Grassroots poverty reduction in Rwanda

The Ubudehe programme in Rwanda is alleviating rural poverty through community participatory approaches based on traditional Rwandan cultural practices. The programme is part of a larger effort to decentralise the hierarchical Rwandan governance system. Its main objective is to revive and foster collective action at community level. By empowering the marginalised as well as strengthening the communities' ability to make decisions locally, the programme helps to improve governance, to restore trust in local structures and to build accountable local institutions. The programme was first piloted in the Butare province in early 2001. The Commission has financed the programme both in its initial pilot phase and, more recently, in its national roll-out. By mid 2008, the programme will have injected €25 million at grassroots' level nationwide.

Census support in Nigeria

The census support project in Nigeria is the largest and most successful Commission-funded project ever in Nigeria. With €16.5 million, the Commission's contribution accounts for over half of the total budget. The census filled a yawning gap in the statistics necessary for developing, implementing and monitoring economic and social policies. It provided not only accurate and complete data but was also accepted by the majority of Nigerians. Past censuses in Nigeria had been disputed and rejected

by large sections of the population. The final results were published in May. The statistics now available may provide a basis upon which further aid may be distributed in the future. The project was implemented with other donors, most notably the United Nations Development Programme (UNDP), the United States Agency for International Development (USAID) and the United Nations Population Fund (UNFPA) as well as Nigerian civil society organisations.

Access to financial services for poor people

The EU/ACP microfinance framework programme is a flagship for the Commission's support to microfinance. The programme aims to expand poor people's access to a wide range of quality financial services. For example, with funding from the EU/ACP microfinance programme, ProCredit has strengthened the capacity of its microfinance bank in the Democratic Republic of Congo (DRC). The grant enabled the bank to introduce technology-based products and to install the very first ATMs in the DRC. Moreover, ProCredit has opened 100 point-of-sales devices in Kinshasa to facilitate people's access to financial services. Funds were also used to establish branches outside the capital, where access to financial services is limited. In the first year, the bank exceeded its own targets, growing from 6,700 savings accounts to almost 30,000 and providing 4,500 new loans.

2.2.3. Caribbean (incl. OCTs)

2.2.3.1. Introduction

The EU strategy for the Caribbean is articulated around a vision of the future founded upon a history of shared values, in parallel with maximising the opportunities of the Cotonou Agreement²⁷. The strategy aims at an enhanced EU-Caribbean Partnership consisting of a set of interrelated facets, including a political partnership based on shared values; addressing economic and environmental opportunities and vulnerabilities, promoting social cohesion and combating poverty including the fight against HIV/AIDS, strengthening of health care systems, as well as the fight against illicit drugs and tax fraud.

As specified in the Cotonou Agreement, the current trade system will be replaced by a wider economic partnership agreement (EPA) as from 1 January 2008. The aim of the EPA is to promote regional integration and economic development. The EPA, which was initialled in December, will support the ambitious regional integration process that is already under way, helping to maximise its benefits.

The proposed 10th EDF country strategies address both the private and public sector. Focal sectors include governance and competitiveness, infrastructure and interconnectivity, macroeconomic budgetary support and poverty reduction. Non-focal sectors include EPA capacity building related to the regional programme for additional trade-related assistance accompanying the EPA, and good governance in the tax area.

²⁷ COM(2006)86 final

Implementation of the 9th EDF for OCTs got off to a slow start, but by the end of 2007 all primary commitments had been made. The majority of the 9th EDF territorial and regional programmes and projects for the OCTs will still be operating in 2008. Following amendment of the overseas association decision²⁸ and the related implementing regulation²⁹, the programming exercise for the 10th EDF was launched and it should be completed for most OCTs in 2008. In addition, an in-depth discussion on the future of OCT-EU relations is foreseen, by means of a Green Paper to be published in 2008.

2.2.3.2. Aid effectiveness and donor coordination

In the Caribbean, donor coordination is limited to the few bilateral donors present there. There is, for example, close cooperation with the UK Department for International Development, which particularly provides technical assistance to the Eastern Caribbean countries, and with the Inter-American Development Bank and the Caribbean Development Bank, in particular with regard to the implementation of regional integration programmes. The Commission is co-financing, with the World Bank, a school rehabilitation project in Grenada; the Caribbean Regional Technical Assistance Centre, with UNDP, in Barbados. In Dominica and Grenada, the Commission jointly prepared budget support programmes with the World Bank as well as an agricultural census and reviews in collaboration with the Food and Agriculture Organization (FAO). Together with the World Bank, which has contributed to some public expenditure and financial accountability assessments, the Commission is supporting public finance management reform in the Caribbean.

2.2.3.3. Working towards the MDGs

The Dominican Republic was chosen as one of the UN Millennium Project's pilot countries to coordinate, monitor and follow-up on the progress towards the MDGs. This has been taken into consideration in the preparation of the 10th EDF national indicative programme, which includes €60 million for human and social development. The funds, which represent 40% of the total funds available, are to be channelled through general budget support. This allocation is intended to cover the long-term human and social development activities aimed to achieve the MDGs, in particular the goal of universal primary education. In order to fulfil this objective, €2 million was already allocated to education under the 9th EDF.

Primary education is also one of the main concerns in Haiti, which remains one of the most fragile and poor countries in the region after 25 years of political and economic turmoil. Education remains essential for poverty reduction and the socio-economic development of the country. An EU-funded programme worth €14 million has been put in place to support the quality of education. It is coordinated by the

²⁸ Decision 2001/822/EC of the Council of 27 November 2001 on the association of the overseas countries and territories with the European Community, OJ L 314, 30.11.2001, p. 1. Decision as amended by Decision 2007/249/EC (OJ L 109, 26.4.2007, p. 33).

²⁹ Regulation (EC) No 2304/2002 of the Commission of 20 December 2002 implementing Council Decision 2001/822/EC on the association of the overseas countries and territories with the European Community, OJ L 348, 21.12.2002, p. 82. Regulation as amended by Regulation (EC) No 1424/2007 (OJ L 317, 5.12.2007, p. 38).

Canadian International Development Agency (CIDA), the Inter-American Development Bank (IADB) and the World Bank.

The Commission is also supporting several projects and programmes to combat HIV/AIDS, which is a major concern in the Caribbean, where infection levels are the second highest worldwide. The Commission is the largest individual donor assisting the Caribbean OCTs in this area and recently approved a €6 million grant from the 9th EDF to support the Caribbean Dutch and British OCTs in their efforts to reduce the spread of the disease. The programme targets eleven beneficiary territories and is being implemented by the Pan American Health Organisation (PAHO).

2.2.3.4. Regional cooperation and integration

After intense dialogue, a full EPA has been initialled with all 15 Member States of the Caribbean Community (CARICOM) in December, covering services, trade in goods and development support. The Caribbean is the first ACP region to agree on a full EPA. Some 20 sectoral programmes covering all areas of the agreement are being elaborated, translating the cooperation provisions of the EPA into concrete actions. These programmes are intended to specify all necessary actions the region has to undertake at national and regional level in order to meet the commitments defined by the EPA. The Caribbean regional programme that is currently under preparation will be focusing on implementing the EPA accompanying measures.

2.2.3.5. Implementation

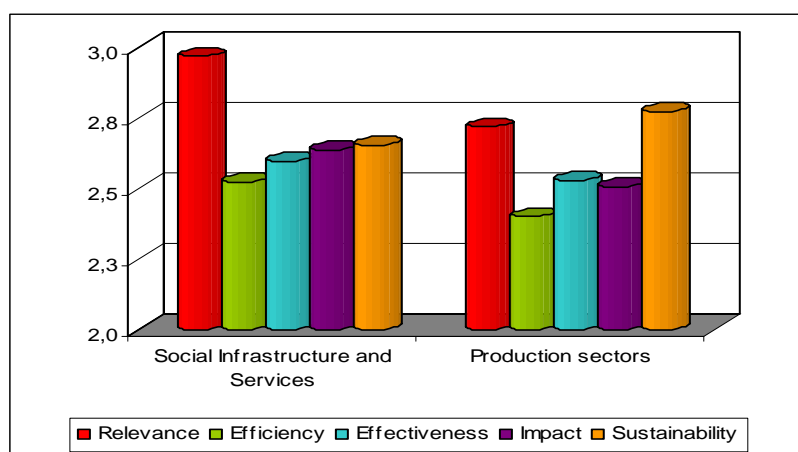
By the end of the year, a total of €258 million under the 9th EDF had been committed. In the Caribbean, 14% of this year's commitments were devoted to infrastructure, 12% to education and 11% to economic sector development programmes. €37 million were provided for emergency relief operations. General budget support and sectoral policy support programmes accounted for 16% of the new programmes approved in 2007. The cumulated commitments and payments under the EDF in the Caribbean region totalled €45 million in commitments and €706 million in payments over the period 2002-2007.

2.2.3.6. Monitoring

In the Caribbean, 110 operations in 18 countries were monitored, amounting to €19 million of which €738 million were financed from the EDF. The combined portfolio included 72 national or regional projects and programmes as well as 38 specific components under regional programmes.

The region performed well, presenting an overall average score of 2.67 for all ROM criteria. Slight weaknesses existed in social infrastructures and services as well as production. A special study on performance was conducted early in the year due to a low average efficiency score in 2006. As a result, corrective measures were taken which have slightly increased the efficiency score.

Table 9 Caribbean Monitoring Results per ODA Sector



2.2.3.7. Perspectives

The conclusion of the programming exercise for the 10th EDF was delayed in various countries of the region, while awaiting the determination of the incentive tranche linked to the quality of a governance action plan prepared by the partner countries and to be added to the initial aid allocation. Only 6 of the 15 country strategy papers were adopted in 2007. The remaining strategy papers are expected to be finalised in the first half of 2008.

The new programming exercise 2008-2013 represents an important political commitment by the EU towards the Caribbean. A new generation of country strategy papers has been developed under the 10th EDF programming process. General budget support is considered as the most efficient way of aid delivery and will be considered therefore a priority wherever conditions permit. Under the 10th EDF the total amount destined for national and regional indicative programmes is around €731 million.

The Caribbean has experienced a significant expansion of budget support. All the Caribbean countries, with the exception of Belize and Suriname, have undergone the preparatory steps to qualify for budget support. For the period 2008-2013, €731 million have been earmarked so far, for geographic cooperation at national level with the Caribbean countries. One third of this amount is earmarked for general budget support and another 23% is earmarked for sector budget support, mainly in support of sector wide approaches in the area of governance. The next most important sector is infrastructure, for which 28% of the national indicative programmes are set aside so far. The validation of conditions for budget support in the OCTs should start in 2008. In the follow-up it is also foreseen to channel most of the funds of the 10th EDF to the OCTs through budget support.

Six Caribbean countries are also party to the EC-ACP sugar protocol and benefit from very significant accompanying measures (for a total of €325 million) to help restructure and/or diversify out of the sugar sectors. The multi-annual indicative programmes for the period 2007-2010 were adopted in the course of the year.

Support for the rum sector

The rum industry is of historical and economic relevance to the Caribbean. The sector's contribution to the region's economies is significant, directly or indirectly employing 50,000 people. Rum is the fourth largest traditional export product,

providing over €200 million a year in foreign exchange. The liberalisation of the spirits markets between the EU and the US left the rum industry in the Caribbean struggling. In 2002, the Commission launched the Integrated Development Programme for the Caribbean Rum Sector (IDPCRS) worth €70 million, to prevent the socio-economic deterioration that would have been brought about by the continuing process of trade liberalisation. The programme will run until 2010 and has already contributed to enhancing the competitiveness and profitability of the rum sector. In particular, it has opened the sector markets in Europe by helping it to move from being a supplier of commodity rum to being a supplier of branded products. Moreover, the co-funding scheme that has been put in place acts as a catalyst for new private sector investment in the sector and the region.

Restoring an historic bridge in the Netherlands Antilles

Willemstad, the capital of Curacao and the Netherlands Antilles, is built around the entrance of the largest natural harbour in the Caribbean. The two parts of the city have been linked for more than a century by a floating bridge of remarkable design. The Queen Emma Bridge – affectionately known as the “Swinging Old Lady” – swings up to 20 times a day, welcoming ships to the island of Curacao. Up to 15,000 pedestrians use the bridge daily. Thus, the bridge is not only a historic landmark and tourist attraction, but also serves as the most important logistical link in the city centre. This unique monument is part of the UNESCO World Heritage City of Willemstad. The EU has granted €9 million to finance the restoration of the bridge and the works are now in full swing. The objectives of the project are to safeguard and enhance the attractiveness of the city centre of Willemstad, while contributing to the development of the tourist sector in Curacao.

The works to restore this world famous pontoon bridge started in August 2005 and are now completed. Given the monumental nature of this project both the original design and the materials were used, whereby most of the timber and sections of the steel structure were replaced. The metal railing and typical light masts were likewise restored. In the interim, ferry and bus services were provided to minimise inconvenience to the public. The project also included an information campaign while guides were trained to provide information as well as site tours. By means of special boat excursions, concurrent restoration could be viewed at various works sites; whereupon the restoration in itself became a tourist attraction as the bridge’s history and restoration provided an impressive exhibition.

Reducing poverty in the Dominican Republic

The Commission contributed to reducing poverty and improving the livelihoods of 500,000 slum dwellers in 16 marginalised neighbourhoods of Santo Domingo. Local communities were involved to improve health and sanitation infrastructure, as well as the treatment and conservation of drinking water and solid waste management in the neighbourhoods concerned. The project has taken into account the socio-cultural needs of the communities and has fostered participatory approaches to create ownership. This has made the project efficient and sustainable. With the Commission

contribution of €1.8 million, pollution generated by garbage and water waste has been reduced significantly. Likewise, the drinking water distribution system has been improved. Likewise, 44.7 kilometres of new pipe-systems as well as works on water management and control have improved sanitation and health of the local population. For the collection of garbage some micro-enterprises have been created. These micro-companies are managed locally and continue to produce revenue, which makes them and the entire project sustainable in the long run.

2.2.4. Pacific (incl. OCTs)

2.2.4.1. Introduction

Melanesia gradually began to calm after the shocks of 2003-2006 breakdown of government control in the Solomon Islands; political turmoil in Timor Leste; a fourth coup d'état in Fiji. The Commission supported the Regional assistance Mission to the Solomon Islands, stabilisation and recovery in Timor Leste, and political dialogue for a return to democracy in Fiji under Article 96 of the Cotonou Agreement. Following rioting in Tonga, Polynesia was the subject of close monitoring during the year.

Several major events marked EU-Pacific relations, including the launch of a regular EU-Pacific Islands Forum (PIF) to support political dialogue on issues such as security and governance, economic growth and international trade, the environment and development cooperation. The dialogue will consist of a triennial Ministerial Troika in Brussels and annual Senior Officials' Meetings in Suva (Fiji) as the Headquarters of the PIF Secretariat.

Economic Partnership Agreement (EPA) negotiations led to a Pacific ACP Interim Agreement on 23 November, currently signed by Papua New Guinea and Fiji but open to signature by all Pacific ACP countries. This opens the way for a comprehensive EPA (including services, fisheries and investment) to be finalised in 2008. As regional programming was synchronised with EPA negotiations, it can now proceed on the basis of this core agreement as well as the broader arrangements identified. This will ensure that adequate development assistance is in place to flank trade commitments.

2.2.4.2. Aid effectiveness and donor coordination

- (1) On the basis of the European Consensus, synergies were sought with Member States (France, the UK, Germany and Ireland) notably to secure appropriate levels of Aid for Trade, as well as to help achieve the MDGs and to form an internationally significant alliance in the area of climate change, aid effectiveness and donor coordination.

In line with the priorities identified in the 2006 Commission Communication on EU relations with the Pacific Islands³⁰, some important steps were taken to implement the principles of aid effectiveness. The government of the Solomon Islands signed a Memorandum of Understanding with the Commission and New Zealand's International Aid and Development Agency to enhance effectiveness of the education sector reform programme by promoting country ownership and alignment

³⁰ COM (2006)248 final

with national strategies as well as harmonisation and mutual accountability for development results. The Commission increased harmonisation by promoting the use of co-financing arrangements. The Commission signed two agreements with the World Bank to support public financial management reforms in Timor Leste and rural development in the Solomon Islands. A contribution agreement with the Asian Development Bank provided for post tsunami reconstruction in the Solomon Islands in response to tsunami of April.

2.2.4.3. Working towards the MDGs

A lack of reliable data makes it difficult to measure the region's progress towards the MDGs. Nonetheless, it is possible to identify some areas where it is forging ahead. Primary school enrolment is relatively high. Fiji, Kiribati, Samoa, Tonga and Vanuatu currently enjoy enrolment rates of over 95%. However, quality of education and drop-out rates remain important issues to resolve. The Commission has continued to support education, both at national and regional level through, for instance, the Pacific Regional Initiatives for the Delivery of Basic Education.

Progress towards gender equality and empowerment of women has been made but disadvantages remain. In 2007, special policies and programmes were designed and implemented to address this deficit. For example, Papua New Guinea was selected for a joint Commission/UN partnership on Gender Equality for Development and Peace.

Despite improving health indicators in most of the region, significant regional and sub-national disparities remain. Support for improving health infrastructure has been provided to Kiribati, Tonga and the Cook Islands. Papua New Guinea received US\$2 million under the Global Fund to fight HIV/AIDS, TB and Malaria.

2.2.4.4. Regional cooperation and integration

The Pacific Islands Forum, supported by its network of regional agencies belonging to the Council of Regional Organisations in the Pacific (CROP), has achieved notable successes with regard to aligning regional policies and programmes on issues such as climate change, fisheries and non-proliferation. The Pacific Plan, adopted by the Pacific countries in 2005, is the main instrument for promoting regional integration. It identifies priority initiatives under the four inter-related goals of economic growth, sustainable development, good governance and security. The EU's regional policy supported the Pacific Plan by establishing a regular political dialogue as well as contributing to specific areas such as trade, education and training, fisheries, agriculture, tourism and environmental protection. Political dialogue will continue in 2008, most notably in the areas of regional security and governance, economic stability and growth, international trade and environment. The finalisation of a regional cooperation strategy is envisaged for 2008. High priority will be given to natural resources conservation, regional integration, and trade.

A WTO-compatible goods-only interim agreement has been signed with Papua New Guinea and Fiji, the two countries which account for virtually all goods trade with the EU. A full regional EPA adding fisheries, services, rules and appropriate development provisions is expected to be concluded by the end of 2008. Programming for the 10th EDF regional programme ran in parallel to EPA

negotiations and by the end of 2007 the grounds for a regional indicative programme, to be concluded in 2008, had been laid.

2.2.4.5. Implementation

By the end of the year, a total of €122 million had been committed under the 9th EDF. This included the additional allocations provided to some Pacific countries and OCTs following the end of term review as well as the provisions to support EPA negotiations and agricultural exports worth €10 million. The greatest share of EDF commitments in 2007 was devoted to government and civil society support (28%). Water projects accounted for 22% of new programmes, followed by environment and education with 10% each. Under the EDF in the Pacific, the combined commitments totalled €362 million while payments totalled €258 million in the period 2002-2007.

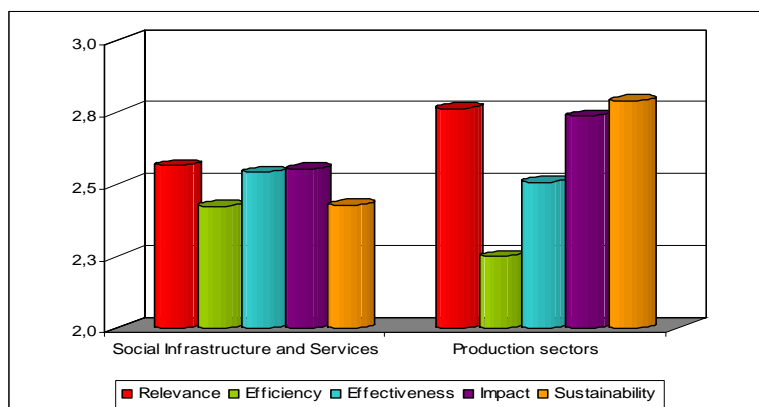
On the Solomon Islands, the Commission delivered essential equipment and training to the national Competent Authority to strengthen its capacity to certify the compliance of fish products in line with EU health and sanitary regulations. In Papua New Guinea and Samoa the Commission has supported water supply and sanitation projects to reduce, for example, water-borne diseases. A Disaster Risk Management initiative has been launched in eight Pacific countries to respond more effectively to natural disasters. Vanuatu saw the roll-out of two major programmes to foster economic growth by supporting 33 producers' associations as well as the tourism industry. Harmonised regulations, rules and procedures have been developed in the area of fisheries stock assessment and management across the region. Those measures have contributed significantly to the enhancement of fisheries management methods and safeguarding the depletion of natural resources.

2.2.4.6. Monitoring

A total of 98 national and regional projects as well as regional programmes were monitored in the Pacific region. The total budget of the operations monitored was €227 million.

With an average score of 2.52 across all sectors, the performance of cooperation was on track. However, the score has significantly decreased since 2006. This is particularly due to weak performance on efficiency and sustainability in the social infrastructure and services as well as production sectors. Monitoring results were used to improve project management and the design of future actions.

Table 10 Pacific Monitoring Results per ODA Sector



2.2.4.7. Perspectives

The 9th EDF end-of-term review concluded successfully and all projects were approved, including those financed from the additional €10 million allocated to the Regional Programme in 2006, on the basis of the mid-term review. On 18 October Commissioner Michel, who was in Tonga for the 19th Post-Forum Dialogue, signed 13 of the 15 country strategy papers and indicative programmes. Thus, programming of the 10th EDF is nearly finished. By the year's end Timor Leste programming was finalised and the 10th EDF allocation for Fiji will be programmed based on the progress of the Cotonou Article 96 political dialogue.

The Commission is now pursuing a strategy that builds on its multi-country operations experience acquired during the 9th EDF, toward mutual learning and creating economies of scale. To ensure implementation modalities are coordinated, nine of the smallest Pacific islands adopted the same focal sectors, namely water and/or energy in an environmental perspective of sustainable development.

For the period 2008-2013, €337 million have been earmarked so far for geographic cooperation at national level with the Pacific countries. In terms of sector allocations, the largest share of €18 million is to be provided to rural development and agriculture, representing 35% of the total allocations. Environmental issues will be mainstreamed to ensure sustainable management of natural resources, notably in the water and energy sector, which is to be funded with approximately €3 million that makes up 28% of the overall commitments.

Due to the small scale and remoteness of most Pacific countries, Vanuatu and Samoa so far are the only countries in the region to receive budget support. Further efforts are needed to extend the use of this aid implementation modality in the region. Assistance provided through general or sector budget support under the 10th EDF will represent 10% of the allocation to the region.

Social sector support in Tonga

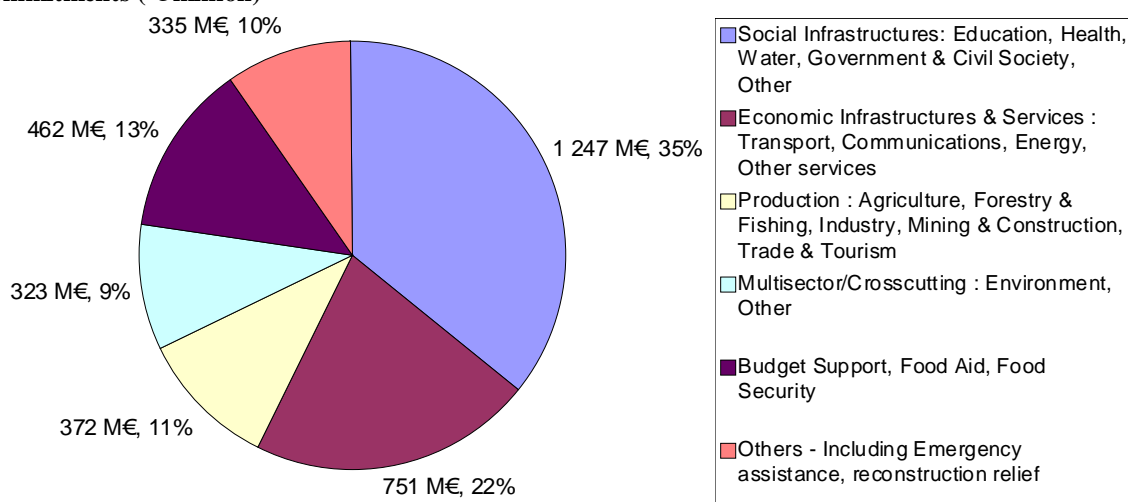
The social sector support project in Vava'u has successfully constructed schools and health centres and expanded and refurbished the staff quarters of the hospital, schools and health centres. The involvement of civil society in implementing the project has met with wide-spread recognition and satisfaction among the island population. These focused investments on this particular island of Tonga reached their final stages by the end of 2007 and have had a positive impact on the island's living standards.

Development in the Cook Islands

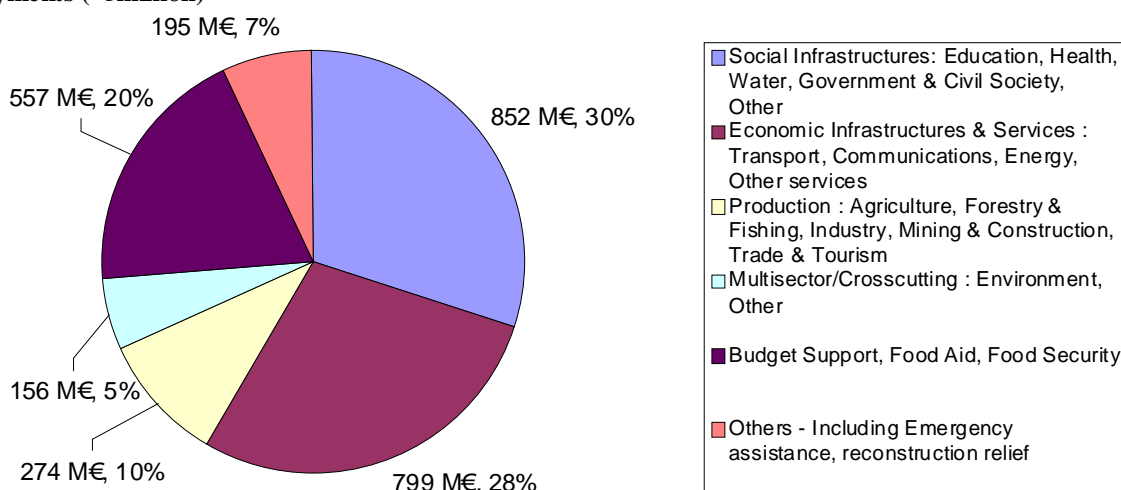
This project aimed to raise the standard of social services delivery in the outer islands. The stakeholders, including the users of services provided, project management, the relevant government agency and private sector representatives, have confirmed improvements to the teaching and learning environment, enhanced aesthetics, increased opportunities for distance education, an improved attitude towards education, improved health care and safety, increased income and instant access to medical information through broadband internet access. The project is having a significant impact on gender issues. The status of women is being promoted. Through a component for non-state actors, the project is benefiting groups mostly composed of women and youth. Environmental conservation and preservation of local cultural heritage are also supported.

Table 11 EDF-Sector Breakdown by sector of external aid financed on the European Development Fund (EDF) managed by EuropeAid in 2007

Commitments (€million)



Payments (€million)



Bilateral and Multilateral ODA/OA. Excl non-ODA/OA resources (Peace facility,...).

Table 12 EDF-ACP Breakdown by sector of external aid financed on the European Development Fund (EDF) managed by EuropeAid in 2007

	Commitments (€ million)	Payments (€ million)
Africa	2 427	2 327
Caribbean	272	247
Pacific	142	49
Overseas Countries & Territories	110	34
ACP Unallocated	538	176
Total	3 489	2 833

Bilateral and Multilateral ODA/OA. Excl non-ODA/OA resources (Peace facility,...).

2.2.5. *Global Programmes*

The EU has maintained its support to peace in Africa through the Peace Facility for Africa. Launched in 2004, the Facility has so far helped to fund AU peace support operations and capacity building in the area of peace and security. The Commission has financed the AU Mission in Sudan to restore peace in Darfur with €305.6 million since 2004. It continued support to the Central African Republic and most recently to Somalia where €15.5 million have been thus far committed. In 2007, the Peace Facility was replenished with an additional €39.2 million, bringing the total amount to €439.2 million of which €39.2 million came from EU Member States' additional voluntary contributions. Under the 10th EDF, the Peace Facility will be provided with €300 million for an initial three-year-period (2008-2010).

In 2007, the ACP-EU Water Facility³¹ fully committed some €500 million to improve water and sanitation for those most in need. About 80% of the available funds were allocated to two calls for proposals, with other co-funding actions absorbing the balance. They resulted in agreements to co-fund 175 water projects in 50 ACP countries. When implemented, the projects will provide access to safe water for 20 million people and improve sanitary conditions for nine million people. Outside the scope of the calls for proposals, financial support was granted to the Nile Basin Initiative, the African Water Facility and the EU-Africa Infrastructure Partnership.

Some 90% of the €220 million available within the scope of the ACP-EU Energy Facility³² were allocated to a call for proposals. As a result, a total number of 75 projects in 38 ACP countries were approved with large amounts allocated for electrical transmission lines and hydropower projects. Funds were also assigned to actions under the EU-Africa Infrastructure Partnership, which aim to provide

³¹ For further information, visit <http://ec.europa.eu/europeaid/water-facility>

³² For further information, visit <http://ec.europa.eu/europeaid/energy-facility>

institutional support to Central, Eastern and Southern African Power Pools and to the African Forum for Utility Regulators.

The Intra-ACP programmes of the 9th EDF had been fully committed by the end of the year and implementation of activities will continue during the operational period of the 10th EDF. In 2007, the total commitments under the 9th EDF amounted to €407 million. Several innovative support programmes were initiated. The Migration Facility received an allocation of €25 million from the 9th EDF. The Natural Disaster Facility, aimed to ensure preventive actions and regional and national institutional capacity reinforcement, was granted €12 million. ACP states have been offered capacity building support, for example, on the implementation of multilateral environmental agreements and on rural development and trade related activities.

Finally, the Commission will contribute €19.5 million to an innovative programme that deals with capacity building for Multilateral Environmental Agreements (MEAs). The core component consists of MEA hubs placed with regional bodies in the three main ACP regions. Other components provide support for the Clean Development Mechanism, both to ensure investments in emission reductions in developing countries and to combat desertification, as well as to help eliminate obsolete pesticides.

The sectoral/thematic division of commitments:

Table 13	Total commitments
Social: Health/Education	€67 million
Institutional support/capacity building	€89 million
Natural Resources and Infrastructure	€323 million
Trade and Private Sector Support	€15 million
Coordination/Others	€20 million
Total	€1 114 million

2.3. Development Cooperation Instrument

2.3.1. Asia

2.3.1.1. Introduction

The interdependence between EU and Asian countries has reached unprecedented levels, and strengthening EU-Asia relations has continued to be one of the EU's external policy priorities. The overall relationship with Asia is complex; for this reason, the EU has been fostering dialogue and cooperation with all Asian partner countries and numerous sub-regional partners and policy forums. To further strengthen political and economic relations, regular summits took place with individual countries and within the ASEM framework. EU and ASEAN Heads of States and Governments gathered in Singapore on 22 November to celebrate thirty years of formal EU-ASEAN relations and endorsed the EU-ASEAN Plan of Action. The tenth China-EU Summit was held in Beijing on 28 November and the 8th EU-India Summit took place in New Delhi on 30 November. Furthermore, the Commission has moved to negotiate free trade agreements with South Korea, India and ASEAN, as well as partnership and cooperation agreements with Asian partners.

The EU pursues an increasingly close relationship with Asia by going beyond traditional cooperation, to economic integration and deepening of political cooperation. The strategic framework for the Commission's actions in Asia is based on the Communication *Europe and Asia*³³, which concentrates on political and security issues, economics, development, energy security, climate change/environment as well as socio-cultural affairs and regional integration within ASEAN. Cooperation and policy approaches with Asian sub-regions and countries have been developed through a series of follow-up Communications on South-East Asia, India and China.

Cooperation activities between EU and Asia are financed through the development cooperation instrument (DCI). Assistance to partner countries should support the implementation of policies aimed to eradicate poverty and to achieve the MDGs. The Commission adopted 18 individual country strategies and a regional strategy, covering cooperation with Asia for the period 2007-2013, for which an amount of some €5.2 billion has been earmarked, and implementation is underway. The EU also increasingly finances programmes to several Asian countries through the industrial cooperation instrument (ICI), which, in addition to traditional developed partners (including Japan and Korea), now includes five other countries and territories in the region.

Although during the year Asia progressed towards the achievement of the MDGs, poverty remains a significant challenge, as the region is still home to two thirds of the planet's poor people. Nevertheless, in 2007 Asia surpassed NAFTA to become Europe's main trading partner, accounting for a third of Europe's total trade flows. Moreover, European FDI in Asia amounts to a third of European investment abroad, and is growing.

2.3.1.2. Aid effectiveness and donor coordination

Progress on aid effectiveness has been most encouraging in countries like Cambodia and Vietnam, but also in Laos, where the aid effectiveness agenda has been translated into a national commitment with strong government leadership. The Commission contributed to donor coordination and dialogue with the governments of partner countries, taking the lead in working groups for areas like the education sector in Indonesia, where a major Commission intervention for sector budget support is being prepared, the education sector programme and the aid effectiveness subgroup on cost norms in Vietnam. In Burma/Myanmar, the Commission played a key role in the preparation and management of joint donor programmes for the Global Fund to fight HIV/AIDS, TB and Malaria (GFATM) and the education sector.

Together with local EU Presidencies, the Commission contributed to initiatives to implement the EU code of conduct, acting within the existing donor cooperation frameworks. In Cambodia the EU Road Map for aid effectiveness adopted in 2006 has been implemented and in Indonesia an EU road map on assistance coordination and rationalisation was agreed.

³³ COM(2001)469 final

DCI has encouraged stronger ownership of partner governments and their cooperation in preparation and implementation of the programmes. Resources are being concentrated on fewer strategic priorities and sectors, especially education, health, governance and environment. It facilitates joint financing arrangements with other development partners, prompting more coordinated missions and approaches as well as a harmonised and more efficient dialogue – which is especially important in fragile and volatile contexts (Afghanistan, Bangladesh, Burma/Myanmar, Nepal, Pakistan, and Sri Lanka). However, progress on promoting more coordinated approaches and support to capacity development has been slower than expected.

As a result, the proportion of aid channelled and implemented through country systems is growing rapidly. In 2007 less than one third of Commission disbursements on pre-2007 aid commitments were paid through country systems (roughly €200 million). However, of new aid commitments (€330 million) nearly half will be disbursed through the budget system of beneficiary countries. The practice of establishing Project Implementation Units has been almost completely abandoned for new commitments.

2.3.1.3. Working towards the MDGs

The 2007 MDG progress report for Asia and the Pacific concludes that "Asia is one of the world's most dynamic regions and has been forging ahead on many of the MDGs". The region as a whole is found to be on track for reaching the targets on reducing extreme poverty, primary education, including gender parity in primary enrolment, as well as mortality of under-fives. Progress is less satisfactory for HIV, AIDS and tuberculosis, access to water and sanitation, underweight children, and deforestation. There are huge differences in performance among countries. For instance, while China, Indonesia, Malaysia and Thailand have already met the target on reducing extreme poverty, the progress made by India and the Least Developing Countries is slow. On primary education South Asia, except India and Nepal, is progressing slowly even though it approaches the goal. Some Asian countries are progressing too slowly on cutting under-five mortality. Several countries in Asia and South East Asia are advancing too slowly on underweight children. All South East Asian countries except Vietnam have continued to lose their forests. Access to safe water in urban areas and to sanitation remains a problem, especially in rural areas.

Under the new DCI, the Commission contributed to the progress of the Asian countries towards the MDGs, aligning its intervention with the efforts of the beneficiary country government policies and poverty reduction strategies where possible. Particular priority is given to the social sectors: health and education represent 18.3% of active contracts, but 25% of new commitments. The Commission's political commitment of supporting social sectors under the geographical programmes covered by the DCI thus has a tangible impact in Asia.

In 2007, the Commission committed funds to alleviate poverty and hunger (MDG-1) in Cambodia, Laos, Mongolia and Vietnam. Programmes to aid uprooted people were adopted for Afghanistan, Bangladesh, Burma, Thailand and Nepal, and food security programmes for Bangladesh, DPRK and Burma/Myanmar. The Commission allocated funds to support primary education (MDG-2) in Burma/Myanmar, Nepal and Pakistan.

Through health sector support programmes, the Commission has directly or indirectly contributed to MDG 4, 5 and 6 in Afghanistan, Bangladesh, Burma/Myanmar, India, Indonesia and the Philippines. New funding was provided for a health sector programme in India and the Global Fund to fight HIV/AIDS, TB and Malaria (GFATM) in Myanmar. In addition, the 2007 regional annual action programme includes programmes supporting preparedness to highly pathogenic avian influenza and emerging diseases (MDG-6) in Asia. Water sector reform programmes were completed in Afghanistan, China, and India or at Asia regional level to ensure environmental sustainability (MDG-7).

Through other programs, the Commission supported good governance and the rule of law. New programmes were committed for Afghanistan, Bangladesh, Indonesia, Laos and Vietnam. Pursuance of the MDGs was also facilitated through the new SWITCH programme which strengthens sustainable consumption and production, thus contributing to MDG target 12, goal 8 ("Develop a Global Partnership for Development").

2.3.1.4. Regional cooperation and integration

Supporting ASEAN and SAARC are focal areas in the regional strategy paper and multiannual indicative programme for Asia adopted this year. Assistance to ASEAN will focus on its integration efforts as outlined in the ASEAN economic community blueprint and will build on European experience in regional integration issues such as statistics, customs and standards. Assistance to SAARC will support the SAARC Free Trade Agreement process, the regional sector policies developed by the organisation as well as the region's civil aviation safety standards.

There was significant progress in ASEAN, with adoption of the ASEAN Charter, including charter on human rights and three blueprints for integration at the commemorative summit in November, followed by the EU-ASEAN summit. The Commission adopted two new programmes the total €10.7 million budget value for which support statistical capacity development and improvement of migration and border management. Implementation of a programme on IPR cooperation continued and an energy facility programme was completed. The energy facility has been instrumental in putting renewable energy on the agenda in the ASEAN member states by financing a large number of demonstration projects and also in bringing together energy policy makers from the region to define regional energy policies. The IPR programme has created a strong network of IP offices in the region, strengthened legislation in ASEAN member states and established curricula for IP management at universities throughout the region. EC assistance focused in particular on capacity development and competency transfer on regional integration to the ASEAN Secretariat and respective national institutions of the member states.

In SAARC, progress in cooperation has been more moderate. However, a new programme of economic cooperation of €2.5 million aims to facilitate the implementation of the South Asia Free Trade Agreement (SAFTA) which foresees that SAARC member states will harmonize their standards and abolish intra-regional customs tariffs.

2.3.1.5. Implementation

In response to rapidly rising opportunities and demand for policy and reform-oriented development cooperation, over recent years a growing proportion of EC development assistance in Asia has been provided through programme-based approaches that aim to support countries in their implementation of key reforms, especially when related to the MDGs. In the first year of implementation of the DCI, roughly two thirds of EC development funds for Asia (€652.9 million), or €477 million, were committed in the context of policy and reform-oriented programmes and projects, many of them in partnership with other donors – including Member States.

The Commission's contribution to eradicating poverty and hunger encompassed measures for food security in Afghanistan, Bangladesh, Burma/Myanmar and DPRK. DPRK benefitted from the delivery of agriculture equipment to cooperative farms and the start of three new community-based food security projects implemented by European NGOs. Financial contributions were made to continue supporting Afghan returnees and refugees in neighbouring countries. Funds were also provided to assist Burmese refugees in Thailand and Bangladesh as well as displaced people within Burma/Myanmar. The Commission also helped to find a long term solution for the Bhutanese refugees in Nepal.

High-profile higher education symposiums and fairs in three Asian countries promoted cooperation and exchanges between Asian and European higher education institutions (Asia Link). Through the TEIN programme, about 30 million Asian researchers from seven Asian developing countries so far (and fourteen expected in the future) are linked together and with Europe for data exchange and joint research.

23.5% of new commitments were for health related actions, including additional support to the health sector in Burma/Myanmar and India. In Burma/Myanmar, the Commission contributed to the Global Fund to fight HIV/AIDS, TB and Malaria (GFATM), which aims to reduce the burden of communicable diseases on the population. In India, a €110 million contribution to a health sector programme improves the quality and accessibility of health services with particular focus on women and child health status. At the regional level, the Commission delivered timely funding to support the multi-donor trust fund both for the prevention of Avian Influenza and for the fight against infectious diseases. The completion of the RHIYA programme demonstrated good promotion of reproductive health among youth in Asia.

Strengthening the rule of law and good governance is a major focal area for EC assistance throughout the region. In Sri Lanka the Commission supported the International Independent Group of Eminent Persons and respect for human rights. Support to public finance management was provided in Bangladesh, Cambodia, Laos and Pakistan. The Commission contributed €15 million to establish a comprehensive and effective voters' registration system in Bangladesh to help ensure that the elections scheduled for end of 2008 will be fair and restore legitimate government. In Afghanistan, the Commission contributed to the reconstruction and process of establishing rule of law. Further funding was provided for the Law and Order Trust Fund financing police. Almost €20 million went to provide support for the Afghan

customs academy and construction of two border crossing points, thus contributing also to increasing revenues to the Afghan budget.

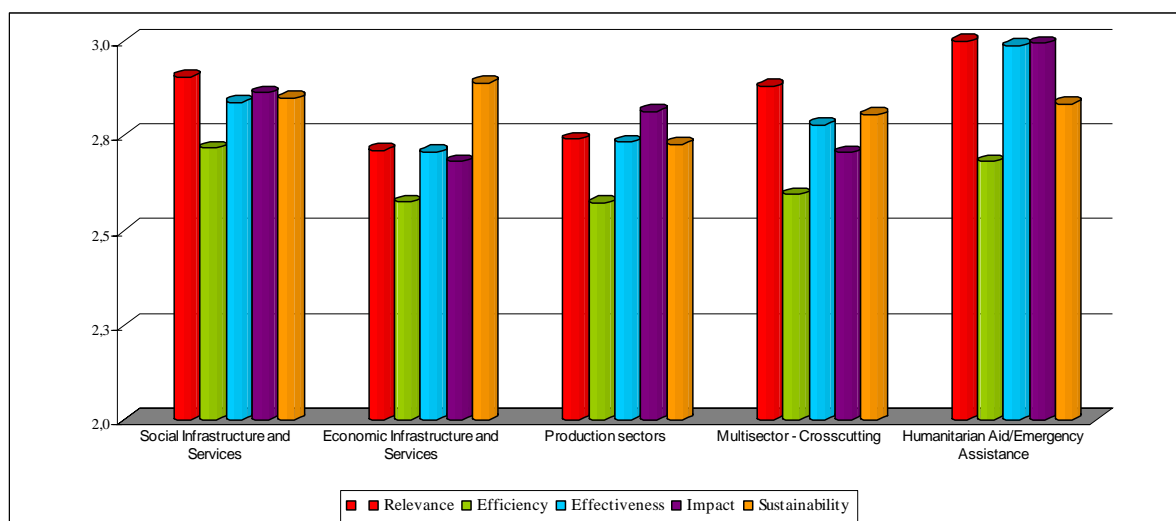
The Commission committed funds to support sustainable economic and social development through trade-related assistance in SAARC, Laos, Philippines and Vietnam. At the regional level, the Asia Invest programme has further promoted cooperation in the field of SME development. Developing Asian countries have also benefitted from the completion of Asia Trust Fund for targeted trade-related technical assistance. In the area of rural development, a new sustainable livelihoods programme for Mongolia was supported. The Commission committed itself to support capacity development in civil aviation in India.

2.3.1.6. Monitoring

218 active projects, with a total budget of €982 million, were monitored in Asia, resulting in 213 monitoring reports. The average results on all five criteria were above the middle line of 2.5, thus acknowledged as “being on track”. Projects in the areas social infrastructure and services, multi-sector/crosscutting and production sectors account for 80% of all monitored projects and 77% of EC funding.

The effectiveness, relevance and design quality as well as the sustainability of programmes implemented in the Asia region remained stable between 2005 and 2007³⁴. There is clearly scope for improvement, particularly as regards efficiency and impact. The identified weaknesses are addressed during implementation while lessons learned are taken into account in preparation of new programmes, especially as regards defining both realistic objectives and results, and relevant indicators, so as to ensure the ownership of the beneficiaries and the sustainability of the programmes.

Table 14: Asia Monitoring Results per ODA sector



Only samples of at least 10 monitoring reports are considered statistically relevant, therefore no information is provided for those sectors having less than the minimum number of monitoring reports. The grading scale has a maximum of 4 points.

³⁴ This conclusion is based on a sample of 18 re-monitored projects.

2.3.1.7. Perspectives

The Commission will further focus its external aid under DCI on MDGs and support to regional integration. Beneficiary ownership is crucial for success and sustainability of aid programmes. The Commission will engage with other donors in policy dialogue with governments, so as to ensure that the necessary policy and regulatory frameworks are in place to facilitate donor assistance success. The Commission will also ensure that future programmes have more substantial capacity and institutional development components.

Delivery on the aid effectiveness commitments and implementation of the EU Code of Conduct will remain priorities. The Commission will make use of new opportunities under the DCI Regulation, and seek the support and engagement of Member States, and will work closely with other donors. Improved donor coordination will allow the Commission to direct its interventions further toward better results and impact. The EC will aim to define better indicators for measuring progress and initiating disbursements.

Post-tsunami reconstruction

Three years after the tsunami, the European Union, acting in cooperation with the international community, is recognised as an effective partner in the implementation of the recovery strategies in Indonesia, Sri Lanka and Maldives. This includes recreation of local communities and livelihood, rehabilitation of the environment including waste management, rebuilding infrastructures and transports, recreation and enhancement of capacity building and governance.

General budget support in Vietnam

Vietnam was one of the first countries in Asia to receive General Budget Support (GBS). GBS in Vietnam is directly linked to the country's socio-economic development plan. Donors provide funds through non-earmarked contributions. Coordination with EU Member States is very strong. The Commission and Member States used policy dialogue contributions to ensure GBS paid close attention to poverty reduction. This first GBS cycle achieved the following results: The proportion of the state budget spent on education and health increased from 15% in 2000 to 21% in 2005. This additional investment contributed to noticeable improvements in basic education and health. All MDG targets in these areas are now on track. Primary school enrolments have increased by 6 percentage points. Under-five mortality has decreased from 48 deaths per 1000 births to 24. Access to clean water and sanitation has risen from 76% to 79% and 25% to 32% respectively.

Sector budget support for health in the Philippines

The Commission is the main donor to the governmental health sector policy support programme, which targets primary health care to poor people with a particular emphasis on maternal health care. 16 provinces receive direct budget support and 21 others will soon be covered, including provinces of Mindanao affected by conflict.

The first fixed tranche was paid in the last quarter of 2007. Reliable data for monitoring and evaluation of local government performance is being developed. This will provide the main input for the preparation of the variable tranche payment. The Commission actively participates in the review processes, both at central and at provincial level. Budget support creates a spirit of partnership around policy issues, which is vital to pursuing the Commission's objective of ensuring equitable development that eliminates poverty.

2.3.2. Central Asia

2.3.2.1. Introduction

The EU's recent enlargements, the extension of the ENP to the South Caucasus and development of its relations with Russia have brought Europe and Central Asia much closer together, both in terms of political cooperation and economic partnership. The strategic interest in supporting political and economic stability and development in Central Asia, particularly given the region's proximity to Afghanistan and the presence of substantial energy resources in certain Central Asian countries also make the region an important partner. It had therefore become vital to strengthen the EU's relationship with the five Central Asian Republics of Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan. The common goal of achieving stability and prosperity by means of peaceful inter-action makes Europe and Central Asia partners for increased cooperation.

On 21-22 June the European Council adopted a new Central Asia strategy, *The EU and Central Asia: Strategy for a New Partnership*³⁵, which marks a new level of political dialogue and cooperation with the countries of the region and for the first time establishes guiding principles for greater EU engagement in Central Asia. It focuses on intensified cooperation in key areas such as education; human rights and the rule of law; economic development, trade and investment; energy and transport; the environment; and common threats and challenges from terrorism and drug trafficking. Meanwhile, the EU is supporting energy sector reform as a means to underpin long term economic development in the region.

The Commission's 2007-2013 assistance strategy for Central Asia³⁶, adopted in April, foresees a doubling of budget allocations to €750 million under the DCI. Eighty percent of EC assistance is directed to bilateral cooperation taking into account the policy agenda of the individual Central Asia countries and their distinct political and social realities, with a focus on attainment of the MDGs. Twenty percent is going to regional challenges, such as preservation of the environment and water management, energy and transport, border management, and combating drug trafficking. The alignment of priorities for Central Asia in these sectors with the regional ENPI strategy enables also the Central Asian partners to participate in ENPI regional projects.

³⁵ http://www.consilium.europa.eu/uedocs/cms_data/librairie/PDF/EU_CtrlAsia_EN-RU.pdf

³⁶ http://ec.europa.eu/external_relations/ceeca/c_asia/07_13_en.pdf

2.3.2.2. Aid effectiveness and donor coordination

The Commission made further efforts to promote donor coordination and aid effectiveness, and implementation of the EU code of conduct. During the year, the Commission joined a group of donors establishing a joint intervention strategy in Kyrgyzstan and in Tajikistan in support for implementation of national poverty reduction strategies. Donor coordination in these two countries is also very active around public finance management issues – an area in which the Commission supports several projects.

The Commission initiated consultations with the Member States regarding implementation of the EU strategy for Central Asia adopted in June. Fifteen percent of the aid committed in 2007 in Central Asia will be delivered through country systems, thereby increasing ownership.

2.3.2.3. Working towards the MDGs

According to the MDG 2007 Progress Report for Asia and the Pacific, several Central Asian countries, such as Kazakhstan, Kyrgyzstan and Uzbekistan, have already achieved the MDG targets related to reduction of extreme poverty, gender disparities or environmental targets. Despite their achievements, Tajikistan and Kyrgyzstan remain among the poorest countries in Asia. Improving primary education is needed in most countries except Kazakhstan and Tajikistan. Further progress is needed, notably in the field of health water and sanitation in rural areas. Progress as regards HIV/AIDS is recorded in Kyrgyzstan, Kazakhstan and Tajikistan, but surprisingly this is not the case for tuberculosis, for which the prevalence has increased in several countries.

External aid under the DCI contributes to the fight against poverty and toward achieving the MDGs. This includes sizeable food security programmes for Kyrgyzstan and Tajikistan, with a total budget of €18 million, and a sector policy support programme for social protection for Tajikistan. Projects include community-based social development in rural Kyrgyzstan and one improving living standards in Tajikistan.

The Commission also contributed to MDGs through its support and new funding to health care reform in Kazakhstan, support to education system reform in Turkmenistan and vocational education development in Kazakhstan. The Tempus and Erasmus Mundus programmes for Central Asia are of particular importance for the development of Kyrgyzstan, Tajikistan, and other countries that suffer from a shortage of university graduates.

2.3.2.4. Regional cooperation and integration

EU cooperation with Central Asia developed considerably this year with the EU-Central Asia ministerial meeting in Berlin in March and adoption of the EU Strategy for Central Asia as well as a Central Asia strategy paper and multiannual indicative programme. The strategy paper identifies priority areas for regional cooperation, namely education, energy, transport, environment and border management. As a response to the new EU strategy, the 2007 annual action programmes gave increased emphasis to education (Tempus and the Erasmus Mundus External Cooperation

Window, which aims to boost human resources development through student mobility) and to private sector development (Central Asia INVEST).

2.3.2.5. Implementation

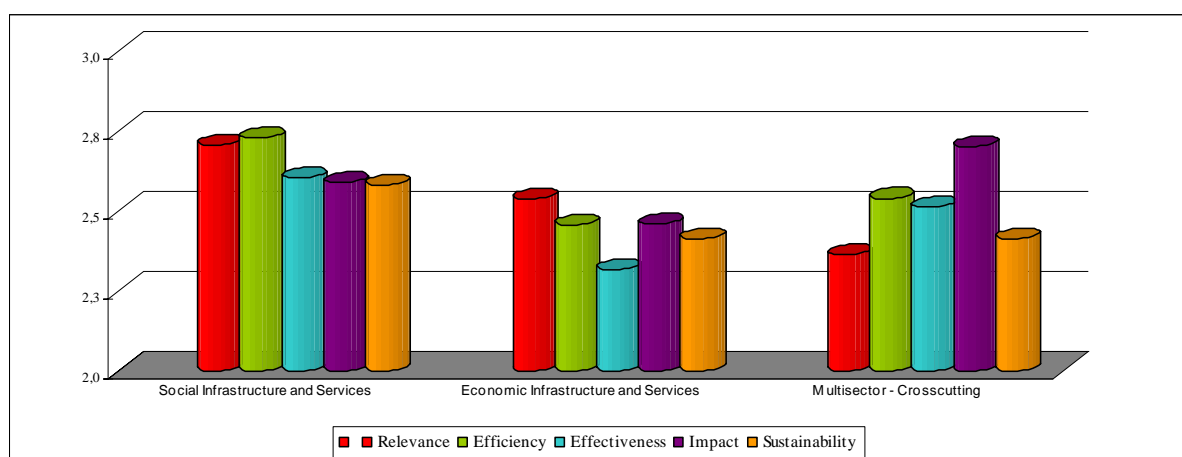
All new credits available for Central Asia (€60.3 million) were committed and €40.1 million had been already paid by the end of the year. These commitments focus on health, education, judiciary reform, social protection, and private sector and rural development. Most assistance was provided in the form of projects, except in Tajikistan where social protection received sector budget support.

The EU supported the implementation of the Partnership and Cooperation Agreements with Central Asian countries. These agreements and the related development assistance aim to facilitate transition, as well as encouraging economic growth and trade.

The regional Tempus programme continues to support education reform, curriculum development and university modernisation through partnerships between higher education institutions. Vocational education and training is also supported in three of the five countries so as to help the population access new opportunities in the growing and evolving private sector. Strengthening governance, including public finance management and economic transition reforms, is a major concern. Progress in the realisation of medium term expenditure frameworks has been achieved with the Commission's help in Kyrgyzstan and Tajikistan. Kazakhstan benefited from support to local governance. The Commission has continued to support civil society through the Institution Building and Partnership Programme. To ensure environmental sustainability, the Commission has contributed to the successful protection of the Tadjik-Kyrgyz trans-boundary Pamir-Ali region conservancy area. It has also supported the Central Asia Regional Environment Center.

2.3.2.6. Monitoring

Table 15: Central Asia ROM Monitoring Results per ODA sector



Only samples of minimum 10 monitoring reports are considered statistically relevant, therefore no information is provided for those sectors having less than the minimum number of monitoring reports. Maximum grading is 4 points.

A total of 99 active projects for a total budget of €93 million were monitored, resulting in 78 monitoring reports. Monitored projects covered three areas that

represent 92.8% of all projects implemented, namely social infrastructures and services (53), economic infrastructure and services (24) and multi-sector/cross cutting issues (15). The relevance (2.70) and efficiency (2.73) ratings of social infrastructure and services projects were the highest. However there is scope for improvement, especially concerning the sustainability of bilateral programmes and the effectiveness of regional projects. This is the largest sector with 53 projects and a total budget of €50.7 million.

The relevance, efficiency and effectiveness of national projects obtain higher marks than the regional ones, also as regards impact and sustainability. Most regional projects in Central Asia are managed outside the region (non-devolved) – often resulting in lower scores for relevance (2.5) and project design (2.7). The efficiency of non-devolved regional projects is less satisfactory (2.5) than that of national and devolved projects (2.8). However, these weaknesses are addressed in implementation while lessons learned are taken into account when designing new programmes and further devolution of aid management to Delegation.

2.3.2.7. Perspectives

The Commission will cooperate closely with EU member states in implementing the EU Strategy for Central Asia. Support for achieving the MDGs will remain at the centre of assistance to the region, but the Commission will take into account the increasing differentiation of the countries concerned. In response to the new strategy and in line with strategic guidelines under the DCI Central Asia indicative programme 2007-2010, new regional and bilateral cooperation programmes will be implemented. High priority will be given to programmes in the field of education and rule of law/judiciary reforms, which are crucial for development and modernisation.

Bilateral assistance will be further focused and consolidated, so as to provide more comprehensive support to partner countries' medium-term development strategies. This will be linked with stronger engagement of the Commission, together with other donors, in policy dialogues. Commission assistance will address capacity and institutional development, including strengthening of public finance management in Kyrgyzstan and Tajikistan, as a way of helping both countries in meeting all conditions for sector budget support and provision of assistance through their country systems. The Commission will continue support for addressing problems of concern for the entire region; establishing, in particular, effective border management and cooperation on water management.

Integrated community-based development in Kyrgyzstan

Poverty levels remain extremely high in Kyrgyzstan, aggravated by significant regional differences in economic development, particularly between the richest region of Bishkek and the poorest southern oblasts. This project supporting integrated community-based development, therefore focuses on the poorest southern-Kyrgyz oblasts of Jalalabat, Osh and Batken. By combining economic growth (through agricultural development, income generation and social rehabilitation), social community empowerment and local administration strengthening, it addresses in an integrated way the complex nature of rural poverty. With the involvement of the local population in the project, and services steadily growing throughout the implementation, changes in living conditions were noticeable in all targeted areas.

Legal and trade-related assistance: post-soviet modernisation

After the dissolution of the USSR and regaining its independence in 1991, Kazakhstan needed to draft and implement its own national legislation, to improve its investment climate and to raise its trade volumes. A Commission-funded project provided expertise in a number of areas to support these efforts. As a result, several pieces of legislation prepared through the project have been adopted and a significant contribution was made to the country's preparation for WTO accession. The project has benefited the public administration as well as the business sector.

2.3.3. Middle-East

2.3.3.1. Introduction

Three countries in the Middle East are covered by the DCI – Iraq, Iran and Yemen. Substantial assistance was devoted once again over the year to reconstruction in Iraq, as well as to assisting neighbouring states (Jordan, Syria) to manage a major influx of Iraqi refugees, as the country remained extremely insecure. This insecurity, as well as the weakness of Iraq's institutions, created an extremely challenging aid environment. While almost half of Commission funding for Iraq was channelled through the UN/World Bank multi-donor trust fund IRFFI, established at the end of 2003, bilateral Commission financing was also given to a major new rule of law assistance initiative, as well as to support displaced persons and refugees.

In Yemen, the Government remained committed to its reform agenda – establishing a Supreme National Authority for Combating Corruption, adopting a financial disclosure law for public procurement, and reforming the civil service – and the Commission maintained its support for that process by increasing the Yemen allocation under the DCI budget line by an additional € million. The overall situation in Yemen remained difficult, with continued fighting in the northern governorates and signs of social unrest amid rising food and fuel prices. Commission assistance focused on good governance (electoral and democratic support as a follow-up to the 2006 EU elections observation mission) and on local community development through the Social Fund for Development.

Finally, the Commission continued to support the EU3 negotiations with Iran in the hope that an unblocking of the nuclear dossier would open the way for enhanced cooperation.

2.3.3.2. Implementation

The Commission has supported Iraq reconstruction since 2003. EC aid concentrates on fighting poverty through alleviating the difficulties encountered by the Iraqi people. The programme covers all areas of activity, from basic services to human development and capacity building to support to the political process, with a special emphasis on elections. So far most EC aid has been channelled through the International Reconstruction Fund Facility for Iraq (IRFFI) as part of the multilateral effort. This approach has facilitated the deployment of EC support in difficult and

challenging conditions and very difficult security concerns where direct Commission actions would not be feasible. Efforts have also been made to launch bilateral actions with Iraq such as support to civil society organisations in the field of human rights and technical assistance to the key Iraqi institutions.

This year, the Commission provided support for the rule of law and justice. This builds upon the experience gained already in this sector and complement the Integrated Rule of Law Mission for Iraq (EUJUSTLEX) supported by the Council. Funds were also allocated to IRRFI to support the electoral process with the United Nations Development Group Iraq Trust Fund and to public finance management reform with the World Bank Iraq Trust Fund. Finally, the Commission granted special humanitarian and structural support for the provision of basic health and education services for Iraqi refugees in Syria and Jordan.

As Yemen is one of the poorest countries in the world, EC cooperation with this country concentrates on supporting the provision of basic economic and social needs of the Yemeni population. In 2007, the Commission supported Yemen through a contribution to the Social Fund for Development. Created ten years ago, this fund is recognised as an effective agent for the promotion of social and economic development. Promoting good governance and democracy is another key priority for cooperation and the "Support to the Electoral process and Parliament" programme will provide critical support to the democratic process and institutions.

Despite a difficult political context for the cooperation with Iran, the four existing projects promoting good governance and human rights (essentially through UN organisations) proceeded satisfactorily. In addition, a project in the field of drug rehabilitation started early in the year.

Iraq: Learning, informing, healing, reintegrating

Iraq has a long history of arbitrary arrests and the use of torture in prisons. NGOs working in this field have noted the widespread problem of ill-treatment of prisoners, torture and the prevalence of arbitrary detention. Allegations refer to restriction on access to economic and social rights such as education and health care, harassment and mistreatment of women. The Commission has been supporting the promotion of a human rights culture in Iraq by supporting civil society human rights organisations.

A project entitled *Promotion of Human Rights in Iraq through Iraq Civil Society Organisations* is implemented by the United Nations Development Programme (UNDP) and the United Nations Office for Project Services (UNOPS), in collaboration with Un Pont Per and in partnership with the Al Fuad Rehabilitation Centre for Torture Victims. This project aims to assist torture victims through social and medical rehabilitation and psychological and physical support, providing capacity building on human rights and detention in Iraq and organising specialized capacity building trainings for Iraqi civil society organizations.

The project has already produced some very positive results, including rehabilitation services for 453 victims (including 148 torture survivors), specialised training for surgeons and surgery for 130 ear amputees, the establishment of the Justice Network

for Prisoners comprising 30 NGOs and the creation of a specific website³⁷.

2.3.4. *Latin America*

2.3.4.1. Introduction

Latin America, together with the Caribbean, saw the fifth consecutive year of economic growth and the fourth year of growth over 4%. Unemployment fell to around 8%, the lowest rate in 10 years³⁸. This favourable economic situation had a positive impact on the activities the Commission implemented during the year. The overall objective of these was to promote political, economic and commercial relations and cooperation in order to consolidate the EU's strategic association with Latin America to support the development of a stable, democratic and prosperous region.

For the period 2007-2013, €2690 million have been allocated for development cooperation, which is crucial for establishing closer links between the EU and Latin America. The DCI states that Community assistance should support, generally, the implementation of policies directed toward poverty eradication and toward the achievement of the MDGs. With regard to Latin America, the DCI states that the main objectives are to support social cohesion and regional integration, the reinforcement of good governance and public institutions, a common EU-Latin America higher education area, and to promote sustainable development.

Within this framework, several strategic priorities were established. These include maintaining the high level of political dialogue, both at regional and sub-regional levels (Mercosur, Andean Community, and Central America). Important meetings held during the year included the Rio Group meeting in Santo Domingo as well as the sub-regional Ministerial summits that were organised on the same occasion. Under the DCI, 21 strategy papers for Latin America for the period 2007-2013 were adopted – taking into account that development policy should have a particular focus on poverty alleviation and social cohesion issues³⁹. Health and, more significantly, education, represent about 30% of the sectoral focus of future cooperation. This honours the Commission's political commitment in terms of financial allocations to social sectors under the geographical programmes covered by the DCI. Several annual action programmes were prepared. For 2008, particular emphasis will be given to sector-wide approaches and policy dialogue with Latin-American countries. Pursuing its integrated trade policy in Latin America and focusing on creating economic and social opportunities through trade and aid, the Commission continued negotiations for the conclusion of the Mercosur agreement and launched negotiations in view of comprehensive Association Agreements (political dialogue, cooperation and preferential trade) with the Andean Community and with Central America. Several rounds of negotiations took place during the year.

³⁸ On the basis of the ECLAC (UN Economic Commission for Latin America and the Caribbean) preliminary analysis for the year 2007.

³⁹ For 17 countries, 3 sub-regions (Central America; Andean Community and Mercosur) and 1 for the Latin-American region as a whole

2.3.4.2. Aid effectiveness and donor coordination

Increasing 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 between its policies and other cooperation activities and programmes. Sector approaches have encouraged a more harmonised and effective pooling of development potential.

The Commission put into action many activities to adapt the EU Code of Conduct on division of labour in the field with beneficiaries and donors. In Nicaragua the Commission and Member States donors started to implement elements of the Code. In Peru, the Commission ensured that the government, through the Peruvian Agency for International Cooperation (ACPI), took full part in the entire aid effectiveness programme and established its leadership role for donor coordination and the Paris agenda.

2.3.4.3. Working towards the MDGs

According to the *Millennium Development Goals Report 2007*⁴⁰ the region as a whole has already met at least five of the MDG targets. In other areas progress has been rapid enough to put Latin America on track to meet the 2015 deadline. Nevertheless, tackling income inequality, one of the highest among all developing areas, and the very high unemployment rate among young people, remain challenges. Another very important region-wide issue is that the proportion of land covered by forests has declined from 50 per cent in 1990 to 46 per cent in 2005.

This year, the Commission financed a €7.3 million programme strengthening institutional capacities of selected municipalities to reduce poverty in the Northern and North-Eastern regions of Brazil (MDG 1). Its objective is to improve the technical and institutional capacity of small and medium-size municipal administrations to plan, finance, manage and evaluate programmes and projects directed toward urban and/or peri-urban development, poverty reduction and social inclusion. The programme will also disseminate and demonstrate methodologies, experiences and best practices in inter-municipal association and civil society participation that could be adapted to the Brazilian reality and further incorporated into the national policies.

The implementation of a €5.8 million project started to help forest management, support sustainable production and strengthen civil society in the Brazilian Amazon (MDG 7). The project should contribute to sustainable development of the area of influence of a major road in the state of Pará. Activities will include installing a forest monitoring system and a national register of public forests to support the Brazilian Forest Service (SFB) and the National Centre for Forest Management (CENAFLOR). Local sustainable production will be supported through training and networking for producers, farmers and land technicians. The market for sustainable products will be increased. Civil society will be strengthened by promoting approaches based on dialogue and negotiation.

⁴⁰ <http://www.un.org/millenniumgoals/>

The Commission committed €12 million to help young people find a decent job in Argentina (MDG 8) by broadening access to high-quality education and vocational training opportunities and promoting the completion of secondary education and increased labour qualifications of young people from 16 to 29 years. The policy management of the system for permanent education of young people and adults (EPJA) will be strengthened at provincial and national levels. Secondary education for young people and adults in 12 provinces will be improved, as will the relevance and quality of the training offered to youths and young adults. Implementation should start in 2008.

2.3.4.4. Regional cooperation and integration

The Latin American countries have embarked on regional integration processes that have already had a considerable impact. Within the developing world, Latin America as a region is in lead position on the integration path. Regional integration is a priority area for Commission support.

Four initiatives were approved to strengthen integration within Mercosur (EC contribution €12 million). The first aims to build institutional capacity and strengthening the role of the Mercosur Secretariat at a moment when the Secretariat assumes new responsibilities such as the implementation of the Fund for Structural Convergence (FOCEM). The second aims to fortify the judicial and legal institutional structure⁴¹. The third concerns Mercosur's Strategic Plan for the Education Sector and contributes to the consolidation and expansion of the Student Mobility Programme (similar to Erasmus programme) for Mercosur undergraduates. The last initiative aims to foster joint policies and strategies in the field of the information society at the level of Mercosur to reduce the digital divide in the region and follows the adoption of the "Work Plan of Buenos Aires for Development of the Information Society" in May 2006.

The Commission continued to support the General Secretariat of the Andean Community and launched a project (EC contribution €6.5 million) to support economic and social cohesion within the region. The objective is to improve the capacity to formulate and implement regional economic and social cohesion policies by creating an Andean Centre of Excellence for Economic and Social Cohesion and financing concrete actions in transnational and cross-border areas that demonstrate the positive impact of regional integration to Andean citizens and the added value of EC cooperation. This follows the adoption of the Andean "Integrated Social Development Plan" (PIDS) in September 2004.

2.3.4.5. Implementation

The Commission approved 27 bilateral cooperation actions. These seek to foster social cohesion and education, strengthen good governance and institutional capacities, and encourage regional integration. In Central America the Commission continued to move towards budget support as a privileged aid delivery method.

⁴¹ The official establishment of the Mercosur Permanent Court of Review in Asunción on 13 August 2004 was the first landmark towards this direction.

Cooperation with Nicaragua evolved reasonably well in the first year of the new government of Mr. Ortega. Following a lengthy inception phase, needed to establish common ground, the Commission and the Nicaraguan government made substantial progress in several areas which resulted, in particular, in the commitment of around €20 million for new geographic actions at the end of the year to support education, business and investment climate, and governance facility. In Nicaragua and Ecuador the Commission decided to deliver a total €26.9 million through two budget support actions for the education sector. In Bolivia, the Commission launched programmes worth a total of €36 million to support the government's efforts in reducing the cultivation of coca, promoting sustainable socio-economic development in the producing regions and facilitating access of the population to basic social services.

In Peru, a programme on local capacity building for the families of small producers in the Surrounding Zone in the Biosphere Reserve of Manu (ZAMANU), in the regions of Cusco and Madre de Dios, made great progress in achieving its objectives. The programme seeks to improve small farmers' opportunities for commercialisation, reduce high levels of poverty and malnutrition, and address the weak institutional links between the civil society organisations and local and regional authorities. So far, the situation of 420 out of 560 families has improved as concerns production and nutrition. Ownership among the families, communities and bio-farms is high. A regional programme for Peru and Bolivia supporting economic initiatives and organisations of rural producers (OECA⁴²), has allowed beneficiaries to comply with organic production standards, to guarantee supply and to increase the quantity and quality of their production. Coffee cooperatives have been able to develop initial payment (in Peru) or pre-financing (in Bolivia) services that increase their independence from other financing sources (banks, buyers, federations).

In Guatemala's Huehuetenango department, small producers account for 10% of the coffee production (the remaining 90% - 600,000 bags – that the department exports are produced by multinationals). The Commission has supported these small producers in obtaining environmental, social and organic quality certification. The EC programme helps producer associations to manage, process and commercialize directly (avoiding local intermediaries) their production for a better price. This is an opportunity to increase the revenues of the families concerned. Furthermore, production diversification improves agricultural practices and protects the environment.

The regional cooperation programmes⁴³ aim to develop closer and sustainable links between civil society in Latin America and Europe. This was a very successful year for the regional programmes, both in terms of results and impact.

EUROsociAL (EC contribution €31.3 million, 2005-2009)⁴⁴. This Programme aims to contribute to increasing social cohesion in Latin America by developing national authorities' capacities to formulate and manage public policies in that area. Over a two year period, more than 600 institutions and nearly 4000 public servants – more than 80% from Latin America countries – have participated in the programme. It has

⁴² Organizaciones Económicas Campesinas

⁴³ http://ec.europa.eu/europeaid/where/latin-america/regional-cooperation/index_en.htm

⁴⁴ http://ec.europa.eu/europeaid/where/latin-america/regional-cooperation/eurosocial/index_en.htm

promoted the creation of sectoral networks of institutions and administrations active in public policy-making and advocacy.

Alban (Programme for Higher Education and Training Scholarships in the European Union for Latin American citizens: EC contribution €88.5 million, 2002-2010)⁴⁵. By the end of the year, the programme had awarded 3,319 grants to nationals of the 18 Latin American participating countries. In 2007, a total of 806 students were awarded scholarships for an average of two years of study in a European institution. A new programme is being prepared within the framework of the new phase of the Erasmus Mundus programme (Erasmus Mundus 2009-2013). The Erasmus Mundus External Cooperation Window call for proposals published in 2007 (for the academic year 2008-2009) promotes academic cooperation and mobility of students, researchers and academic staff between the EU and Brazil, Mexico and Chile.

ALFA (Latin America Academic Training Programme: EC contribution €55.5 million, 2000-2006)⁴⁶. Out of 225 approved projects, 54 were still active. During the second half of the year, preparations began for phase three of the programme with an EC allocation of €45 million. Actions will include 'Joint Partnerships' of European and Latin American institutions and 'Structural Measures' that aim to reform education systems in Latin America.

AL-INVEST (EU-Latin America Trade and Investment Promotion Programme: EC contribution €42.9 million, 2003-2007)⁴⁷. During the year, 46 projects were approved for the benefit of Latin American as well as European SMEs. Activities included the organisation of business meetings and technical assistance and capacity-building projects for private-sector organisations. By the end of 2007, over 42,000 SMEs had received assistance under the programme which has generated, since its creation 13 years ago, more than €602 million worth of EU-LA business.

EURO-SOLAR (EC contribution €24 million, 2006-2010)⁴⁸. Euro-Solar aims to reduce poverty, allowing remote rural communities without electricity access to benefit from renewable electric energy. The programme's total budget is €30 million, of which €6 million is provided by the eight beneficiary countries (Guatemala, El Salvador, Honduras, Nicaragua, Ecuador, Peru, Bolivia and Paraguay).

URB-AL (EC contribution €64 million, 2007)⁴⁹. The programme develops networks between local authorities on issues of local and regional interest to promote social cohesion. In phases 1 and 2 a total of 171 projects, in the framework of 13 networks have been supported. On-going activities are expected to finish by the end of 2008. The current phase 2 programme will be followed by a third phase for which an EC contribution of €50 million was allocated.

OBREAL (Observatory of EU-LA Relations: EC contribution €1.35 million, 2005-2007)⁵⁰. The Observatory is a network set up by 23 academic institutions and

45 http://ec.europa.eu/europeaid/where/latin-america/regional-cooperation/alban/index_en.htm
46 http://ec.europa.eu/europeaid/where/latin-america/regional-cooperation/alfa/index_en.htm
47 http://ec.europa.eu/europeaid/where/latin-america/regional-cooperation/al-invest/index_en.htm
48 http://ec.europa.eu/europeaid/where/latin-america/regional-cooperation/euro-solar/index_en.htm
49 http://ec.europa.eu/europeaid/where/latin-america/regional-cooperation/urbal/index_en.htm
50 <http://www.obreal.unibo.it/>

research centres from Europe and Latin America. It aims to identify partnership possibilities 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 cooperation, governance and multi-regionalism, civil society and institution-capacity building.

2.3.4.6. Monitoring

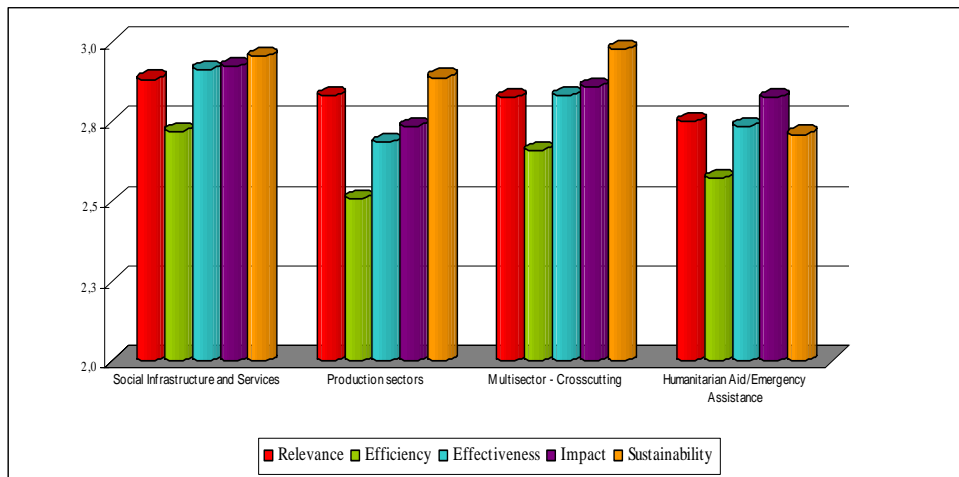
17 countries were visited and 224 projects monitored, of which 184 are active and 38 are completed (and were the subject of ex-post monitoring). Two were sector policy support programmes. A large number of these projects (nearly 60%) were concentrated in five countries (Colombia, Peru, Brazil, Nicaragua and Guatemala).

99% of projects with an EC contribution above €1 million were monitored against 30% of projects with an EC contribution under €1 million. The average financial amount is €5 million, although this figure varies significantly (from €0.3 million to €7 million). In addition to monitoring reports and notes for the 184 active projects, with a total budget of €95 million, seven country reports (Brazil, Guatemala, Peru, Bolivia, Nicaragua, Colombia and Chile) and a "Compendium of lessons learnt" were produced.

The overall average note of 2.81 reflects very good performance (based on a target of 2.5 which means that projects are on track and where 4 is maximum note) compared with results in 2005 and 2006. Projects show very good relevance (2.86), effectiveness (2.81) impact (2.85) and sustainability (2.91) and good efficiency (2.63). The scores for the five criteria were very good (a) 7%, good (b) 63%, problems (c) 29% and serious deficiencies (d) 1%. There are nine projects with serious deficiencies (against 32 projects in 2006) which represents only 0.5% of the total.

The best results (2.88) were reached in social infrastructure and services (education, health, water supply, etc.), which represents nearly half of the projects and half of the budget monitored. The second best performer is multi-sector/crosscutting (environment-related, urban and rural development projects), which represents nearly a quarter of the projects and 20% of the budget monitored, with an average of 2.83. The production sector came third with an average of 2.73 while other sectors were based on a sample too small to be representative. The criteria with the best scores in all sectors are: relevance, impact prospects and potential sustainability. This year by region, the Andean Community shows the best results with a score of 2.83, and by country the best results were achieved in Uruguay with 2.96.

Table 16 Latin America Monitoring Results per ODA Sector



2.3.4.7. Perspectives

EC cooperation with Latin America over the period 2007-2013 will contribute to the achievement of the MDGs, making effective use of the DCI in promoting social cohesion, an essential condition of poverty reduction, and supporting regional integration. Cooperation will also focus on reinforcing good governance and public institutions, supporting a common EU-Latin America higher education area and promoting sustainable development.

The Commission will seek deeper coordination with EU Member States. Coordination with other multilateral donors will also be reinforced. On aid delivery methods, the Commission will strive to make greater use of budget support, when and where the appropriate conditions exist, in order to strengthen ownership and to support beneficiary countries' national policies, accountability and procedures.

In 2008 the political dialogue between the two regions will experience one of its highest moments with the fifth European Union-Latin America and Caribbean Summit of Heads of State and Government to be held on 16-17 May in Lima (Peru). The two key themes for the Summit will be (i) poverty, inequality, inclusion and (ii) sustainable development (environment, climate change and energy).

Disaster Prevention in the Andean Community

Since March 2005, the EU is financing the PREDECAN project (EC contribution €9.45 million) that supports processes directed toward disaster reduction in the member countries of the Andean Community. The project focuses on five issues, namely to help national, regional and local governments to include natural disaster risk prevention in their policies and organisations at State level to reduce risks, share information and knowledge about risks between the Andean countries, improve planning and development, provide education and training and implement pilot projects. The project has already had a positive impact on risk awareness among technical and government staff, e.g. the staff of civil defence organisations and the planning and finance ministries in the four Andean countries. The ministries of education and civil defence institutions are especially interested in making risk reduction a transversal theme in education. Pilot projects helping local governments to manage risk reduction in an integrated way began in September. Following the earthquake of 15 August, PREDECAN supported Peru's Civil Defence with

professional advice on efficiency and sustainable reconstruction.

Food Security in Bolivia

In 1996 the EU started the *Programa de apoyo a la seguridad alimentaria (PASA)* food security support programme (EC contribution €80.6 million until 2006), supporting policy making institutions and financing a wide range of projects in poor rural municipalities. These projects range from training and technical assistance supporting agricultural productivity and irrigation works to road infrastructure that benefited some 40,000 families in rural areas. Thanks to the programme, in the last decade Bolivia has developed a comprehensive view on food security, allowing for more consistent policy formulation and the targeting of interventions to the most deprived. The programme substantially improved access to food and it helped reduce the income volatility and risk vulnerability of the peasant population. The programme has become a full-fledged Bolivian institution that has been recently decentralized, endowing it with a greater functional autonomy. This recent government decision shows maximum national ownership and long-term sustainability.

2.3.5. *South Africa*

2.3.5.1. Introduction

The programming of development cooperation for the period 2007-2013 was concluded with the adoption of a country strategy paper and a multi-annual indicative programme. The strategy paper was for the first time elaborated jointly by the Commission, South Africa and eleven EU Member States. The strategy paper defines the reduction of poverty and inequality as the overriding objective of the development cooperation between South Africa and the EU for the period 2007-2013. The indicative programme translates this joint response into a Commission-South Africa programme of action. It foresees an indicative allocation of €80 million for the seven-year period. It was approved by the European Parliament and signed in Pretoria on the 10th of October by Commissioner Michel and Finance Minister Trevor Manuel. The main areas of cooperation are employment creation and capacity development for service delivery and social cohesion. Other areas include governance and regional and pan-African support.

The overall relations between South Africa and the EU have been strengthened with the adoption in May of an action plan for implementing the strategic partnership, which calls for deepened political dialogue and political cooperation and seeks to develop cooperation in a wide range of areas.

2.3.5.2. Aid effectiveness and donor coordination

Under the leadership of the National Treasury, the South African government convened donors to share experiences in putting the Paris Declaration into effect. An evaluation has been launched to prepare for the Accra High Level Forum on Aid Effectiveness in 2008. Five donor coordination groups have been established to map donor activities and to engage with the government on the policy framework and programmes of action.

2.3.5.3. Working towards the MDGs

South Africa is likely to achieve most of the MDGs by 2015. However, due to the high levels of unemployment, difficulties remain in relation to poverty eradication. Increased government spending on social services, including social grants, has gone some way towards alleviating poverty amongst the poorest households. Nonetheless, mass poverty remains pervasive with just under 50% of the population living under the poverty line established by the South African government. Institutional reforms are required to address unemployment and weaknesses in service delivery.

2.3.5.4. Regional cooperation and integration

The negotiations for an Economic Partnership Agreement (EPA) led to intense discussions on regional economic integration, intra-regional trade and international trade. South Africa already has a WTO-compatible free trade agreement with the EU⁵¹ as well as an agreement on trade in wine and spirits, that are unaffected by the expiry of the Cotonou trade regime. Therefore, it has chosen to remain outside of the agreement for the time being; but the door remains open for it to join the SADC EPA. South Africa is expected to remain engaged in the negotiations towards a full EPA and to join the other SACU countries under a single trade regime in the future.

2.3.5.5. Implementation

Sectoral budget support and sectoral policy support programmes accounted for more than half of the programmes approved this year. In total, disbursements worth €105 million were made.

Three major new programmes were approved that complement the two focal areas for South Africa, namely employment creation and capacity development for service delivery. The programmes, worth €153 million, will be implemented mostly through sectoral budget support and will contribute to achieving the MDGs through sector specific support to local economic development in the Eastern Cape (€6 million), "water for growth" (€107 million) and science and technology (€30 million).

In the economic sector, two major sector budget support programmes for private sector development have been implemented. Beneficiaries have been largely small and medium size enterprises. This resulted in the creation of an equity fund for women entrepreneurs as well as the establishment of ICT business centres delivering support to more than 100 companies to better prepare for local as well as global competition. Three local economic development programmes providing grants and technical support to small scale businesses have started to generate local employment and economic growth in the rural areas of three South African provinces.

The Conflict and Governance Facility supports research institutes and NGOs to promote improved decisions on issues related to conflict and governance. Research financed under this programme has already contributed to better informed policy-making and implementation and consequently has enhanced good governance and democratisation in South Africa.

⁵¹ The Trade and Development Cooperation Agreement (TDCA)

2.3.5.6. Monitoring

Fourteen projects for a total budget €159 million were monitored, showing good results with an overall average score of 2.59 for all parameters. Five of the projects visited were being re-monitored and four of them showed distinct improvement in the overall performance. At the end of the year, a large monitoring study was conducted on the whole cooperation portfolio of the Commission Delegation in South Africa. This study was followed by two stakeholder workshops on the projects that have been identified as "off-track". If successful, this pilot exercise might be repeated by other Delegations with important portfolios at national or regional level.

2.3.5.7. Perspectives

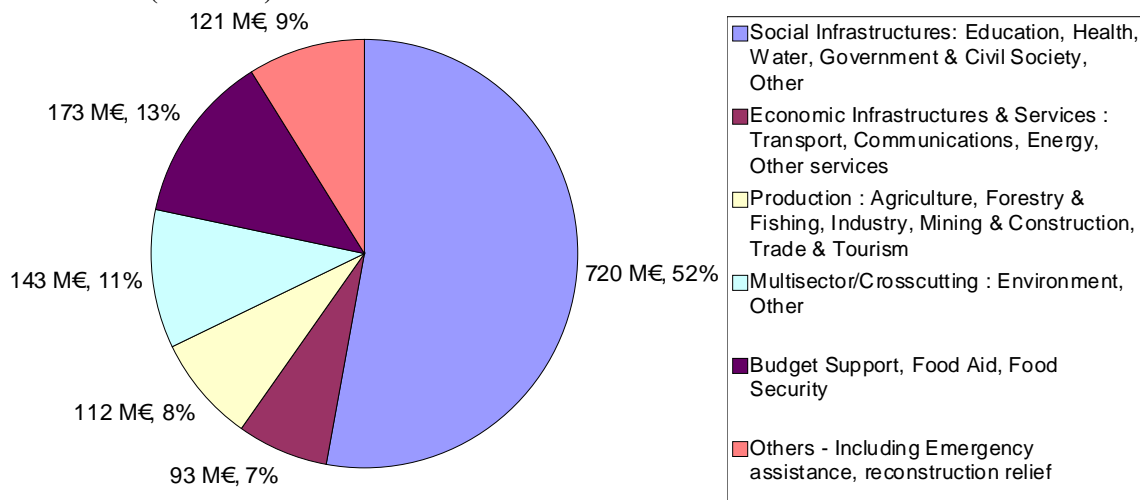
The move towards budget support in South Africa has generated more efficiency, ownership and alignment with government policies. This trend is likely to continue in the future as it will further enhance the sustainability of development policies. Moreover, a strong emphasis will be placed on multilateral donor coordination, especially with EU Member States and the European Investment Bank. Preparations for the larger programmes to be financed in 2008 began this year.

MDG 7 reached

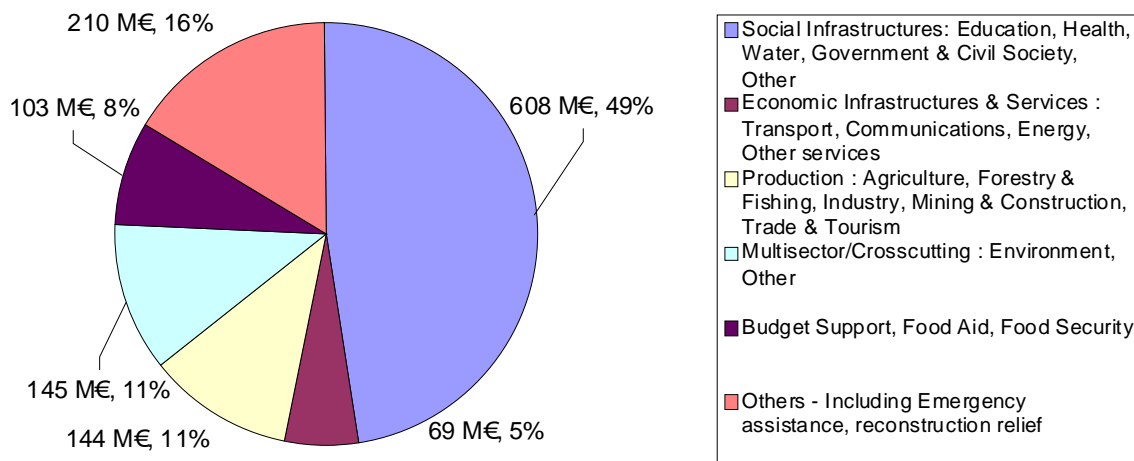
The introduction of innovative approaches, systems development, access to international best practice and capacity development have enabled South Africa to achieve the target of the MDG7 long before 2015; i.e. to reduce by half the proportion of people without access to safe drinking water. The European Commission has contributed significantly to this success. The third water sector support programme alone provided for the supply of water to one million people and basic sanitation to 250.000 people.

Table 17 DCI - Geo-Sector Breakdown by sector of external aid financed on the General Commission Budget managed by EuropeAid in 2007

Commitments (€million)



Payments (€million)



Bilateral and Multilateral ODA/OA (EuropeAid only).

Table 18 DCI - Geo-Total External aid financed on the General Commission Budget managed by EuropeAid 2007

€millions	2007
Commitments	1 362
Payments	1 279

Bilateral and Multilateral ODA/OA (EuropeAid only)

2.3.6. *Accompanying measures for Sugar Protocol countries*

These measures cover the period 2006-13. They aim to help eighteen ACP countries traditionally exporting sugar to the EU (namely the signatories to the Sugar Protocol) to adjust to the new market conditions created by the reform of the EU sugar regime. The legal bases for this specific support were adopted in 2006, with significant funding envisaged in the Financial Perspectives ((€ 244 million for 2007-2013, of which €667,338 for 2007-2010). This budget is distributed among the beneficiary countries according to their needs, depending on the level of impact of the reform and on the importance of the sector in their economies. For the period 2007-2010, the Commission allocated 49%, 42% and 9% of the budget indicatively to the concerned Caribbean, African and Pacific countries, respectively⁵².

EC assistance under these measures is country-specific, based on their adaptation strategies. It aims to strengthen the competitiveness of the sugar sector, where this is a sustainable process, to support the development of alternative activities, or to mitigate broader impacts, in particular social and environmental. Programming of the assistance was finalised in 2007⁵³. For the 12 countries⁵⁴ which had established their adaptation strategy in 2006, the assistance strategy adopted in 2006 was complemented in 2007 by a multi-annual indicative programme for 2007-2010, in conformity with the requirements of the DCI. The five countries⁵⁵ which had not yet determined their adaptation strategy in 2006, did so in 2007, allowing for the Commission to adopt an assistance strategy for 2007-2013 and a multi-annual indicative programme for 2007-2010.

This year, the implementation of the 2006 financing agreements proceeded (satisfactorily, at least from the perspective of disbursement rates), while new financing decisions for the 2007 budget were adopted for all countries¹. At this stage, it is too early to assess the progress in implementation of the strategies, or their social, economic and environmental impacts.

As to the reform of the EU sugar regime, as planned, no further price reduction took place in 2007-2008 (beyond the 5% cut already applied to the reference price for raw sugar in 2006-2007). The impact of the EU price reductions on ACP economies, at this stage, also has to be seen in the context of the appreciation of the exchange rate of the euro against the dollar.

Finally, a significant change in the EU-ACP trade regime for sugar was agreed in 2007, with the conclusion of Economic Partnership Agreements (interim or complete). While upholding the commitment to duty free quota free access for LDC sugar from 2009, the EU will offer similar access to all ACP sugar from 2009 as well, subject to a specific safeguard clause for non-LDC countries. For 2008/09, zero-duty import quotas, additional to those of the Sugar Protocol and of the "Everything but Arms" agreement, have been granted to the Caribbean (60.000 T),

⁵² C(2007)1688

⁵³ With the exception of Fiji, due to the political difficulties following the military coup in December 2006.

⁵⁴ Madagascar, Malawi, Mauritius, Mozambique, Swaziland, Tanzania, Zambia, Barbados, Belize, Guyana, Jamaica, St Kitts and Nevis.

⁵⁵ Trinidad and Tobago, Republic of Congo, Ivory Coast, Kenya, Zimbabwe.

the Pacific (30.000 T), Eastern and Southern Africa (75.000 T), the East African Community (15.000 T), and the Southern African Development Community (50.000 T), for those countries that have initialled an EPA. A minimum price obligation for importers will be maintained until 2012. Considering this new trade regime between the EU and the ACP, the EU denounced the Sugar Protocol in 2007 (in conformity with its article 10), so that its existence terminates on 30 September 2009.

2.3.7. *Investing in people*

In January 2006, the Commission adopted a Communication entitled *Investing in People* on the thematic programme for human and social development. The DCI is providing just over €1 billion for this programme to support actions 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. On this basis, a strategy has been approved to support activities under four main pillars, namely 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, sport, and culture).

Health

The Commission pursued its efforts towards health within developing countries using aid modalities in line with countries' specificities and its commitment to donor coordination, leading to an increasing number of active global budget support operations in ACP countries and an expansion of sector policy support programmes in other regions, in particular Asia. This year, the Commission joined the International Health Partnership that aims to improve donor harmonisation and coordination in several selected countries. The lack of human resources for health has become more critical in 2007. As a consequence the EC is increasing its involvement in this field. For example, in Zambia the Commission is supporting the retention of human resources in the health sector through sector budget support. It has also committed €10 million to support the development of human resources for health in the African Portuguese-speaking countries.

The areas for support financed through thematic budget lines are the fight against poverty-related diseases, the promotion of sexual and reproductive health and rights, as well as addressing crisis concerning the human resources for health. Under the thematic programme, the Commission made a contribution of €2 million to the Global Fund to fight AIDS, TB and Malaria as part of the larger commitment to contribute €100 million annually from both the EC Budget and the EDF. The response to HIV/AIDS and other poverty diseases, such as malaria and tuberculosis, remains an important priority. The Commission also supported an international conference on the control of cervix cancer in developing countries. The conference was a landmark as it brought together for the first time, politicians and policymakers from around the world, industry and regulators, research groups, and civil society organisations including women's rights groups. The Commission supported a comprehensive approach ranking from prevention to treatment while emphasising the need for further research on the relevance of promoting HPV vaccine in developing countries.

Education, knowledge and skills

€2 million was made available to the Education For all Fast Track Initiative multi-donor Catalytic Fund to increase financial resources in countries with a financial gap so as to support their education sector plan and to accelerate the pace of enrolling children in school, improving the quality of teaching and learning, and ensuring that students complete primary education.

International aid is essential to consolidate progress towards education for all. It must be more predictable over a longer term, and target those countries most in need. The Fast Track Initiative (FTI) has become a key vehicle for this endeavour. It is a global partnership between donors, developing countries and civil society to ensure accelerated progress towards the MDG of universal primary education. All low-income countries which demonstrate serious commitment to universal primary completion can receive support from FTI. It also provides an important coordinating mechanism for donor agencies.

FTI encourages the mobilization of financial resources in support of the development and implementation of education sector plans of participating countries. Ideally, sufficient resources are made available directly by bilateral and multilateral partners in addition to increased domestic expenditure. When this is not possible, the FTI can provide transitional support from one of its two multi-donor trust funds: the Catalytic Fund and the Education Program Development Fund. The Catalytic Fund Strategy Committee has reaffirmed that this fund should reduce financing gaps that cannot otherwise be filled. Strengthening country level processes has emerged as a need, which can be addressed by focusing on four key issues, namely planning, appraisal and endorsement processes; donor coordination and harmonization; monitoring; and financing modalities.

Gender

This was the first year of implementation of two projects carried out by UN organisations. A project implemented by UNIFEM aims to integrate the gender dimension in the elaboration and analysis of the budget of the state. A project in partnership with UNICEF facilitates the abandonment of harmful practices such as female genital mutilations. A call for proposals was launched to support civil society organisations that promote gender equality in the Mediterranean.

Other aspects of social and human development

Employment, social inclusion and protection

With EC funding of €7.3 million, a contribution agreement with the ILO was negotiated in order to implement two different innovative actions. The first supports governments and social partners in low-income and middle-income developing countries to have the tools and the capacity to monitor trends and measure progress on decent work results over time and to apply high-quality policy analysis. The second aims to manage labour market adjustment to maximise the benefits of trade in developing countries, specifically to improve knowledge of the effects of trade policies on employment, the quality of employment, the participation of women and men in employment, income, and the informal economy; with activities foreseen in several pilot countries all around the world.

Culture

The programme provides €50 million to culture for the period 2007-2013 with the objective of improving access of local populations to culture. This will include strengthening of local capacities, intercultural dialogue, the development of platforms and networks to exchange expertise and good practices and the promotion of public-private partnerships. A first call for proposals was launched in December.

Children's rights and needs

This year, children's rights and needs became, for the first time, a specific chapter of EC external assistance under the Investing in People programme, allowing the Commission to have a more focused and coherent approach on children-related issues. In this framework, several actions were initiated. A contribution agreement was signed with UNICEF to prepare a comprehensive toolkit to address child rights in European development cooperation and external relations. The toolkit aims to support the implementation of the UN Convention on the Rights of the Child as a whole, including through better participation of children in policies or strategies concerning them either directly or indirectly and by improving the achievement of the Millennium Declaration and its goals. Specifically, the capacity of targeted stakeholders should be improved to identify and address child right issues in their work and design more integrated and effective policies and programmes in the areas of peace building, rehabilitation and development cooperation that respect, protect and fulfil those rights. The EC provided €3.5 million out of a total €4 million.

Another contribution agreement was signed with ILO/IPEC to fight against the worst forms of child labour in the framework of conflict situations. It aims to contribute to peace building by preventing children to be recruited by armed forces and groups and to provide assistance to children trapped in the worst forms of child labour in conflict and post-conflict situations. The EC contributed €1.1 million out of a total €1.3 million. Finally, a call for proposals is foreseen for an amount combining €3.4 million from the 2007 allocation and approximately €10 million from the 2008 allocation. This call for proposals is divided into two lots, one addressing children indirectly affected by conflicts (orphans, displaced, maimed, etc) and the other addressing children affected by the trafficking of human beings.

2.3.8. Non-State actors and local authorities in development

Ownership and participation are core principles of EU development policy, as stated in the European Consensus on Development. The Commission plays a key role 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, considering civil society as essential actors of change. A new thematic programme, Non-State Actors and Local Authorities in Development, replaced the NGO co-financing and decentralised cooperation budget lines. Although its overarching objective is poverty reduction in the context of sustainable development, including the pursuit of the MDGs and other internationally agreed targets, it is an "actor-oriented" programme aimed to build capacity through support for "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 strategy. This

refines the orientations taken in the DCI and defines strategic priorities for a four-year period (2007-2010). Following its approval on 21 June, the Commission also adopted its annual action programme 2007 on 14 December after having systematically involved the key stakeholders in the Palermo process, Member States representatives, Members of the European Parliament and civil society representatives. This structured "quadrilogue" with 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 awarding projects, taking on board suggestions made by development NGOs with regard to financial rules and procedures. On-line registration of potential applicants into a new data base, PADOR, has been launched. This eases the administrative burden for applicants and provides the Commission with a tool for improving both its knowledge and its understanding of the needs of its implementation partners.

In the spirit of the Paris Declaration, the Commission funded the DECIM initiative, a light donor coordination mechanism in countries where institutional support to civil society organisations can benefit from a systematic attempt to achieve programme synergies and fill development gaps in five critical areas: an enabling 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 also selected 270 projects proposed by European development NGOs for a total contribution of €194.3 million. In addition, 58 projects to raise the awareness of the European public were supported for a total of €29.9 million; 22 of which, representing a contribution of €9.4 million, are to be implemented exclusively in the 10 new Member States that joined the EU in May 2004.

2.3.9. *Migration and asylum*

This year, the Commission built on previous progress and extended its external actions in the area of migration. For example, the 10th EDF allocated increased funding to migration and it was the first year of the thematic programme for migration and asylum, which has been allocated €384 million for the period 2007-2013. This represents a substantial increase when compared with its predecessor, the AENEAS programme (€120 million increase in three years). Calls for proposals covering spending for 2007-2008 were launched (€27 million for the Southern route; €21 million for the eastern; €2 million for the Middle East and Gulf States; €6 million for Asia and €6 million for Latin America and the Caribbean). A €15 million targeted project was agreed with UNDP on the links between migration and development and a €4 million project on Asylum with UNHCR. Other activities included the launch of an ACP migration facility and cooperation platforms in Eastern Africa.

The work to enhance dialogue and cooperation on migration issues under the Global Approach with sub-Saharan and North Africa was further strengthened. At the same time, the Global Approach was extended to the eastern and south-eastern neighbouring regions, building upon and reinforcing existing cooperation in these regions. International consensus and dialogue on migration was also made stronger. July saw the Global Forum on International Migration and Development; November, the Euromed ministerial meeting on Migration; while December, the second Africa/

EU summit in Lisbon. The Lisbon summit recognized the importance of migration and the Action Plan of the Joint Strategy contains a partnership on migration, mobility and employment. The Commission played an integral role in these events and will continue to advance their follow up.

The Commission adopted a report on Policy Coherence for Development in September, which also covers migration. Working towards the practical application of policy coherence, the Commission ensured that all new country strategy papers include migration profiles.

The Council Conclusions adopted in December welcomed the progress of the Global Approach to Migration and within this context defined a suitable approach to mobility partnerships and circular migration. Mobility partnerships will be piloted with Moldova and Cape Verde in 2008.

2.3.10. *Environment and sustainable management of natural resources including energy*

Under the DCI, provision is made for a thematic programme for the environment and the sustainable management of natural resources including energy (ENRTP). A total budget of €89.5 million has been foreseen for the period 2007 to 2013. In the ENRTP thematic strategy paper, five priorities constituting the core of the programme are identified for the first programming period (2007-2010). Supported with a budget of €469.7 million, these priorities (i) work upstream in assisting developing countries to achieve the MDG7 on environmental sustainability; (ii) promote the implementation of EU initiatives and help developing countries to meet internationally agreed environmental commitments; (iii) promote coherence between environmental and other policies and enhance environmental expertise; (iv) strengthen international environmental governance and policy development and, (v) support sustainable energy options in partner countries.

The 2007 annual action programme was adopted by the Commission on 3 December with a budget of €79 million. Through calls for proposals and several targeted project proposals, this action programme focuses on major environmental issues, such as climate change, desertification, biodiversity, forest preservation (including the EU Forest Law Enforcement, Governance and Trade – FLEGT – initiative). It will support capacities enhancement of developing countries for the implementation of Multilateral Environmental Agreements (MEAs), in particular the United Nations Framework Convention on Climate Change, the Convention on Biodiversity and the Convention on Desertification. Within the overall objective of promoting international environmental governance, the 2007 action programme provides support for international negotiations and environmental monitoring, assisting the operation of key multilateral environmental agreements and other, largely UN, processes and supporting coherent international policy formulation for sustainable development.

A specific programme on energy efficiency and renewable energy is also included. In the context of the EU's general policy objectives in the field of energy to simultaneously win the battle against climate change, to eradicate energy poverty and to secure global energy supplies, the Global Energy Efficiency and Renewable Energy Fund (GEEREF) was created with an allocation of €25 million from the 2007 budget. The objective of GEEREF is to pool public and private funds through an

innovative public-private partnership so as to offer new risk sharing and co-funding options for various investors in the areas of energy efficiency and renewable energy. The programme also supports the EU Water Initiative and EU Energy Initiative through the facilitation of policy dialogue, coordination, analysis and consultation processes in the energy and water sectors at global, interregional, regional and sub-regional levels.

The ENRTP thematic programme complements environmental activities planned and implemented under the external cooperation programmes. While the latter cover local actions, the ENRTP has a clear focus on actions of global or regional relevance. This includes activities in the forest sector related to forest governance mainly through actions in support of the implementation of the EU FLEGT initiative. An ACP FLEGT support project for €10 million was financed. In the area of biodiversity and protected areas, the Commission continued its long-term support for the conservation and sustainable management of the tropical forest in Central Africa (ECOFAC programme) through the implementation of the fourth extension of ECOFAC (€38 million). The DRC, which represents nearly half of the tropical area in the region, gave a boost to the importance of ECOFAC by joining the programme.

In Asia, support for a €100 million programme called SWITCH will help the region to move towards more sustainable consumption and production practices, while promoting trade in environmental goods and services. SWITCH-Asia supports 'green growth' and the development of environmental technology. It focuses on issues relating to the consumption of natural resources that link directly to increased greenhouse gas emissions and environmental degradation. As part of the external fisheries policy, the Commission pursued its actions for the promotion of the sustainable use of marine resources outside EC waters. The Commission pursued the strengthening of fisheries management in ACP countries and the promotion of regional cooperation through a €30 million programme under the 9th EDF. In total, the EC financial support⁵⁶ to the fishery sector in developing countries amounted to about €190 million in 2007.

Several geographic programmes incorporate actions for capacity building in the field of environment but in addition, specific projects have been set up such as a €19.5 million capacity building programme for African, Caribbean and Pacific countries (9th EDF) in order to assist ACP countries with their obligations under multilateral environment agreements.

2.3.11. *Food security*

The world food situation is currently characterised by new driving forces, namely income growth, climate change, high energy prices, globalization and urbanisation, which are transforming food availability, access, diversity and markets. The influence of the private sector in the world food system is also rapidly increasing. Changes in food availability, rising commodity prices and new producer-consumer linkages have crucial implications for the livelihoods of the poor and food-insecure people⁵⁷. This year's cereal harvests in all regions of the world show a marginal

⁵⁶ Including EDF and the financial compensation under the Fishery Partnership Agreements
⁵⁷ Food Policy Report N° 18 The World Food Situation, New Driving Forces and Required Actions, Joachim von Braun, IFPRI, December 2007.

growth of less than 1% from 2006, which follows increases of 5.1 and 3.1 % in the previous years. Increased production is mainly concentrated in Asia (China and India) and in Southern Africa but reflects also an improvement, in comparison with 2005, in Eastern, Western and Central Africa⁵⁸. At half way between the adoption of the MDGs and the 2015 target date, sub-Saharan Africa is not on track to achieve any of these goals. Persistent food insecurity is compounded by conflicts, poor governance, adverse climatic conditions and the HIV/AIDS pandemic. These factors build on a chronic situation of poverty, which is still overwhelmingly rural, despite the growing phenomenon of urban food insecurity, particularly in Latin America and Asia.

In its Communication *A thematic strategy for food security – advancing the food security agenda to achieve the MDG*⁵⁹, the Commission has recognised the need for a new, comprehensive EC approach to state fragility and innovative food security responses to access, availability, nutritional diversity and quality at all levels. From this year onward, country programmes aimed to eradicate chronic poverty are mainly supported through the geographical instruments. The humanitarian instrument addresses food crises and delivers food assistance through DG ECHO, and the new food security thematic programme (FSTP) ensures overall coherence in the approach to food security, mainly at global, continental and regional levels. However, the FSTP also intervenes at national level in order to ensure the continuity of assistance in the transition from relief to development in failed and fragile states (LRRD).

The FTSP's objective is to improve food security in favour of the poorest and the most vulnerable and contribute to achieving the first MDG, through a set of actions which ensure overall coherence, complementarities and continuity of Community interventions. This year's annual action programme amounted to €201.5 million and addressed several strategic priorities. €45 million was allocated for contributing to food security through research and technology. The CGIAR and its fifteen International Research Centres will be supported in its important role in the development of applicable knowledge in the fields of food security, natural resources management and conservation of genetic resources. Exploiting the potential of continental and regional approaches to improve African countries' trade by strengthening surveillance and control of food safety and quality systems received €10 million.

€80.3 million were foreseen for addressing food insecurity in exceptional situations of transition, and in fragile and failed states where bilateral cooperation with governments is not feasible through ordinary geographical instruments. In 2007, the EC strengthened the concept of LRRD and improved the coordination between relief and rehabilitation actions by taking into account long-term development needs, including prevention and preparation to crises. An LRRD analysis framework and main lines of actions for post-conflict and post-disaster situations were developed. A special allocation was provided to chronically food-insecure Asian and Caucasian countries (Bangladesh, Kyrgyzstan, Tajikistan, Georgia, Armenia, Yemen) for allowing a transition to longer-term assistance to be provided in the future by geographical instruments (DCI and ENPI) in the area of social protection – €65.2

⁵⁸ Perspectives de l'alimentation, Analyses des Marchés Mondiaux, November 2007. The State of Food Insecurity (SOFI) 2006, The State of Food and Agriculture (SOFA) 2007FAO

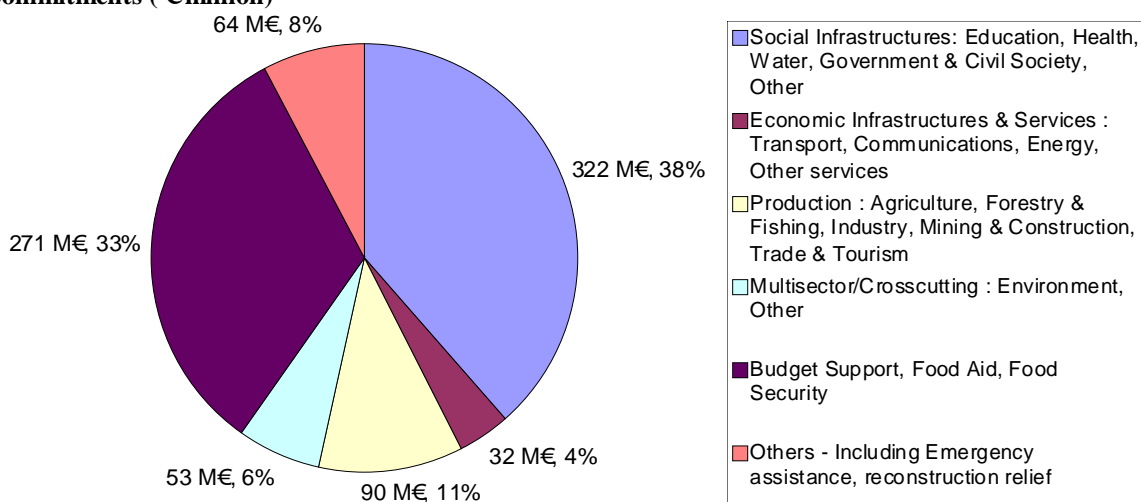
⁵⁹ COM(2006)21 final

million. Finally, €0.7 million were dedicated to fostering advocacy and advancement of the food security agenda, harmonisation and alignment with development partners and donors.

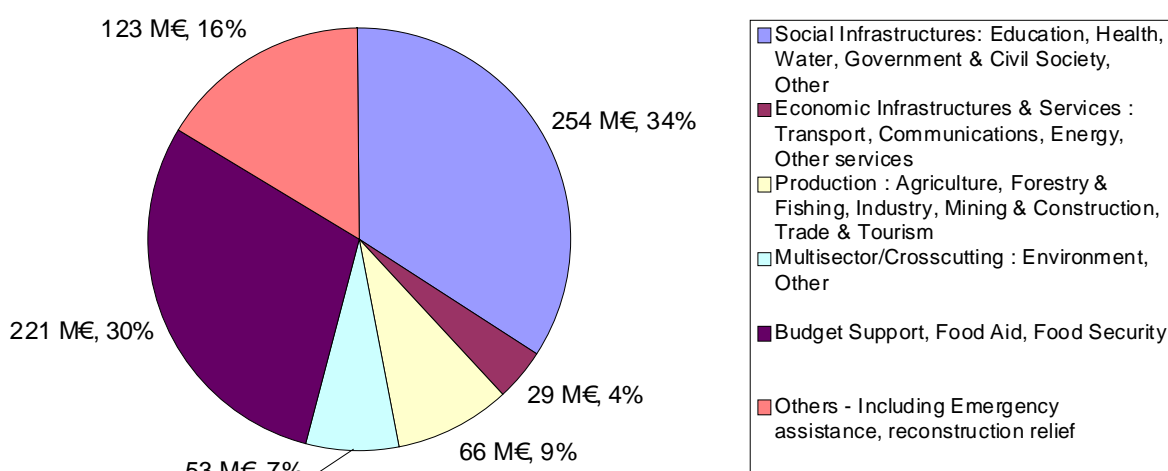
At the Commission's invitation, the Permanent Interstate Committee for Drought Control in the Sahel (CILSS) and the Sahel and West Africa Club (SWAC/OECD) organized in Brussels the 23rd annual meeting of the Food Crisis Prevention Network in the Sahel and West Africa. Strengthening networking to facilitate the exchange of information is a permanent concern of the Commission and one of the most effective ways to prevent food crises.

Table 19 DCI - Thema-Sector Breakdown by sector of external aid financed on the General Commission Budget managed by EuropeAid in 2007

Commitments (€million)



Payments (€million)



Bilateral and Multilateral ODA/OA (EuropeAid only)

Table 20 DCI - Thema-Total External aid financed on the General Commission Budget managed by EuropeAid 2007

€millions	2007
Commitments	833
Payments	745

Bilateral and Multilateral ODA/OA (EuropeAid only)

2.4. Democracy and Human Rights

The EU is firmly committed to continue developing a deeply rooted culture of democracy and human rights worldwide, in order to ensure that civil, political, economic, social and cultural rights are treated equally without any discrimination in their applicability. Democracy and human rights are perceived as universal values, inextricably linked and to be pursued in their own right. They are also seen as integral to effective work on poverty alleviation and achieving the MDGs, as vital tools for conflict prevention and resolution, and as the indispensable framework for combating terrorism. Democratic processes of accountability are also key factors to ensuring government transparency and combating corruption. Ensuring human rights, rule of law and inclusive democracy are important to avoid alienating communities and to create the necessary conditions for human security.

There is general acceptance of the need for long term interventions and local ownership of the development and democratisation process, engaging governments and all leading local stakeholders, including national parliaments. Human rights affect every area of work and life. For this reason, the Commission pursues a mainstreaming approach to its promotion. Particular attention is given to the rights of specific groups such as children, indigenous peoples and people with disabilities. Time and resources are invested into ensuring that the means and ways used in achieving development objectives promote and at the minimum do not conflict with universal human rights principles. A study on lessons learnt, consultation mechanisms and procedures as well as best practices from projects which affected indigenous peoples and communities in the ACP countries, particularly Suriname and Kenya, was commissioned in 2007. The study is due to be finalised in February 2008 and its recommendations should identify priority areas where indigenous peoples' rights and issues should be better integrated as well as specific projects for support to indigenous peoples' rights and issues that can be accommodated under the programming for the 10th EDF.

Activities to implement EU policies for democracy and human rights worldwide include political dialogue, diplomatic initiatives and assistance financed from instruments for financial and technical cooperation, including DCI, ENPI, IPA, the Instrument for Stability, the EDF and the European Instrument for Democracy and Human Rights (EIDHR). EIDHR complements and reinforces action on human rights and democracy under other instruments. Work with, for and through civil society organisations gives EIDHR its critical profile. It promotes the kind of

openness which civil society needs in order to thrive and supports it in becoming an effective force for dialogue and reform. It tackles human rights issues at the front line, with particular reference to human rights defenders, highlights the ubiquitous problem of torture and ill-treatment and supports democratic reform and human rights at local level.

For 2007-2010, EIDHR aims to enhance respect for human rights and fundamental freedoms in countries and regions where they are most at risk; strengthening the role of civil society in promoting human rights and democratic reform, in supporting the peaceful conciliation of group interests, and in consolidating political participation and representation; supporting actions in areas covered by EU Guidelines, including on human rights dialogues, human rights defenders, the death penalty, torture, and children and armed conflict; supporting and strengthening the international and regional framework for the protection of human rights, justice, the rule of law and the promotion of democracy; and building confidence in and enhancing the reliability and transparency of democratic electoral processes, in particular through EU Election Observation Missions. This year six global calls for proposals, for some €3.5 million were issued. These made available €1.5 million for projects to enhance respect for human rights and fundamental freedoms in countries and regions where they are most at risk; €1.5 million to support actions on human rights and democracy issues in areas covered by the EU guidelines on torture, human rights dialogues and human rights defenders; and €0.5 million to support and strengthen the international and regional framework for the protection of human rights, justice, the rule of law and the promotion of democracy, in particular International Justice and Regional Master's Degrees outside the European Union.

In addition, country-based support schemes covered 47 countries, where local calls for proposals and support measures will be implemented for an indicative amount of €1.8 million. *Strategic partnerships* to support and strengthen the international and regional framework for the protection of human rights, justice, the rule of law and the promotion of democracy included the UN Office of the High Commissioner for Human Rights, the International Criminal Court, the Special Court for Sierra Leone, the Council of Europe, the OSCE/ODIHR, the Masters Degree in Human Rights and Democratisation, the EU-UN Fellowship Programme, and other education, training and research activities.

Lessons learned

EIDHR continued to be subject to much scrutiny and evaluation. Improvements regarding programming and implementation were made. There has been a shift from project evaluations to thematic, programme and methodological ones covering a wider range of projects and providing a better overview of its impact. An evaluation of support to torture rehabilitation centres was launched in 2007 and its results will be available in 2008. Recent evaluation reports are available on death penalty abolition projects, covering all EIDHR assistance in this field since 1998, and on the Council of Europe's network of schools for political studies, which the Commission co-finances through EIDHR⁶⁰.

⁶⁰

http://ec.europa.eu/europeaid/where/worldwide/eidhr/working-documents_en.htm

Several recommendations appear in most EIDHR evaluations, including those to increase dialogue with implementing partners during projects, to increase sharing of information and lessons learned between Delegations and Commission headquarters on the implementation of the programme, more systematic monitoring, combining project visits by EC task managers with visits of external consultants (ROM), and to increase and improve use of logical framework approaches and project cycle management. This year's annual action programme reflected these issues, in particular as regards support measures and coordination. Commission Delegations can spend up to 3% of the respective annual operational country allocation on support measures accompanying the implementation of country-based support schemes (activities in the field of communication, capacity-building actions for civil society local partners, meetings with local organisations, etc).

Electoral assistance and observation

Support to the electoral process is particularly important in the strategy to promote democracy and is mainly implemented in two ways. With legal, technical and logistic support, electoral assistance aims to strengthen national capacities to conduct peaceful and well-organised elections in an open, competitive and transparent process. Through the deployment of EU Election Observation Missions, electoral observation aims to legitimise and enhance public confidence in the electoral process, to deter fraud, to strengthen respect for human rights, and to contribute to the resolution of conflicts. This year the Commission identified, formulated and launched the implementation of electoral assistance projects in Togo (€13.6 M), Bangladesh (€15M), Guinea Conakry (€8.7 M), Chad (€ M), Timor Leste (€1.5 M), Comoros (€0.4 M). Donor coordination is particularly relevant for electoral assistance and the commitments of the Paris Declaration are taking root at country level. In most cases, EC contributions are channelled through common "basket funds" managed by UNDP that combine most of the donor assistance to the electoral process.

Developing methodological tools and coordination and collaboration with the main actors in the field continued to be a priority. The *EC Methodological Guide on Electoral Assistance* finalised in 2006 has been widely disseminated. A training manual for the EC/UNDP Joint Training on Effective Electoral was also developed for the 2007 edition of this training seminar.⁶¹ This seminar brought together for five days more than 100 participants from EC and UNDP staff but also representatives of electoral management bodies and government institutions, staff from bilateral development agencies, international organizations and selected international electoral experts. This year, the Commission joined the Steering Committee of ACE, the most important electoral knowledge network and largest repository of information, tools and methodologies on electoral assistance.⁶² The Commission shares the goal of the ACE network, to promote more professional, effective and sustainable administration of elections worldwide. It supports the network financially and in substance, with comparative data, studies and reports derived from EC-funded projects and from the tools and methodologies developed by the Commission.

Election observation

⁶¹ www.ec-undp-electoralassistance.org

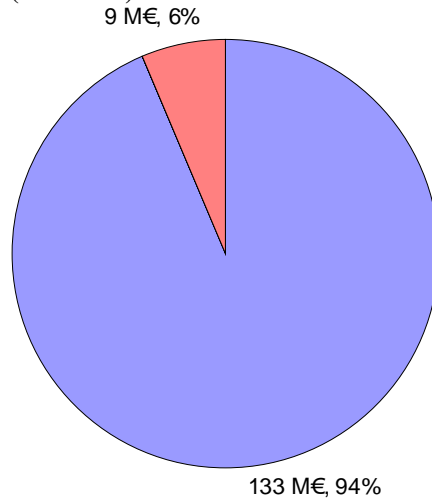
⁶² www.aceproject.org

In 2007 the EU successfully implemented election observation missions in ten countries: Aceh, Mauritania, Nigeria, Timor Leste, Sierra Leone, Guatemala, Ecuador, Togo, Kenya and Pakistan with a total of some 800 observers deployed on the ground. These missions played a key role in providing an appreciated professional assessment of the electoral process, in particular in countries where the election was controversial (e.g. Nigeria, Kenya). However, the year was also marked by a few missions that were postponed (Bangladesh early in the year, Nepal's June and November's postponements) or cancelled (Thailand).

The EU Electoral Observation Mission's methodology is mainly based on the principles of independence, impartiality, transparency, and long-term observation. EU election observation involves the assessment of the strengths and weaknesses of an electoral process and the presentation of recommendations that will provide an important basis for determining further assistance after the elections. This methodology has improved in the past years and it has been praised by the media and partner bodies for its accuracy. The second edition of the EU EOMs handbook was updated and finalised.

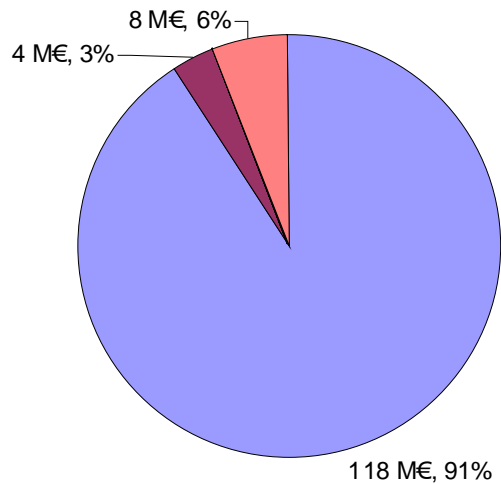
Table 21 EIDHR-Sector Breakdown by sector of external aid financed on the General Commission Budget managed by EuropeAid in 2007

Commitments (€million)



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

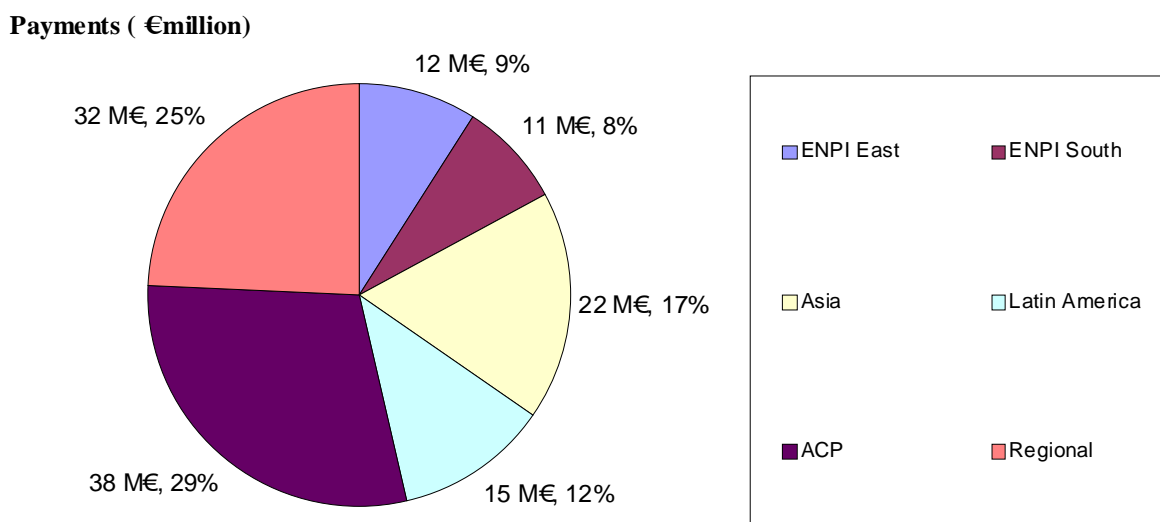
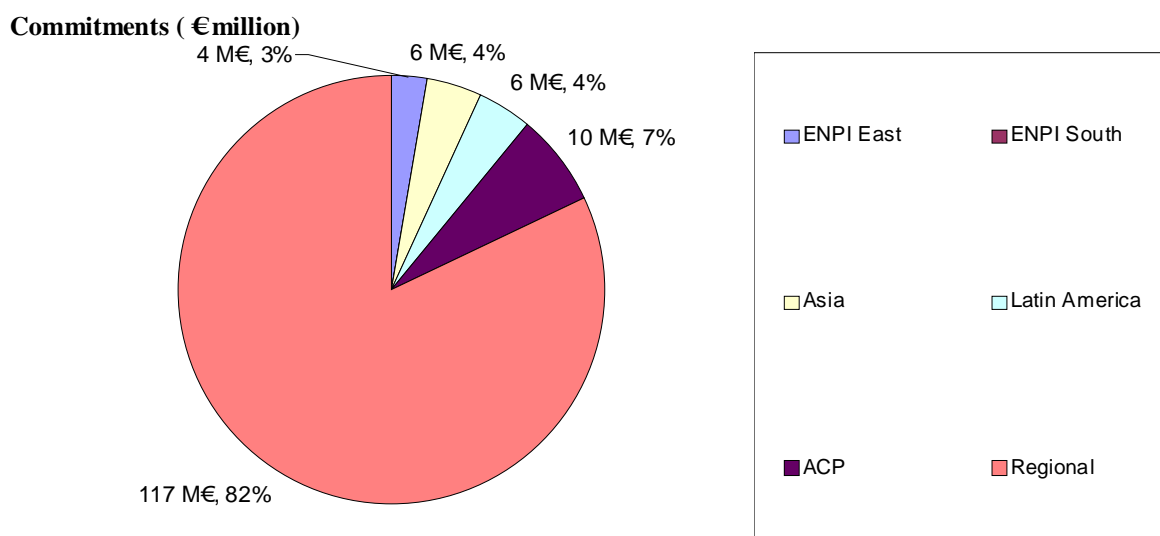
Payments (€million)



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

Bilateral and Multilateral ODA/OA (EuropeAid only)

Table 22 EIDHR-Geo Breakdown by region of external aid financed on the General Commission Budget managed by EuropeAid in 2007



Bilateral and Multilateral ODA/OA (EuropeAid only)

Table 23 EIDHR-Total External aid financed on the General Commission Budget managed by EuropeAid 2007

€millions	2007
Commitments	142
Payments	130

Bilateral and Multilateral ODA/OA (EuropeAid only)

2.5. Stability

2.5.1. Crisis response and preparedness

For several years EC external instruments have been providing the Commission's contribution to the Union's overall crisis responses, be it in response to natural disasters or to political crises in third countries, in the latter case often alongside EU Joint Actions under Common Foreign and Security Policy (CFSP) or European Security and Defence Policy (ESDP). Between 2000 and 2006, this role was played by the Rapid Reaction Mechanism (RRM) for non-humanitarian crisis responses. Despite modest financial envelopes (in the order of €30 million per year) and a tight limit on the duration of programmes (maximum six months), RRM-funded projects have played a significant role in several crisis response undertakings by the EU, in many cases kick-starting programmes under the geographic instruments or dovetailing CFSP/ESDP. The RRM was successfully used following the crisis in Afghanistan, in response to the tsunami and for the Aceh Peace Process, for the EU Border Assistance Mission to Moldova and Ukraine, and in response to a series of other crises in Africa, Latin America, the Western Balkans and the Middle East.

The launch of the Instrument for Stability (IfS) this year considerably enhanced the Commission's crisis response capacity (in addition to introducing an allocation for crisis preparedness (see below), and creating the possibility to address longer-term trans-regional security threats over the longer term (see 2.5.2). Compared to the RRM, the crisis response component of the IfS represents a considerable increase in financial allocations (€3 million in 2007, and an average of €200 million per year during the period 2007-2013) and in the duration of programmes (18 months, with the possibility of extension, and/or of succedent interim response measures).

IfS crisis response measures can address a wide range of issues, including support to mediation, confidence building, interim administrations, strengthening the rule of law, transitional justice, disarmament/demobilisation/re-integration of combatants (DDR), equitable access to natural resources, disaster response and rehabilitation. Such activities can be supported in situations of crisis or emerging crisis, when support cannot be provided rapidly enough under other financial instruments. Typically, the IfS can be mobilised in the case of a major new political crisis or natural disaster, a window of opportunity to pre-empt a crisis or advance on conflict resolution, the urgent need to secure the conditions for the delivery of EC assistance, or alongside CFSP / ESDP actions. Approval procedures are designed to ensure rapid adoption of programmes.

In its first year of operation the IfS already financed a significant number of crisis response projects with a total budget of €1 million⁶³. Geographically, the measures adopted are widely distributed. The largest share of funds has been allocated for measures in Africa (DRC, Uganda, Guinea-Bissau, Chad, Darfur, Zimbabwe, Somalia), followed by the Middle East (Lebanon, Palestine, Iraqi Refugees in Syria), the Balkans (Kosovo), Latin America and the Caribbean (Colombia, Bolivia, Peru, Haiti), and Asia-Pacific (Afghanistan, Thailand, Sri Lanka, Burma/Myanmar,

⁶³ For full details, see *Annual Report from the European Commission on the Instrument for Stability in 2007*, COM (2008) 181.

<http://europa.eu.int/eur-lex/lex/LexUriServ/LexUriServ.do?uri=CELEX:52008DC0181:EN:NOT>

Philippines, Fiji). Two thematic facilities were devised, with a view to providing support for policy advice and mediation, on the one hand, and, in the context of the Commission's Chairmanship of the Kimberley process in 2007, to address the issue of conflict resources, on the other. The identified measures cover a broad range of issues, targeted on the specific needs of each conflict/post-conflict situation: short-term advice to develop and catalyze post-conflict security system reform, complementary measures in areas where ESDP missions are deployed (e.g. DRC, Afghanistan, Chad), support to regional peace-building capacity (AU – AMISOM Somalia, AU-UN Mediation in Darfur), rule of law and transitional justice (Afghanistan, Kyrgyzstan, Colombia, Haiti), support to interim administrations (ICO Kosovo), conflict resolution and reconciliation, post-conflict or -disaster needs assessments (Lebanon, Peru), support to displaced populations (Lebanon, Syria), and conflict resources (dedicated facility).

In addition to this sizeable and growing crisis response component, the IfS innovated by introducing a 'crisis preparedness' component of €7 million. The Peace-building Partnership aims to mobilise and consolidate civilian expertise for peace-building activities. It mainly focuses on strengthening the up-stream capacity of partners to rapidly respond to a crisis scenario, and mainly addresses civil society organizations and think-tanks, but also international organizations and agencies in EU Member States. The first annual action programme financed capacity-building, early warning activities and exchange of experience on best practice for civil society organizations; early warning and early recovery work with UNDP and the AU; and training for civil stabilization missions. The Peace-building Partnership will build upon existing work with civil society organizations which is currently being undertaken in the context of a preparatory action for the establishment of a conflict prevention network. Finally, a web-portal has been launched under the Partnership, which will allow organizations to provide information regarding their areas of activity related to conflict prevention, crisis management and peace-building to the Commission. This information will initially serve as a directory in order to facilitate the enhancement of a policy dialogue.

Work is also underway to further improve the Commission's crisis response capacities. In line with earlier recommendations of Michel Barnier's report⁶⁴, the network of Commission Delegations in third countries is being strengthened specifically as regards the coordination and facilitation of crisis responses, with the objective of progressively building several regional poles of multi-sector expertise. Work is also continuing on the further reinforcement of disaster response coordination between humanitarian responses, civil protection, and other crisis responses, both at headquarters level and in the field. The EC civil protection mechanism, deployable within and outside the EU through the mechanism's Monitoring and Information Centre (MIC), was further strengthened during the year to allow the Commission to facilitate and in some cases co-finance (up to 50%) the transport of civil protection assistance to a disaster affected country.

⁶⁴ Michel Barnier, *For a European Civil Protection Force: Europe Aid*, May 2006. http://ec.europa.eu/commission_barroso/president/pdf/rapport_barnier_en.pdf

2.5.2. *Global and regional trans-border challenges*

One of the components of the IfS aims to develop longer-term EC actions to counter global and trans-regional threats arising from organised crime, trafficking, proliferation of nuclear, biological and chemical agents and also threats to critical infrastructure and public health.

In September; a strategy paper (with an indicative programme 2007/2008) was adopted. Its main priorities for longer-term actions are to block the proliferation of weapons of mass destruction, global and trans-regional efforts to address the threats posed by trafficking, terrorism and organised crime, and building capacity within the EU and the international community for effective crisis response. An appropriate regional balance and coherence and complementarity of all IfS actions with those supported through other EC instruments, including the EDF, will be ensured. The first indicative programme includes a range of actions relating to the trans-regional threats. It also foresees the devising of a mechanism (expert support facility) to mobilise expertise in the domains covered by the IfS in order to ensure the proper preparation of the actions. The other components of the IfS address crisis response and preparedness (see section 2.5.1).

On 23 October the European Court of Justice annulled the Commission financing decision of 21 December 2004 approving a project relating to border security in the Republic of the Philippines on the ground of excess of competence. The Court ruled that this Decision pursued an objective concerning the fight against terrorism and international crime falling outside the framework of the development cooperation policy pursued by the ALA Regulation (constituting its legal basis). In order to comply with this judgment, on 20 December the Commission adopted a Decision regularising and enabling the continuation of the project, which qualifies as a Special Measure under Article 9 of the IfS regulation. Article 4(1)(a) of the latter gives the Commission the competence to provide technical and financial assistance to third countries in the field of counter-terrorism.

Mine action

The overall goal of EC mine action has always been to contribute to the elimination of mines (including Explosive Remnants of War) and to solve the related economic and social problems caused by these weapons. That is why “mine action” has always been part of EC assistance and development programmes in third countries. This year, Commission support in this area continued to be carried out in line with the *EC Mine Action Strategy and related Multi-annual Programming 2005-07*. Mine action policy was pursued through various instruments for a total of €33 million committed to support action in Belarus, Bosnia-Herzegovina, Cambodia, Cyprus, Ethiopia, Guinea-Bissau, Jordan, Lebanon, Senegal and Sudan. Activities supported included mine clearance, mine risk education, APL stockpile destruction and assistance in the safe return, resettlement and establishment of livelihoods of internally displaced persons and refugees.

EU Small Arms and Light Weapons (SALW)

The Commission continued supporting the implementation of the *EU Small Arms and Light Weapons (SALW) Strategy*. The Commission has been pursuing the

integration of issues related to small arms into country and regional strategy papers. This offers partner countries the opportunity to give the appropriate political and funding priority in engaging these issues in the context of EC external assistance programmes. The main project was assistance to overcome the consequences of the Novobohdanivka ammunition depot explosions in Ukraine. SALW-related projects, both at regional and national level, were accompanied by seminars and initiatives aimed to increase the Commission's participation in policy debates, ensuring more coherence between CSFP and EC-funded initiatives and to strengthen cooperation with other non EU-partners. In this context, a seminar was organised by the Commission together with the AUC. Additionally, a preparatory action on SALW for the *Western Balkans SALW* was smoothly implemented and concluded.

Non proliferation of weapons of mass destruction

A Commission pilot project programme on export control of dual use materials was implemented by BAFA (Germany's export control agency) with the assistance of national experts from Member States in Albania, Bosnia and Herzegovina, China, Croatia, the former Yugoslav Republic of Macedonia, Montenegro, Morocco, Serbia, Ukraine and the United Arab Emirates. A pilot programme in Russia was also conducted. The bulk of the activities of the centres in Moscow and Kiev on redirecting scientists' work continued to be devoted to managing research projects. A programmatic approach has been elaborated to focus funding parties' investment in areas that meet the highest priority non-proliferation objectives, e.g. counter terrorism, global security, nuclear safety, bio-safety and bio-security.

Avian Influenza crisis

Because of the highly pathogenic nature of the H5N1 virus, responsible for human casualties and huge economic losses, the EU has continued its strong response. The Commission has been a driving force at the front of a consensual international answer. In 2007, the EU contributed with an additional commitment of €4 million to the fight against the consequences of the disease and to a sound preparedness for a possible pandemic, raising the total EU contribution since the Beijing conference of January 2006 to €13 million. The Commission was a co-organizer of the International Ministerial Conference of New Delhi in December. It remains by far the major contributor to the Avian and Human Influenza facility, a fund administered by the World Bank that aims to fund national action plans against AI in Asia, Eastern Europe and Mediterranean countries.

International cooperation against drugs

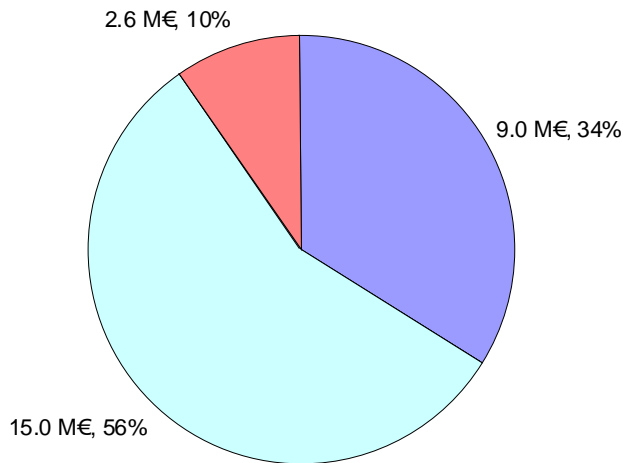
EC (and EU) cooperation with third countries against drugs is a component of a broader policy. This includes political and policy dialogue (most often in the form of "Drug Troikas"), active participation in multilateral discussions and arrangements (Commission on Narcotic Drugs, Dublin Group and Paris Pact), and trade preferences linked to good governance, *inter alia*, in the area of drugs. This cooperation remains a very important area of development assistance. The total stock of EU projects stands at nearly €760 million, 45 % of which are funded by the Commission and the rest by Member States.

Afghanistan has continued to replace the Andean region as the main recipient of EC development assistance in the area of drugs. Most efforts remain focused on rural reconstruction and alternative development in opium-growing regions, together with initiatives to strengthen the justice and police systems, as well as border management. These efforts are complemented by support to regional cooperation between Afghanistan and its neighbours against the diversion of chemical precursors. About half of the bilateral efforts geared to the Andean countries are devoted to Colombia, with the rest divided somewhat evenly between Bolivia and Peru. All of them remain in the area of alternative development. They have been complemented by two Andean-wide regional initiatives, one against synthetic drugs (launched this year); and the other against the diversion of precursors. Efforts increasingly focused on demand reduction, even if supply control components remain important, continue under three regional programmes in the former Soviet Union: BUMAD (Belarus, Ukraine, Moldova Anti-Drugs), SCAD (Southern Caucasus Anti-Drugs) and CADAP (Central Asia Drug Action Programme). Some components of the Border Management for Central Asia programme and the European Union Border Assistance in Moldova and Ukraine also seek to reduce drug trafficking.

All of these bilateral and regional efforts continue to be complemented by several inter-regional projects: demand and harm-reduction projects in the Muslim world in Asia and Latin America and the Caribbean, supply reduction initiatives (on the new challenge of drug trafficking from Latin America and the Caribbean to West Africa) and projects to influence the policy direction of the Paris Pact Process. Of significant interest as regards policy formulation are the support of a NGO global forum on drugs and the financing of an expert group for a more evidence-based assessment of the global drugs policies since the Special Session of the UN General Assembly on Drugs in 1998.

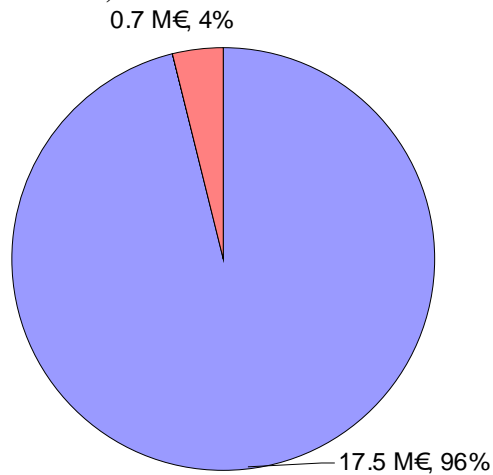
Table 24 IFS-Sector Breakdown by sector of external aid financed on the General Commission Budget managed by EuropeAid in 2007

Commitments (€million)



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

Payments (€million)

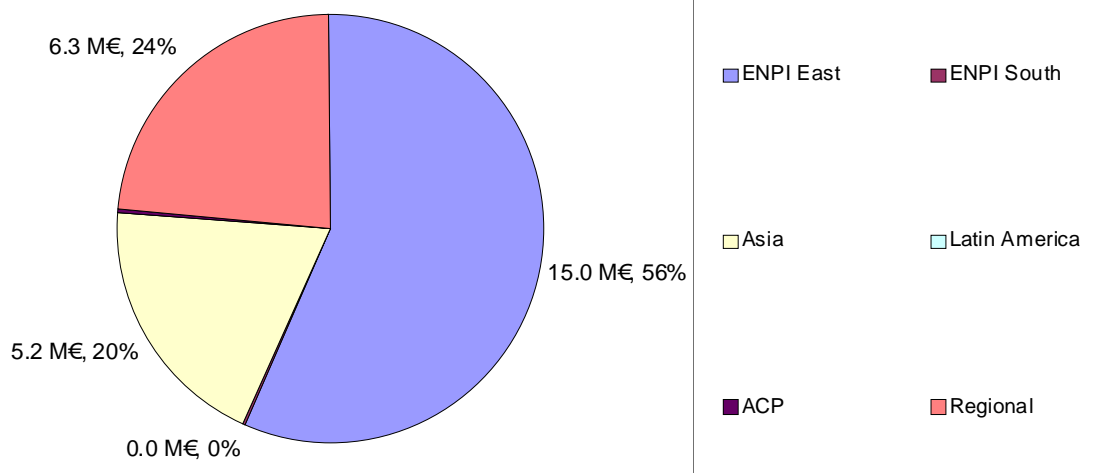


- Social Infrastructures: Education, Health, Water, Government & Civil Society, Other
- Economic Infrastructures & Services : Transport, Communications, Energy, Other services
- Production : Agriculture, Forestry & Fishing, Industry, Mining & Construction, Trade & Tourism
- Multisector/Crosscutting :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

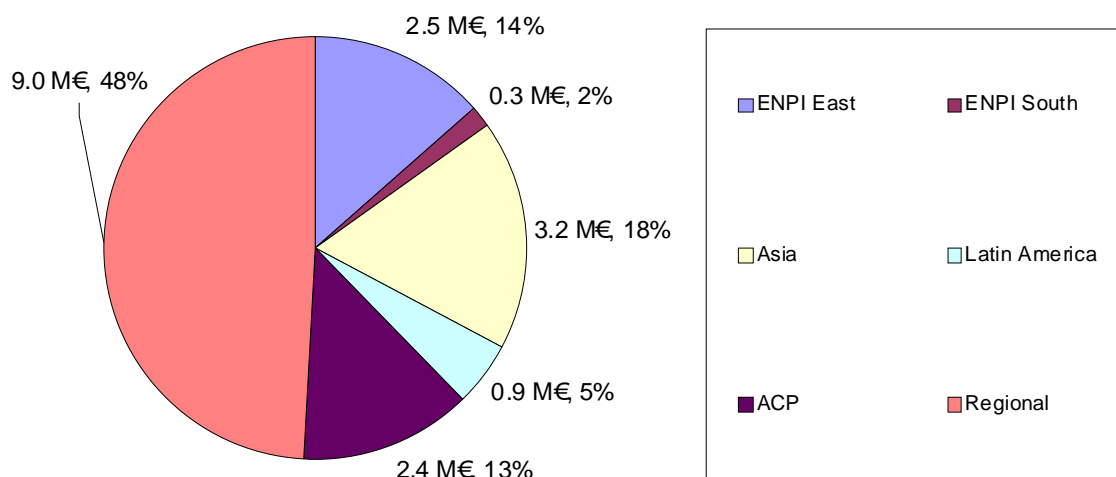
Bilateral and Multilateral ODA/OA (EuropeAid only)

Table 25 IFS-Geo Breakdown by region of external aid financed on the General Commission Budget managed by EuropeAid in 2007

Commitments (€million)



Payments (€million)



Bilateral and Multilateral ODA/OA (EuropeAid only)

Table 26 IFS-Total External aid financed on the General Commission Budget managed by EuropeAid 2007

€millions	2007
Commitments	26.57
Payments	18.20

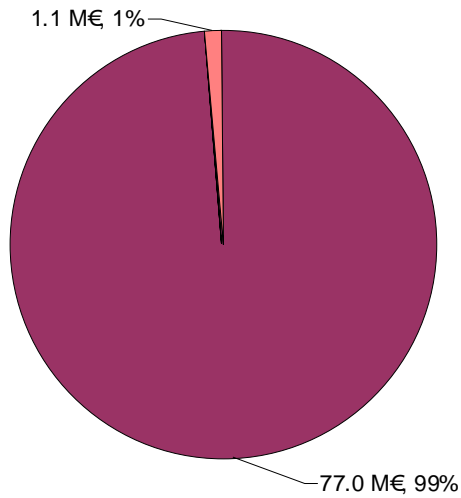
Bilateral and Multilateral ODA/OA (EuropeAid only)

2.6. Nuclear Safety

The EU continued its support for enhanced nuclear safety in Russia and Ukraine under the TACIS Nuclear Safety Programme. The main challenges include strengthening the regulatory authorities, promoting an effective nuclear safety culture at all levels and developing the management of spent fuel and radioactive waste. The Commission paid the second part of the third pledge (€19.1 million) of the New Safe Confinement project in Chernobyl. The Armenian Medzamor power plant, which seems likely to continue operating for some years in view of the economic situation, remains a matter of concern. As the overall safety situation still has to be improved according to IAEA standards, the EU continued to provide on-site assistance and support to the Armenian Regulatory Authority. Since 1 January the TACIS programme has been replaced by the Instrument for Nuclear Safety Cooperation (INSC). The Instrument for Stability is also relevant for nuclear safety, especially for combating illicit trafficking of nuclear and radioactive materials in former Soviet Union countries, assistance in export control of dual-use goods and improving chemical, biological, radiological and nuclear (CBRN) materials trafficking control.

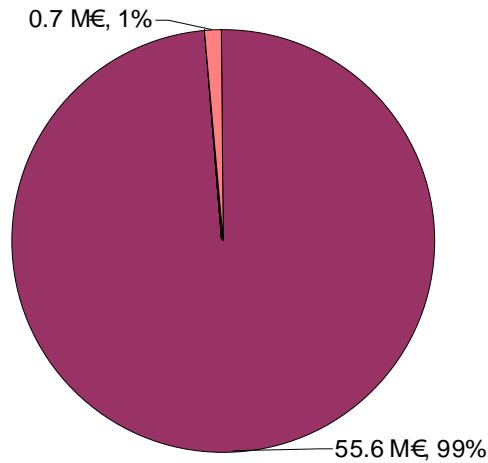
Table 27 NSI-Sector Breakdown by sector of external aid financed on the General Commission Budget managed by EuropeAid in 2007

Commitments (€million)



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

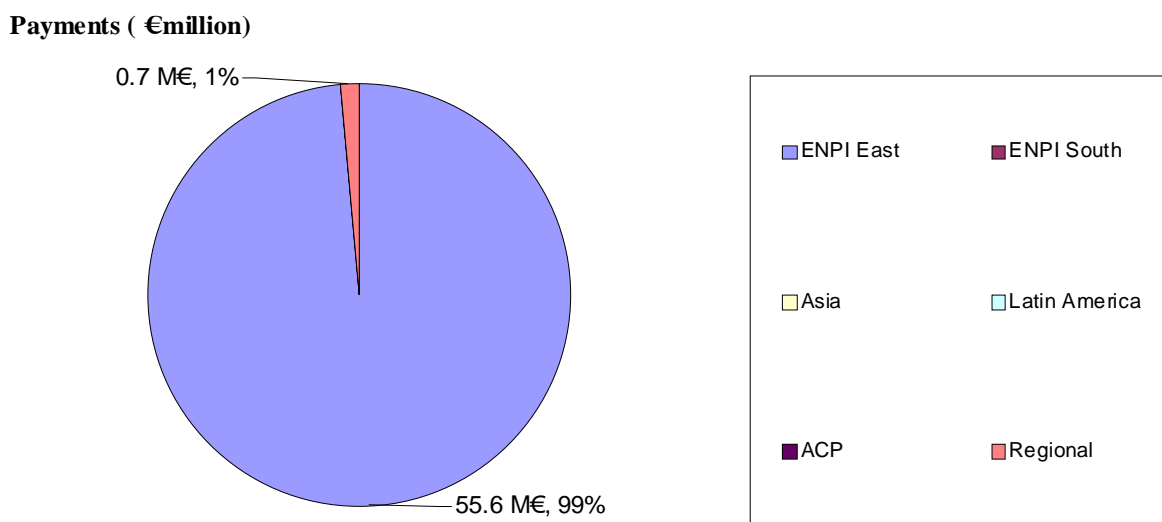
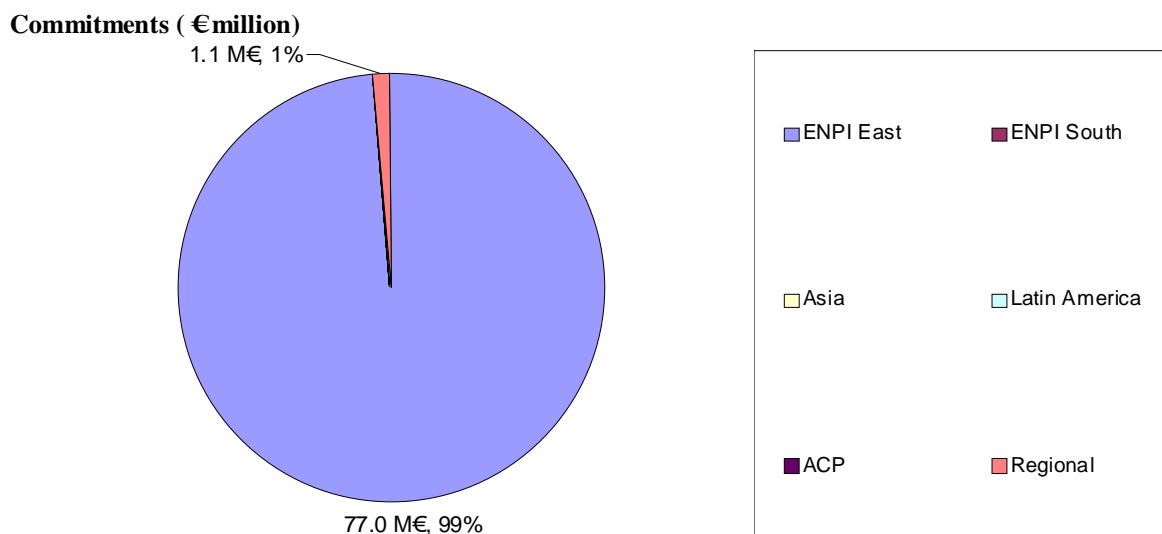
Payments (€million)



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

Bilateral and Multilateral ODA/OA (EuropeAid only)

Table 28 NSI-Geo Breakdown by region of external aid financed on the General Commission Budget managed by EuropeAid in 2007



Bilateral and Multilateral ODA/OA (EuropeAid only)

Table 29 NSI-Total External aid financed on the General Commission Budget managed by EuropeAid 2007

€millions	2007
Commitments	78.01
Payments	56.27

Bilateral and Multilateral ODA/OA (EuropeAid only)

2.7. Humanitarian Assistance⁶⁵

Through its Directorate-General for Humanitarian Aid (DG ECHO), the Commission provides humanitarian assistance to the victims of natural or man-made disasters in third countries, on the sole basis of humanitarian needs. This year, the Commission's needs-based response to humanitarian crises in over 60 countries was channelled through 85 funding decisions, totalling €769 million. In contrast to previous years, there were no major new crises in the field of humanitarian aid, whether they be natural disasters or complex emergencies. Nevertheless, natural disasters, accentuated by climate changes, continue to increase both in frequency and severity, affecting more often and more severely already vulnerable populations.

This year, natural disasters created serious damage: earthquakes in Peru and in Solomon Islands; floods in Africa, Bangladesh, India, Indonesia, Nepal, North Korea, Vietnam and in Latin America; cyclones in Nicaragua (Felix), Mozambique (Favio) and in Bangladesh (Sidr); Hurricane Dean in the Caribbean; tropical storm in Haiti and Dominican Republic (Noel) and droughts in Honduras, Moldova, Paraguay, Kenya, Somalia and the Sahel region. The Commission had to respond speedily to help thousands of suffering people, sometimes already affected by crises.

In terms of "man-made" crises, no new complex crisis emerged, but the Commission had to manage worsening humanitarian situations, sometimes protracted complex emergencies already existing in previous years. Some examples are Sudan, where the situation remains very worrying: violence and extortion towards the civilian population in conflict-affected Darfur continues and have again forced many to flee elsewhere in the country or to take refuge in neighbouring countries. At the same time, there are still clear humanitarian needs in Southern Sudan, which slowly recovers from over two decades of war. Floods affecting the north of Sudan, including Darfur and Southern Sudan, in July have further compounded the situation. In the Democratic Republic of Congo, the fighting and tensions in the East of the country restarted during the summer, particularly in the North and the Southern part of Kivu, causing there as well numerous population movements and new humanitarian needs. Somalia was also faced with both natural disasters (droughts) and violence, forcing many to leave their homes.

The Commission 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. This year, the following forgotten crises were identified: (i) Sahrawi refugees in Algeria, (ii) Chechnya and the neighbouring republics affected, (iii) the population affected by unrest in Kashmir and Jammu, India, (iv) the persisting crises of the Bhutanese refugees as well as the Maoist insurrection in Nepal, (v) the population affected by the conflict in Burma/Myanmar both within the country itself as well as in its neighbouring countries and (vi) the population affected by the crisis in Colombia as well as in the neighbouring countries. These forgotten crises received nearly 13% (€60.7 million) of the initial operational budget to respond to their forgotten needs. Except for Colombia, these crises were already identified as "forgotten crises" in 2006.

⁶⁵ For more details on the Commission's interventions in the field of humanitarian assistance, please refer to the relevant Annual Report (http://ec.europa.eu/echo/information/publications/annual_rep_en.htm) and Financial report (http://ec.europa.eu/echo/statistics/echo_en.htm)

In line with the Commission's communication⁶⁶ which has established the principle of "one instrument per policy area" in order to improve the efficiency of Community action as well as the Commission's communication on the financial perspectives 2007-2013, it was decided that the responsibility for the management of food aid be transferred from Directorate General EuropeAid to DG ECHO, with effect from 1st January. DG ECHO manages the food aid budget within the framework of its mandate to save and preserve life during emergencies and their immediate aftermath.

Main interventions in 2007, by region

In 2007, the Commission allocated a total of €422 million (i.e. 55% of its total final budget) to ACP countries, with the largest funding for Sudan with a total of €10.45 million, and the Democratic Republic of Congo (€50 million). The other major interventions in Africa which required more than €20 million of funding were Chad (€30.5 million), Zimbabwe (€30.2 million), Sahel (€25.5 million), Uganda (€24 million) and Ethiopia (€20 million). In Northern Caucasus, the Commission pursued its funding to the victims of the Chechnya conflict in approving a total amount of €20.8 million.

In the Middle East, the Commission pursued its response to the dramatic deterioration of the humanitarian situation, caused by the escalation of tension in the Palestinian Territories and the fighting in a Palestinian refugees' camp, by providing more than €8 million of humanitarian aid. This aid permitted to cover the needs of the most vulnerable populations of the West Bank and Gaza Strip and of Palestinian refugees in Lebanon, Jordan and Syria. Finally, this amount was also used to respond to the internal crisis of Iraq, including refugees in neighbouring countries. Finally, in Asian countries, €7 million were addressed to vulnerable people affected by the Afghan crisis and natural hazards in Afghanistan, Iran and Pakistan, €19 million were allocated to help vulnerable populations in Myanmar and Burmese refugees along the Thai-Myanmar border, €17 million for the victims of the conflict in Sri Lanka, as well as €19.5 million to South Asian countries – without taking into account DIPECHO⁶⁷ funding – for the recovery of communities affected by floods. €31 million was allocated in humanitarian assistance to Latin America, €12 million of which for the victims of the Colombia conflict and the rest in response to several natural disasters, such as the earthquake in Peru (€8 million) and hurricane Felix in Nicaragua (€6 million).

Humanitarian policy

On a policy level, an important milestone was reached with the Commission's proposal for a European Consensus on Humanitarian Aid⁶⁸ which was adopted by Member States, the European Parliament and the Commission in December, in recognition of the increasingly challenging environment for humanitarian response and to drive forward a more efficient and coordinated EU approach.

⁶⁶ COM(2004)101

⁶⁷ The "Disaster Preparedness ECHO" programme. See: http://ec.europa.eu/echo/field/dipecho/index_en.htm

⁶⁸ Based on the Communication *Towards a European Consensus on Humanitarian Aid* adopted in June. COM(2007)317 final

Disaster preparedness

In several regions of the world the Commission supports disaster preparedness interventions. The Commission continued to support programmes⁶⁹ launched in 2006 (South East Asia, Central Asia and Central America) and new funding was allocated to other regions for a total of €19.5 million. In the Caribbean, the 6th Action Plan (€1 million) was launched with priorities to reinforce DIPECHO in Haiti, to consolidate Disaster Preparedness in urban settings, to include more English-speaking Caribbean countries plus countries new to DIPECHO, such as Suriname or Guyana. New DIPECHO Action Plans were also adopted for South Asia (€7.5 million), including for the first time Afghanistan, Central America (€1.5 million) and South America (€6.5 million), focusing on the Andean Community and Venezuela. The Commission aims to integrate and mainstream disaster preparedness in its relief interventions, when and where appropriate, and continues to work with other relevant stakeholders for integration of disaster risk reduction (DRR) in sustainable development interventions.

Budget

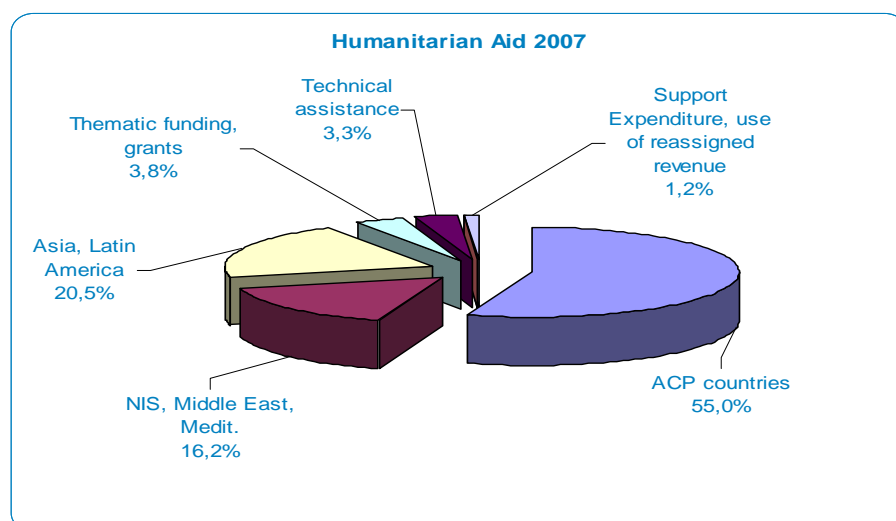
Application of the needs based principles lead to the following geographical division of the funds for humanitarian aid committed in 2007, compared to 2006:

TABLE 30: HUMANITARIAN ASSISTANCE IN 2007 ('000 €)							2006	
Unit/Region	Hum. aid	Food aid	Dipecho	EDF	Total	%	Total	%
A/1: Africa, Caribbean, Pacific	220 910	169 650	4 000	28 200	422 760	55.0%	322 060	48.0%
<i>All Africa</i>				2 000	2 000			
<i>Horn of Africa</i>	106 000	106 450		5 500	217 950		161 050	
<i>Great Lakes</i>	61 500	24 000		4 000	89 500		84 050	
<i>West Africa</i>	32 600	14 000			46 600		56 150	
<i>Caribbean, Pacific</i>	5 810	2 000	4 000	4 500	16 310		1 610	
<i>Southern Africa, Indian Ocean</i>	15 000	23 200		12 200	50 400		19 200	
A/2: New Independent States, Middle East, Mediterranean	93 290	31 607			124 897	16.2%	177 900	26.5%
<i>NIS (Chechnya, Caucasus, Tajikistan ...)</i>	22 500	3 307			25 807		33 000	
<i>Middle East, Mediterranean</i>	70 790	28 300			99 090		144 900	

⁶⁹ Notably in the DIPECHO programme

A/3: Asia & Latin America	127 801	14 065	15 500		157 366	20.5%	124 541	18.6%
<i>Asia</i>	<i>96 801</i>	<i>13 000</i>	<i>7 500</i>		<i>117 301</i>		<i>99 941</i>	
<i>Latin America</i>	<i>31 000</i>	<i>1 065</i>	<i>8 000</i>		<i>40 065</i>		<i>24 600</i>	
Thematic funding + grants	24 000	4 900			28 900	3.8%	20 500	3.1%
Technical Assistance (experts & field offices)	25 400				25 400	3.3%	19 000	2.8%
Use of re-assigned revenue	307				307		817	
Support Exp. (audits, evaluation, information, etc.)					8 900	1.2%	6 189	1.0%
TOTAL	491 708	220 222	19 500	28 200	768 530	100%	671 006	100%

Table 31 Relative share of regions and support activities in funding⁷⁰:



	2007	2006
ACP	55%	48%
NIS, Med.	16%	27%
ALA	21%	18%
Other	8%	7%
Total	100%	100%

2.8. Macro-financial assistance

After consulting the Economic and Financial Committee and securing a Council Decision, the Commission implements macro-financial assistance (MFA) in association with support programmes of the IMF and the World Bank. 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 macro-

⁷⁰ Humanitarian aid, food aid and disaster preparedness budget lines and European Development Funds as far as ACP countries are concerned

economic imbalances (balance of payments and fiscal difficulties). In close coordination 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 2007, MFA authorisations of new operations totalled €25 million. This included a grant to Moldova of up to €45 million, of which a first tranche of €20 million was disbursed⁷¹. Lebanon received exceptional EC financial assistance of up to €80 million (€50 million in the form of loans and €30 million in the form of grants)⁷².

3. FEATURE ARTICLES

The challenge of reconciling MDGs and the fight against climate change

“2007 was a great year for the fight against climate change”, noted UN Framework Convention on Climate Change executive secretary Yvo de Boer. Indeed, in 2007, global public opinion and the scientific and political communities united and mobilised support to address the global challenge of climate change.

The latest scientific findings of Nobel Prize winner Inter-governmental Panel on Climate Change (IPCC)⁷³ demonstrate convincingly that climate change will produce negative consequences around the world. Food security, productive infrastructures, and many densely populated living areas are under direct threat in the medium term; as well as the very survival of several island states. Unless effective countermeasures are taken, climate change could reverse progress towards the MDGs. However, the Stern Review (2006) on the Economics of Climate Change⁷⁴ emphasised that the efforts to avert global climate change and those aiming to promote growth and development are not mutually exclusive. It is argued that the cost of inaction far outweighs the volume of investments needed to mitigate climate change (i.e. damage to the global economy could range from 5-20% of global annual GDP), early action could reduce economic losses to just 1% of global annual GDP.

The UN Framework Convention on Climate Change (UNFCCC) and the Kyoto Protocol are the established frameworks for multilateral negotiations on climate change. The Bali Conference in December agreed on an action plan for detailed negotiations with a view to reaching agreement by December 2009 on a climate regime for the reduction of global greenhouse gas emissions to take effect in 2013. The negotiations on the core subject of emission reduction (“mitigation”) will, *inter alia*, cover policy approaches related to reducing emissions from deforestation and forest degradation. The Bali Action Plan also addresses enhanced action on climate adaptation including funding – as well as reinforced technology development and

⁷¹ Council Decision 2007/259/EC of 16 April 2007

⁷² Council Decision 2007/860/EC of 10 December 2007

⁷³ <http://www.ipcc.ch/ipccreports/ar4-syr.htm>

⁷⁴ http://www.hm-treasury.gov.uk/independent_reviews/stern_review_economics_climate_change/sternreview_index.cfm

transfer. It is to be noted that the annual cost of adaptation in developing countries has been estimated by various institutions at between 16 to 86 billion USD⁷⁵.

The G8 also pays particular attention to the international climate change agenda. Already in 2005, the Gleneagles plan of action focused primarily on (energy) mitigation. The G8 Heiligendamm Summit of June 2007 emphasised the importance of adaptation and the reduction of CO₂ emissions – which are exacerbated by increased deforestation and land-clearing activities – as priority areas for cooperation with developing countries in the area of climate change. This work will be taken further by the Japanese G8 Presidency in 2008.

The cross-cutting nature of climate change: need for mainstreaming

Given that climate change cuts across a range of themes addressed by our external action, several EU policy processes and cooperation activities – which may not be explicitly labelled “climate change” – address climate change and its negative consequences nonetheless. This is true in particular for policies related to the forestry, energy or rural development sectors, for example. Moreover, several Country Strategy Papers, establishing the multi-annual framework for cooperation, foresee interventions related to climate change. The challenge is now to ensure that climate change is consistently taken into account in these instruments, with the aim of mainstreaming climate change in all development activities⁷⁶. Work in this area builds on the 2004-2008 EU Action Plan on Climate Change and Development that the Commission and Member States are implementing together. The Action Plan covers all developing countries. First and foremost the Action Plan promotes mainstreaming certain aspects of climate change into development cooperation. These include four strategic areas: policy dialogue; mitigation; adaptation and capacity-building. In 2007, the first finalised progress report on the EU Action Plan gave important pointers towards improving the mainstreaming effort.⁷⁷ A specific instrument of key importance is the thematic programme for the environment and sustainable management of natural resources including energy (ENRTP), established under the Development Cooperation Instrument, with global scope. Some of the current and planned activities supported by the European Commission are presented below.

Engaging in bilateral and regional climate change partnerships

Climate change was at the top of the agenda of each and every recent international summit. In the wake of the Bali meeting, the EU engaged with the authorities of more than 40 key countries to share its views. By leading the international community against climate change; by pushing for ambitious adaptation, increasing technology cooperation, access to carbon markets and combating deforestation, the EU is investing in protecting the MDGs from the threat of climate change.

⁷⁵ The UNFCCC estimates that annual adaptation costs in developing countries could be between \$16 and \$80 billion. The World Bank's estimates are in the range of \$10 to \$40 billion, Oxfam's are around \$50 billion, and UNDP's are about \$86 billion.

⁷⁶ See also chapter 2.3 under Environment

⁷⁷ The progress report recommends an enhanced dialogue with partner countries on climate change, improved coordination among EU donors and clear assignment of responsibilities, and dedicated resources for the implementation of mainstreaming activities and the Action Plan.

Bilateral relations between the EU and its international partners include a chapter on climate change encompassing political dialogue both at technical as well as at the highest political levels. With India and China for instance, whose economies are booming, and where environmental sustainability is therefore crucial, cooperation is largely about sharing knowledge and technology. In the EU-India Joint Action Plan of 2005, both parties recognise the urgency of dealing with climate change, and the cross-cutting nature of its impacts. Actions undertaken include cooperating in the fields of energy (including joint working groups on energy, specific studies on bio-fuels, eco-design, carbon capture and storage), on the consequences of climate change (e.g. through studies on the impacts of melting glaciers in the Himalayas and on measuring greenhouse gas emissions in India). Similar forms of cooperation are being developed with China. For example, a joint project to design a near-zero emission coal power plant has recently attracted wide political attention.

The Commission is also expanding its dialogue and cooperation on climate change at regional level. The Africa-EU Partnership on Climate Change was launched at the Africa-EU Summit in Lisbon in December. It will provide for dialogue, cooperation and exchange on specific actions to respond to climate change and will be an effective channel for holding deliberations on a shared Africa-EU vision. The Partnership will consist of two pillars: climate change and land degradation (desertification). A similar set of instruments tailored to the regional specificities is under consideration with the Latin American countries.

The Africa-EU Energy Partnership – also launched in Lisbon – will provide a framework for political dialogue between Africa and the EU on energy issues, with an important link to climate change. The Partnership will stimulate the energy cooperation between EU and Africa at various levels, in particular as regards improving access to modern, affordable and sustainable energy services, energy security and expertise to adapt to and mitigate climate change within the energy sector. The Energy Partnership will be supported by several existing and new funding instruments that will promote sustainable and climate friendly investments.

Allying with the poorest countries to address the effects of climate change

In September, the EC launched the Global Climate Change Alliance (GCCA).⁷⁸ This initiative specifically targets poor developing countries most vulnerable to climate change, in particular Least Developed Countries (LDCs) and Small Island Developing States (SIDS). The GCCA aims to deepen political dialogue, toward a shared vision for a post-2012 UN climate change agreement, and to step up cooperation in the following priority areas: adaptation, reducing emissions from deforestation, participation in the global carbon market, disaster risk reduction and integrating climate change into poverty reduction efforts (more details in the box).

Global Climate Change Alliance: key areas for increased cooperation

Support for adapting to the effects of climate change: The GCCA will for example support the implementation of national adaptation action plans as well as innovative research solutions for adaptation.

⁷⁸

The GCCA is also a key element of the external relations pillar of the Green Paper on Adaptation in Europe, adopted in June 2007.

Reducing emissions from deforestation: In LDCs, 62 % of total emissions originate in land-use change, primarily deforestation. The GCCA will support innovative solutions to avoid deforestation as well as expand existing initiatives such as the FLEGT initiative.

Enhancing participation in the global carbon market through the Clean Development Mechanism (CDM): The CDM has the potential to bring significant foreign investment to poor countries. So far, however, the poorest countries have attracted only few CDM investors. By building capacities and providing technical support, the GCCA will try to promote a more equitable geographic distribution of CDM projects.

Promoting Disaster Risk Reduction: There has been an increase of natural disasters linked to extreme weather conditions. The GCCA will assist the most disaster prone countries in building their capacities to prepare for, mitigate and prevent natural disasters.

Integrating climate change into poverty reduction efforts: Climate change needs to be integrated or "mainstreamed" into poverty reduction strategies to ensure sustainability. Firstly, the GCCA will support partner countries in their mainstreaming efforts. Secondly, the Commission is identifying the means to address climate change mainstreaming systematically at the occasion of the mid-term review of Country and Regional Strategy papers for the purpose of mainstreaming climate change fully into all country and regional strategies by 2014 – when the new programming cycle starts.

The Commission will launch this initiative with €60 million, but much larger amounts are needed to address the climate change challenge. Therefore the Commission is looking towards the world's donor community, particularly EU Member States, to contribute. Sweden was the first to pledge €5.5 million during the Bali climate change negotiations. The GCCA funding mechanism will be designed to complement existing climate related initiatives, while responding directly to the needs of the countries concerned.

Policy areas strongly linked to climate change

Energy

Energy production is a key chapter of both the mitigation and adaptation agendas. The Global Energy Efficiency and Renewable Energy Fund (GEEREF), budgeted under ENRTP, is designed to provide risk capital to support projects in the area of renewable energy and energy efficiency through the development of regional sub-funds throughout the world. The fund will be launched with over €100 million up to 2010 with EC contributing €80 million. It is expected to mobilise €300 million from the private sector with up to €1 billion possible in longer-term. The ENRTP will also support developing countries in improving their management of energy resources, including renewable energy and reduction of gas flaring and venting⁷⁹. In 2007, the Energy Facility – a specific cooperation Instrument to promote energy services to poor rural populations – awarded more than €8 million to renewable energy projects

⁷⁹ see also Chapter 2.3 under Environment

in the African, Caribbean and Pacific States, contributing to a carbon-free development path.

Water & Agriculture

Climate change will seriously threaten agriculture, food security and rural livelihoods, implying production and income losses in developing countries. Its likely effects will differ across regions, posing additional risks related to movement of populations seeking better living conditions. This will require a response in terms of adaptation of crops, livestock and farming practices to new climatic situations. This involves agricultural research and innovation at the crop/livestock level as well as at the level of farm systems. The EC is a main contributor to the work of the Consultative Group on International Agricultural Research (CGIAR). It will support the new CGIAR research programme specifically dedicated to climate change and agriculture through the Food Security Thematic Programme.

In many areas, adaptation will also involve more attention to water management, by means of water harvesting techniques, irrigation and drainage. Climate change calls for the improved management of risks, for instance through development of less volatile farming methods, the creation of safety nets, and the wider application of (micro) insurance. Insurance applications can significantly reduce the effects of climate related risks, but will require additional efforts to ensure that the poorer segments of the population will be fully taken into account. The EC will provide support to the so-called Global Index Insurance Facility (€25 million), an initiative that has been taken with International Financial Corporation (IFC) and the World Bank to expand the use of index insurance in sub-Saharan Africa, with applications in various fields, including agriculture, food security and disaster risk reduction.

Forests

Deforestation and land-clearing activities account for around 20% of world wide CO₂ emissions. For developing countries the proportion of emissions emanating from deforestation is very high. Forests contribute to the livelihood of almost 90% of the 1.2 billion of people living in extreme poverty in the world. The fate of forests as a cause, cure and victim of climate change will ultimately affect millions of people living in developing countries, especially those whose livelihoods depend on them for food, medicines, housing, energy and incomes. Deforestation is often a result of the expansion of agriculture and livestock activities and of illegal logging, which is often encouraged by poor governance and corruption.

The EC has been for a long time an important supporter of protection and sustainable management of forests. Important programmes for the preservation of tropical forests have been extended in Brazil, Latin America and Central Africa. The EU's Forest Law Enforcement Governance and Trade (FLEGT) Action Plan aims to improve forest governance and stop illegal logging. The Action Plan stresses the key role of the private sector and civil society and blends measures in producer and consumer countries to eliminate *illegal* timber from trade with the EU. The cornerstones of FLEGT are Voluntary Partnership Agreements (VPAs) with producer countries suffering from problems of illegal logging and poor governance. VPAs use the influence of EU markets together with development cooperation to improve forest management and governance. Malaysia, Indonesia, Ghana and Cameroon have

entered negotiations for concluding VPAs. Ecuador and several African countries (Congo, DRC, Central African Republic, Cote d'Ivoire, Gabon and Liberia) have all expressed an interest in pursuing them. Others are likely to join too as experience mounts.

Disaster Risk Reduction

The number, frequency and the effects of disasters, in particular climate-related disasters, have intensified around the world due to climate change. The EC is currently funding Disaster Risk Reduction (DRR) activities around the globe, at country level but also regionally through an ACP-EU Natural Disaster Facility which became operational in 2007. In order to strengthen its policy base and have a more comprehensive approach to DRR, the Commission is currently developing a DRR strategy for all developing countries, to be adopted in October 2008. This strategy will ensure that synergies between addressing adaptation to climate change and disaster risk reduction are being identified and acted upon. DRR is also one of the 5 pillars of the Global Climate Change Alliance (GCCA).

INTERCONNECTING AFRICA

The EU–Africa Partnership on Infrastructure: creating and sustaining regional infrastructure networks and services

The inadequacy of infrastructure on the African continent severely constrains economic growth and hampers human and social development. Road transport accounts for 90% of interurban transport but physical links and services are inadequate. Rail network coverage is sparse and interconnectivity of networks is low. Due to poor interconnection facilities, intra-African telecommunications are often diverted to the North. Many maritime ports struggle to offer competitive services while inland waterways are poorly integrated into transport networks. Over 300 million people – some 42% of Africa's population – continue to have no access to safe water. Similarly, access to basic sanitation is denied to 60% of the population. 500 million Africans have insufficient access to electricity, which often encourages many to abandon their villages in hope of a more comfortable life in the capital cities. Instead, far too often, migrants will find themselves living in slums and degradation.

An engine for boosting infrastructure networks

The EU-Africa Partnership on Infrastructure aims to secure the interconnectivity of the African continent and its different regions. It is one of the cornerstones of the ever-stronger cooperation between Europe and Africa and it will play a key role in the implementation of the Joint EU-Africa Strategy. The Joint Strategy and the associated action plan establish a solid framework for structured political dialogue and concrete cooperation between Africa and Europe.

The Partnership aims to increase investment in infrastructure and delivery of related services substantially. It focuses on trans-boundary, regional and national infrastructure in the widest sense: transport networks, water and energy infrastructure as well as telecommunication networks and infrastructure-related services. It provides a common and comprehensive vision of the needs of the continent and coordinates actions that enhance infrastructure networks across Africa.

By facilitating continental interconnectivity and strengthening regional networks, the Partnership responds to the development goals of the African Union and its New Economic Partnership for Africa's Development (NEPAD).

Interconnectivity will enhance integration, trade, growth and reaching the MDGs

By enhancing the infrastructure networks the Partnership will secure the interconnectivity of the African continent and of its different regions to promote regional integration. These interconnected networks will thus facilitate Africa's participation in global trade. The Partnership is a joint EU-Africa framework that will help improve and increase the infrastructure stock in the continent. Improving infrastructure, its related services and the regulatory frameworks will contribute to sustainable economic growth, promote competitive trade, create employment and decent work, foster regional integration and ultimately reduce poverty.

Rapid, sustained and broad-based growth is essential. A better inter-connected Africa, internally and with the rest of the world, will create larger markets and thus facilitate Africa's reach of the MDGs. According to some estimates, a one percent increase in the infrastructure stock could add one percent to GDP growth. This demands a commitment to integration within coherent regional trade agreements and harmonization of infrastructure policies and regulatory frameworks. Good communication and use of appropriate technologies can accelerate the process. This is where EU and Africa will work together within the Partnership on infrastructure.

What are Africa's infrastructure needs?

In 2005, the Commission for Africa made an estimate of the continent's infrastructure needs. It reported that Africa needs an additional US\$ 20 billion a year investment over and above current expenditure levels. To fill this gap, Official Development Assistance will not be enough and active participation of private sector and development financial institutions will be required. The purpose of two major ongoing studies is to define the priorities for investment: the African Infrastructure Country Diagnostic (AICD) study will assess the extent to which countries can scale up infrastructure expenditure; the AU-NEPAD Medium and Long Term Framework Study (MLTSF) will help to prioritise regional and continental projects.

Financing the Partnership

The Partnership draws upon several financial mechanisms – a Trust Fund, Regional and National Programmes and a programme for the start-up phase of the Partnership.

EU Infrastructure Trust Fund for Africa – a new and innovative financing resource

The EU Infrastructure Trust Fund for Africa is an innovative co-financing instrument of the EU-Africa Partnership on Infrastructure. It brings together the EC, Member States, the European Investment Bank (EIB) and European Development Financing Institutions to pool their respective efforts and resources to co-finance relevant projects directly. The Trust Fund provides grants that will attract and leverage additional funds from other donors and private investors. These grants will cover (i) interest rate subsidies; (ii) technical assistance, including preparatory work for eligible projects such as environmental impact assessments, project supervision and targeted capacity building; (iii) direct grants for project components with a

substantial demonstrable social or environmental benefit; and (iv) initial-stage funding of insurance premiums necessary to ensure the launch of infrastructure projects.

In the first six months, the Trust fund is already endowed with €108.7 million from the EC, and €27 million from contributing Member States. In addition, the EIB and other donors could commit resources in excess of €250 million. A Secretariat, hosted by the EIB, will ensure, *inter alia*, the visibility of the Trust Fund operations and provide an information access point for all stakeholders.

To date, three projects have been already approved:

- The East African Submarine Cable System (EASSy): a €173 million project financed with both public and private funds, to construct and operate a 10,000 km fibre optic submarine cable that will provide broadband connection to the Eastern part of Africa. With a contribution of €2.6 million for the hiring of a specialised team to manage this highly technical venture, the Trust Fund leverages an additional funding of over €25 million from the contributing financiers (EIB, KfW, AFD), allowing the successful completion of the EASSy project.
- FELOU Hydroelectric System: the Trust Fund will provide €10 million as an interest rate subsidy, leveraging an additional €33 million from the EIB. These funds will support the construction and operation of a hydropower plant on the Senegal River. This project, estimated at €102.5 million, will improve access to energy services in three countries (Mali, Senegal, and Mauritania), improving their energy supply and security.
- For the Ethiopia-Kenya Power Systems Interconnection, the €50,000 provided by the Trust Fund will leverage an additional contribution of over €350,000 from the KfW and the AFD. These funds will allow the completion of a feasibility and environmental impact assessment study, estimated at over €1.5 million.

Regional and national programmes

The EU Africa Partnership on Infrastructure will also draw upon resources from the 10th European Development Fund (EDF). Based on current funding figures, allocations to infrastructure could increase from €3.75 billion (9th EDF, 2002-2007) to approximately €5.6 billion (10th EDF, 2008-2013). A substantial proportion of this will finance the Partnership operations.

Support to the start-up phase of the Partnership

Several actions that support the infrastructure AU Programme include:

- €5m – Capacity Building Programme for AU including resources for NEPAD's Infrastructure Short Term Action Plan (i-STAP);
- €10m – Energy Facility supporting capacity building to African Power Pools and the African Forum of Utility Regulators;
- €20m – Water Facility and other instruments supporting project preparation in African trans-boundary river basins; additional support to transboundary basins is

also provided in partnership with AMCOW and through the African Water Facility;

- €18 million – River Nile Basin Initiative support;
- €6 million – Telecom sector regulatory reform;
- a €10m – relevant preparatory AU actions and studies in transport, energy and ICTs financing support programme;

The Principal Partners – the African Union and the European Commissions

The African Union Commission – its vision

Interconnecting the African continent is seen as key for regional integration, which is considered by the AUC as a crucial catalyst of Africa's Renaissance. The AUC aims to reach this fundamental objective through harmonization of infrastructure policies, strategies as well as legal and regulatory frameworks. Increasing regional integration within the framework of the Partnership will help the AUC mobilizing resources more effectively in order to support the realisation of Africa's development through its Regional Economic Communities and Member Countries.

The European Commission brings valuable experience in developing infrastructure networks

The EU has a long-standing experience of working with infrastructure programmes in individual African countries. The EU also has extensive expertise to share with Africa from its experience of developing Trans-European Networks (TENs) of regional infrastructure for achieving economic growth and regional integration. The EU has developed principles that (i) deliver a rigorous and clear methodology for identifying priority projects and (ii) build consensus among countries on the harmonisation of regulatory frameworks. Such knowledge will enrich the AU-EU dialogue.

The EU-Africa Partnership on Infrastructure is a valuable complement to the long-term attention given by the European Union to the infrastructure development in Africa: only in the years 2005 and 2006 (according to estimates of the Infrastructure Consortium for Africa) the European Union committed more than €5 billion for interventions in the infrastructure field (which includes €1.4 billion for water and sanitation projects, €1.9 billion for energy projects and €2.3 billion for transport projects).

The Partnership facilitates infrastructure sector sustainability

The Partnership offers an integrated framework in which to coordinate the operations of the different stakeholders working at continental, regional and country level to enhance each infrastructure sector to attain and sustain its individual goals. These are summarised as follows.

- (i) Transport: the goal is to reduce the cost and improve the quality of infrastructure and services by promoting optimum use of existing multimodal transport systems

and support adequate maintenance of the existing infrastructure then by completing trans-African and regional networks.

- Better road conditions and fewer road blocks and delays at custom posts will reduce the journey times and, more importantly, journey costs to ports and regional distribution centres. This means business and trade between adjacent countries will expand.
- Better roads and services will make farming more profitable. Better access to markets will allow poor people to benefit more from growth, to expand their farming production and to diversify into more profitable crops.
- Better roads and services will increase access to health care facilities, reducing lost time due to illness and increasing household productivity and life expectancy, particularly in rural communities.

(ii) Energy: the goal is to facilitate essential investments in generation and transmission of energy based on renewable resources, develop cross-border connections and grid extensions, and promote regional energy agreements that improve affordability and access to energy services.

- Improved access to electricity and the availability of affordable and reliable energy services will allow Africa to increase industrial production and to provide added value to agricultural products, contributing towards economic growth and creating opportunities that will lead to a reduction in poverty.
- Improved access to electricity will allow people to live with dignity in their home towns and villages. They would not be forced to look for more comfortable lifestyles elsewhere in capitals where they often end in slums.
- Improved access to clean energy will lead to a reduction in the number of people, most of whom are women, who suffer or die from indoor air pollution caused by wood burning stoves. It will also allow poor people to spend more time on income generating activities because of savings in time to collect fuel for heating and cooking.

(iii) Water: the goal is to sustain the use of the available (and finite) water resources in meeting populations' water and sanitation needs and improve national and local river basin catchment management together with a larger impact at trans-boundary levels.

- More effective management of water resources is needed to secure water availability threatened by large seasonal fluctuations, periodic cycles of drought and flood, as well as by climate change.
- Nearly all of Africa's rivers are shared between two or more countries.

Getting countries to cooperate on the use of the resources of their shared rivers through water resources management plans is essential to reduce vulnerability to droughts and to manage floods better. These plans, addressing the needs of all users,

should also help to strike a balance between the use of the water resources as a basis for livelihood and conservation of the resource.

- Freshwater is a finite and precious resource essential for sustaining life and human development. It was estimated by the Commission for Africa that, by meeting the MDG for access to water and sanitation in Africa, 173 million cases of diarrhoea would be avoided each year, saving some US\$1.6 billion in therapeutic health treatment costs, gaining some 456 million productive days and some 99 billion school days annually.

(iv) Information and Communication Technologies: The goal is to develop connections with the continental and regional networks while opening the telecommunications sector to competition for efficient and low-cost provision of ICT services.

- Information & Communication Technologies will come in support of the health, educational and governmental sector and while doing so will contribute to achieving the social dimension of the MDGs.
- Poverty is not reduced by money alone, it requires access to knowledge. Information & Communication Technologies, which are at the core of knowledge generation, distribution and usage. They are also at the foundation of improving business practice and efficiency.

The Way Ahead

The EU-Africa Partnership on Infrastructure was jointly launched by the African Union and European Commission at the AU Headquarters in Addis Abba on 24 October. The successful launch gave a significant boost to all parties involved in the Partnership, which provided the needed confidence to move ahead with its implementation. Accelerating infrastructure and service delivery means using the working modalities of the Partnership to prioritise investments on Africa's strategic networks and to scale-up financing by governments, private sector and donors. The Infrastructure Partnership will then effectively contribute to regional integration, trade, economic growth and sustainable development to reach the MDGs.

4. RESULTS

4.1. Project results: Results-Oriented Monitoring (ROM)

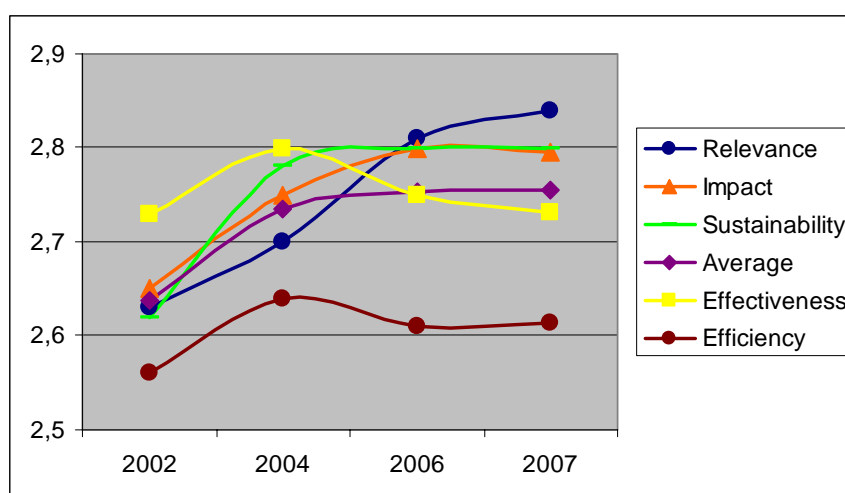
The ROM system provides an overview of how the project portfolio is progressing towards results. The ROM is based on regular onsite assessments by independent monitors of active and completed projects and programmes: these are given simple scores against internationally agreed criteria (efficiency, effectiveness, potential impact, relevance and likely sustainability) using a structured and consistent methodology. For each operation, short explanations and recommendations on quality improvements are addressed to all stakeholders, providing important information to complement internal monitoring. This year the system covered 148 countries and 1630 operations with a total value of nearly €10 billion.

Table 32: Quantitative overview of outputs

Overview per region	TACIS/E NPIEast	MED/ ENPI South ⁸⁰	Africa ⁸¹	Pacific	Caribbean	Asia	Central Asia	Latin America	Total 2007
N° countries visited	7	24	44	16	18	16	6	17	148
Million €covered	516	1.407	4.814	227	919	982	93	895	9.853

Results on performance of operations under the project and regional programme modality in 2007

Table 33: Timeline 2002-2007



Between 2005 and 2007 ROM scores have stabilised. Relevance has increased as devolution has led to projects that respond better to local needs. Efficiency still suffers from problems with the predictability of funds. This may also hinder the achievement of results (decreased effectiveness). In some cases, objectives are overambitious.

Quality measuring during implementation

Projects monitored under ROM can be grouped into ones that achieve "good" performance and "very good" performance (yellow and green) and projects with "problems" and/or "major problems" (orange and red).

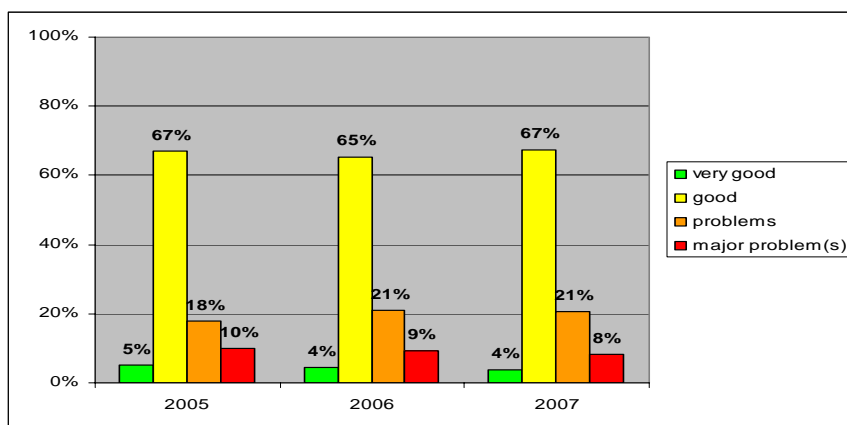
Table 34: percentage of projects "on track" 2005-2007

⁸⁰

Including Yemen.

⁸¹

Including South Africa, but excluding 5 centrally managed projects

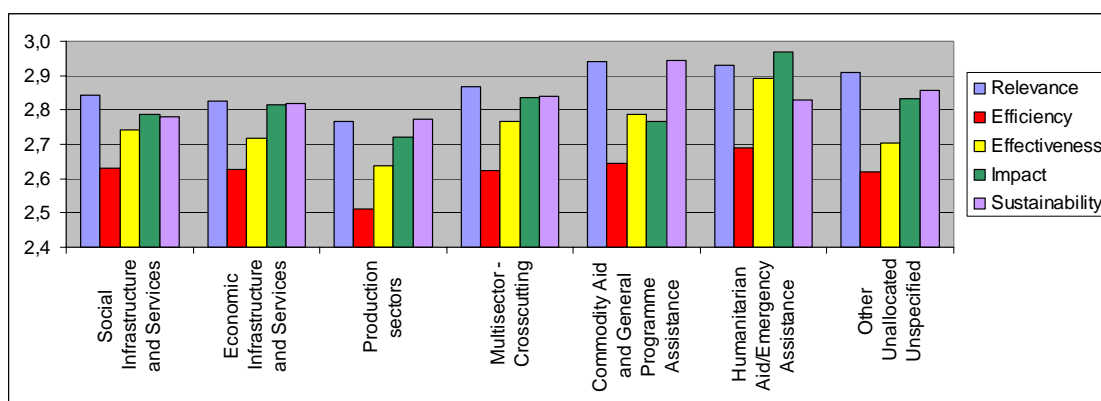


The share of projects with (major) problems has decreased from 10% in 2005 to 8 % in 2007⁸². Analysis of the ROM data reveals several interrelations. The identification and design of a project are key pre-requisites for its sustainability after EC support has ended. There is a high correlation between ownership and the effective participation of partners during the design phase. A major lesson of ROM is that projects need to put more effort into developing appropriate transfer strategies to better ensure the sustainability of positive effects and impacts after EC support has ended. Risk management during project implementation also needs more attention.

Results by ODA sector

As in 2006, the majority of projects monitored fall within the first three ODA sectors, accounting for 80% of the monitoring reports produced and 87% of the budget monitored. The lower scoring for the "production sector" is mainly due to delays in implementing activities in the ACP regions, which lead to problems with achieving results.

Table 35: Performance by ODA sector in 2007



Special analysis: ex-post

A total of 198 completed projects were monitored "ex-post" (as opposed to 1421 active projects). The share of projects classified as very good/good and as having

⁸²

Note: Projects with at least one 'd' (lowest mark) represent 8,1% whereas with an average score of 'd' the percentage decreases to 0,7% .

problems/major problems, remains consistent for both active and completed projects within each region. However, the share of projects performing really well, as well as that of projects performing really poorly, becomes larger when ex-post measurements are taken into account. Good projects tend to perform better after external assistance has come to an end, while poorly performing projects tend to deteriorate further.

The main lesson learned from ex-post monitoring is that, in general, the lessons are not being applied. Although most projects have detailed reporting systems, there are very few cases of projects that systematically record their positive and negative experiences with a view to identifying the most appropriate guidance. This lack of capacity to identify and acknowledge how success has been achieved means that the same errors are continuously repeated. Likewise, successes are neither being acknowledged nor are they being applied as helpful guideposts. Another major finding is that the most crucial factors for projects to maintain, once external assistance has ended, are policy support, ownership, and financial viability.

Conclusions

Ex-post assessment of project performance, based on the same uniform monitoring methodology as that used during a project's lifetime, allows results to be compared. This information can greatly support the Commission in managing projects and in further refining development policies. Preliminary testing during the year (still ongoing) of the ROM methodology for sector policy support programmes (SPSP) in Latin America and the Mediterranean produced useful information for refining a methodology that will be finalised in late 2008.

Outlook into 2008

The main challenges will be finalising the ROM/SPSP test phase, including in ACP and Asia, and developing a system for better collecting and disseminating transferable lessons and best practices. This should include systematic use of forums such as initiatives under the aid delivery methods programme including trainings, and Quality Support Groups to ensure that lessons from ROM are integrated in the operations cycle. The quality assurance of the ROM system should also be improved further and ROM should be consistently linked with internal monitoring so as to create conditions for more effective aid delivery.

4.2. Evaluation: review of the 2007 work programme

4.2.1. Organisation of the evaluation function

The Evaluation Unit in the EuropeAid Co-operation Office is a joint evaluation function for three External Relations Directorates-General: Development, External Relations and EuropeAid⁸³. A multi-annual programme for 2007-2013 was validated

⁸³ At the time of the reform of the management of external aid, it was stated that "the evaluation of the results of regional and sectoral policies, programmes and programming performance is crucial for the success of the external aid policies as a whole, and needs to feed back into the programming cycle. To ensure objectivity, this level of evaluation should be conducted independently and serve as a feedback loop for the services responsible for policy, programming and implementation. The evaluation services would be accountable to the Group of Relex Commissioners. The Group will decide on the work

by the Commissioner for External Relations and European Neighbourhood Policy in agreement with the Commissioner for Development and Humanitarian Aid in March. This programme confirmed the three main axes of the previous period: more emphasis on geographical evaluations (partner countries and regions), enlarging the scope of thematic and sectoral evaluations, and continuing evaluations of modalities.

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 provides methodological support for all types of evaluations.

4.2.2. *The 2007 work programme*

Eleven evaluations were completed during this year: nine geographical evaluations (China, India, Bolivia, Jordan, Moldova, Mozambique, Pacific Region, Southern Africa Development Community and Central America); one thematic evaluation (Agricultural and rural development) and the synthesis of six joint evaluations with Member States on coordination, complementarity and coherence (the "3Cs"). Full texts of the evaluation reports are made public on the evaluation website⁸⁴.

Four evaluations launched at the end of 2006 have raised methodological challenges for EC external aid. Three methodological challenges concern aid disbursement through UN offices, development banks and civil society; one concerns establishing an approach for evaluating budget support based on past practical experience. The latter will be discussed with other donors.

Eleven new evaluations were initiated: Chad, Uganda, Angola, Central Africa Republic, MEDA Regulation, ASEAN, Laos, Thailand; education, health and poverty diseases.

Completing the publication of the methodological work in 2006, a set of four booklets was published in English, French and Spanish and widely disseminated. The full text can be found on the evaluation website⁸⁵. The methodology for country level evaluations was presented in seminars in Spain, Sweden, Germany, Portugal, Czech Republic, France, Belgium, Finland, the United Kingdom and Italy. Government representatives of evaluation units and policy units, NGOs, external evaluators and academics participated.

With regard to dissemination and feedback mechanisms, seven seminars were organised in the countries concerned to discuss seven evaluation reports (China, India, Bolivia, Jordan, Moldova, Mozambique and Nicaragua). Furthermore, a seminar was organised in Brussels to present the six evaluations on the 3Cs and the synthesis report; the latter was also presented at the Council's Development Committee. The evaluation on agricultural and rural development was presented in

programme of the evaluation services and act on its reports recommendations". (SEC(2000)814/5 of 15 May 2000) The new financial instruments repeat the spirit of the mandate of the evaluation: "evaluation of the results of the regional and sectoral policies, programmes and programming is crucial for the success of the external aid policies." (ENPI, Article 24; DCI Article 20; IfS Article 15; and IPA Article 22; 10th EDF implementing regulation Article 15)

⁸⁴ http://ec.europa.eu/europeaid/how/evaluation/index_en.htm

⁸⁵ http://ec.europa.eu/europeaid/evaluation/methodology/methods/mth_docs_en.htm

Berlin during an international conference. The "*fiches contradictoires*" (or follow-up of earlier evaluations) were published for the reports on the Caribbean, Benin, Latin America, Armenia, Tanzania and the TACIS region.

4.2.3. *Lessons learned from evaluations finalised in 2007*

China: The Commission's cooperation approach to China during the period 1998-2006 was relevant to the Chinese policy context and needs and is consistent with long-term EU policy goals. At high levels, the Chinese and European sides share a common language on partnership: the move to a dialogue of equals has led to a progressive phasing out of development cooperation. Despite policy successes concrete results have been limited, because the Commission and its Chinese partners have experienced some difficulty in arriving at agreement on project goals and modalities. Projects generate knowledge and expertise which are not taken up to the EC policy and strategic levels. Too many promising pilot projects have not been replicated at a national level, as the results were not shared among the Chinese provincial governments. Coordination between the Commission and Member States is strong in form but weak on substance.

India: EC aid to India gained in relevance and was better aligned over the period 1991-2006. The shift from the project-based approach to sector support facilitated a qualitative improvement in the continuing dialogue on development cooperation between the Commission and India. There is limited but robust evidence on the impact of Commission support to the social sectors (health and education). However, sector-specific support has not contributed significantly to the current devolution of power to the locally elected bodies. The phasing out of rural development and stand-alone environment projects, whose impact is limited, was appropriate. Recent programmes and projects to promote cross-cultural economic cooperation and academic/scientific exchanges are highly valuable responses to the increasing diversity and maturity of EU-India relations.

Jordan: The Commission's strategy during the period 1996-2006 was aligned on Jordan's priorities in a dynamic way. Indeed, major shifts in the government's strategy were accompanied by new priorities on the Commission's side in a context of systematic policy dialogue and pragmatic coordination with Member States. New priorities were rapidly and consistently applied in the areas of poverty alleviation and human rights. Joint policy development proved to be an effective and efficient approach leading to tangible impacts on the competitiveness of small and medium enterprises and in strengthening poor municipalities. Impacts were noted on economic stability and the management of urban water networks. In the trade sector, the Commission's interventions were found to be disappointing in view of the high expectations placed on trade liberalisation and export-based development. In the latter case, these expectations were based on implicit assumptions which could not be confirmed. It took too much time to correct these first assumptions and the new assumptions again were mostly implicit. The consequence was a lengthy learning process which in turn delayed corrective action.

Bolivia: The evolution of the Commission's strategy during the period 1996-2006 is assessed positively by the national and international stakeholders and is relevant to the needs of Bolivia. Among its intervention options, the Commission has chosen to prioritise flexibility to adapt quickly to changes in the Bolivian context. This choice

jeopardises long-term actions and the capacity to apply skills and leadership in some sectors. Impact, effectiveness and sustainability of the interventions have been assessed as irregular. The weakness of certain results comes from the pressure to spend in an unstable context, the poor conception of some projects, problems with phasing out actions, and difficult implementation when not all external factors had been assessed correctly. There is a gap between the request to use budget support as a financial modality and a context that does not present many conditions for its use.

Moldova: EC cooperation with Moldova during the period 2000-2006 was to a large extent relevant to national needs and coherent with long-term EC objectives. As the development context in Moldova is particularly challenging, major economic problems must still be addressed. Nevertheless, some impacts of the EC cooperation can be noted: the Commission's technical assistance has significantly advanced policy formulation, but the implementation of this new legislation has yet to lead to tangible results. For macroeconomic stabilisation, some positive assessments are also noted, but these rely too much on external technical assistance. Capacity building in some ministries needs to be developed. The Commission has contributed to civil society development, mostly in social service delivery. During the period under review, the quality of the EC cooperation in Moldova was adversely affected by the low presence of the Commission in the capital Chisinau; in the meantime this problem has been solved by elevating the status of the office there to a full Delegation.

Mozambique: EC cooperation during the period 2001-2007 was relevant to the needs of Mozambique and is consistent with the EU policy goals. The evaluation found that the EC cooperation in Mozambique is of high quality. The effectiveness of the Commission Delegation as a partner of the government, supporting national poverty reduction, improved significantly during the review period. General budget support had positive effects on the harmonisation of donors and alignment to the government's own planning process, thereby allowing a better poverty reduction focus. EC support to the national road network is nearly completed and emphasis is shifting to lower category roads; however, the maintenance of main roads continues to be deficient. EC support to the agriculture sector and food security contributes to the implementation of government policy and to the definition of line ministries' core functions. Strong support for human rights has not yet lead to results as concerns the performance of courts, justice and prisons. The high potential in the development of civil society organisation was not addressed. The Commission made significant efforts to maximise donor coordination although complementarity is difficult to achieve.

Southern Africa Development Community (SADC): The EC's regional intervention during the period 1996-2007 is relevant, coherent and poverty-oriented. However, little impact could be measured. The three main sectors which form the core of the intervention (trade, transport and food security) are closely inter-linked; some positive outcomes could be noted at national level but hardly at regional level. The combination of an organisation lacking capacity (SADC) with an organisation where adherence to procedures is very important (the Commission) contributed to delays at all stages. Even if the attention has been applied to capacity building activities to support the SADC secretariat, the issues of the multiplicity of regional organisations could not have been seriously addressed, neither by SADC nor by the

Commission. In addition, the split of SADC Member States into two EPA groups has definitively complicated inter- and intra-regional cooperation.

Pacific region: The Commission's cooperation with the ACP Pacific Region during the period 1997-2007 was relevant to the regional context. Given the Commission's small share of total development aid to the region and the region's remoteness, the regional interventions were justifiably focused on supporting the regional institutions and on themes that are priorities for the Commission (environment and natural resources management). However, formulated to support the priorities expressed by the regional authorities, the Commission's support was not fully in line with the poverty reduction efforts in the region. The Commission did not use the full potential for coordinating and exploiting the complementarities of its regional and national strategies in order to maximise the impact of its assistance.

Central America: During the period 1996-2006, the Commission's strategy in Central America showed a high level of continuity and was relevant to both the needs of the region and the Commission's objectives. The EC interventions have stimulated the dialogue between Central America and Europe and have influenced the further development of regional economic integration. However, the evaluation report identifies several weaknesses regarding the interventions related to institutional development, supporting civil society and ethnic groups, environment activities and various social problems. The report notes the lack of coordination among donors even if some complementarities had been seen in certain cases.

Agricultural and rural development: The evaluation report covers the period 1995-2005. It found that the EC's strategy as defined in 2002 is a coherent framework which covers the concept of poverty reduction, food security and rural and agricultural development, but neither specifies these concepts and nor links them to one another. The Commission improved the quality of its programmes by using a more participative approach and by being more closely linked to partner countries' institutions. The impacts of the intervention are positive, but very limited geographically. Efficiency is weak in spite of flexible financial modalities. Sustainability has improved since 1995 but is still not secured. The Commission has played a role in reinforcing the importance of civil society as an actor for development in rural zones and for the agriculture sector. Coordination, complementarity and coherence with other EU policies (trade, CAP, etc.) could be improved.

Synthesis of six studies in coordination, complementarity and coherence (3Cs): Following the completion of six studies on the 3Cs managed by the group of Heads of Evaluation Services of the EU Member States and the Commission, a synthesis report was presented to the Council of Ministers. Its main findings include: (i) the institutional architecture required to render operational the 3Cs is incomplete, notably concerning management; (ii) inadequate coordination, complementarity and coherence reduce the impact of the EU's development aid efforts and leads to unnecessary high demands on developing countries' human and financial resources; (iii) the premises or rationale for the 3Cs are not clear enough, especially in the light of recent changes in the global policy landscape. Several evaluation reports give some examples of rather promising coordination processes and point to a "reservoir" of practical experiences that Member States and the Commission could build on.

4.2.4. *Synthesis of main lessons learned*

- The relevance of Commission programming and implementation is generally good: the Commission response addresses the needs of partner countries and is coherent with EU goals.
- Several major positive impacts have been noted e.g. on the social sectors in India, economic stability in Jordan and Mozambique, the water sector in Jordan, food security in Mozambique, and economic integration in Central America.
- There is a lack of sustainability in implementation strategies since ensuring ownership by partner country stakeholders receives insufficient attention.
- Recurrent weaknesses in efficiency are reported to be due to delays in implementation, lack of flexibility and cumbersome procedures which also limit the effectiveness of Commission actions.
- While the high quality of projects within some sectors (such as rural development) is recognized, there is often a poor impact on sectoral policy of partner countries.
- An impressive increase in aid expenditures has been realised, but at the risk of compromising the quality of the interventions.
- Good results regarding devolution, especially when delegations are flexible enough to adapt to the specific context, are counterbalanced by overly fragmented visions and insufficient coordination among sectors in delegations.
- The Commission has a particular value added in its regional programming; however, the linkage between national and regional programmes is often weak.

4.2.5. *Outlook for 2008*

The evaluation programme for 2008 will follow the path laid in the multiannual evaluation programme for 2007-2013. It is planned to launch 11 country level evaluations (Nigeria, Namibia, Botswana, Burkina-Faso, Vietnam, El Salvador, Nicaragua, Egypt, Tunisia, Niger and Senegal, the later two being joint evaluations with some EU Member States) and four thematic evaluations (support to decentralisation process, respect of human rights and fundamental freedoms, conflict prevention and peace building, employment and social inclusion). The Evaluation Unit will also propose a methodological approach for evaluating budget support to be discussed with other donors.

5. AID MANAGEMENT

5.1. Developments in aid delivery modalities and channels

Focus on sector approaches and budget support

During the year the Commission worked in line with the policy orientations on the use of the sectoral approach and budget support⁸⁶. The total value of budget support commitments, about €1.79 billion, amounted to almost 23% of total commitments. This is a substantial increase compared to 2006, explained by an increase in commitments under the EC Budget (notably in the Asia region, but also in the ENP region). For the EDF, budget support commitments remained broadly constant – with and increased in general budget support offset by a fall in sector budget support commitments.

A new set of financial instruments for providing aid came into force. Asia and Latin America are now covered by the development cooperation instrument (DCI), and Mediterranean and Eastern European countries by the European neighbourhood and partnership instrument (ENPI). The introduction of these new instruments was an important step in harmonising the use of budget support across different regions with a common approach to eligibility that emphasises appropriate policies and strategies, macroeconomic stability, and public financial management.

To coincide with the new financial instruments, new guidance was issued. The guide on general budget support, first issued in March 2002, was updated and issued in January. A guide on support to sector programmes was issued in July (see below). Significant progress was made in harmonising the eligibility criteria for the use of budget support. In addition, the role of the Public Expenditure and Financial Accountability Programme (PEFA) was reinforced with further encouragement to use this assessment as the favoured methodology to examine the status of public financial management within a country.

The Commission approach to aid delivery

European external assistance is implemented through three main delivery modalities. The choices depend on a joint Commission/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 preclude complete use of government systems, for example in conflict or post-conflict situations. Projects are implemented using the Commission'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 Commission procurement and grant award processes.

The Commission also supports national or macro level goals expressed in national policy and strategy documents (such as a Poverty Reduction Strategy Paper). This assistance is financed through General Budget Support (GBS), with funds transferred

⁸⁶ See box *EC Approach to Aid Delivery* for definitions and policy orientations for the Commission in this area

to the national treasury of the beneficiary country. It is usually accompanied by capacity development activities, generally in the area of public financial management.

At a policy level the sectoral approach and the use of budget support as a preferred aid modality follow the orientations of the European Consensus on Development, which 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”. In addition, the Paris Declaration of March 2005 has created positive momentum for budget and sector support focusing on ownership, alignment and harmonisation. The 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 synchronized approach to capacity development and the use of joint field missions and shared analysis.

Methodological work and training

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

This year substantial methodological work was achieved, in areas such as guidance on sector support, decentralisation and local governance, project monitoring, and support to reform processes, in particular in public financial management, and more generally in capacity development.

The new *Guidelines on Support to Sector Programmes*, covering sector budget support, pool funding and EC project procedures, are a major achievement. Building on lessons learned since 2003, these guidelines promote a context-sensitive approach integrating lessons learned in working with sector approaches in new geographical areas and in sectors where projects have been dominant so far. They explain eligibility criteria for sector budget support and provide reference material in all seven areas of assessment, including policy analysis, annual budget, sector coordination, performance measurement, capacity assessment, public financial management, and macroeconomics. The guidelines have been well-received by other donors and are useful for supporting aid effectiveness work and dialogue among sector stakeholders.

A new series of methodological publications, the "Tools and Methods Series"⁸⁷, was launched in the second half of the year. This series includes three types of documents: guidelines providing guidance on how to design and implement EU

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All these documents are accessible to the public on AIDCO internet site http://ec.europa.eu/europeaid/multimedia/publications/index_en.htm

financed programmes; reference documents developing concepts and insights in working practices, and concept notes focused on deepening the understanding of a given topic. The intended public includes Commission staff, but also external stakeholders involved in the management of external assistance in partner countries and other donors. The series supports improvements in the quality of EC-funded projects in line with aid effectiveness principles as well as enhanced visibility for Commission work. In addition to the guidelines on sector support various documents were published. The reference document *Institutional Assessment and Capacity Development* offers a conceptual framework for dealing with institutional and capacity assessment mainly in the public sector. The reference document *Supporting Decentralisation and Local Governance in Third Countries* provides practical tools to develop a shared understanding of decentralisation and to improve the design and implementation of EC support in this field. The reference document *Strengthening Project Internal Monitoring: How to Enhance the Role of EC Task Managers* has two objectives, namely to support effective monitoring by project implementing partners and to support good management of monitoring at the level of Delegations through practical tools.

Progress was also made in the transport sector. Based on the idea of presenting the collective experience of Commission colleagues as an aid to Delegations in their everyday work, an *Operational Handbook for Road Project Managers in Delegations* was published in February. It reflects Commission transport policy documents and aims to provide project managers with useful information to help them prepare and implement road infrastructure projects, particularly in ACP countries.

The work initiated in 2006 for a more strategic and co-ordinated approach in the area of institutional support and capacity development in partner countries was developed. In collaboration with two multi-donor networks – the Learning and Exchange Network on Capacity Development and "Train4dev" – the Commission successfully launched the development of a "joint learning package" for use of all donors intervening in a given sector, based on its own material and experience. The Commission is making a substantial effort to develop the capacity of its staff through regular and innovative training programmes which focus on the development of both practical and conceptual abilities. Within the donor community, EuropeAid is a major "training producer" in the area of aid delivery methods with more than 215 sessions organised and more than 4100 participants during the period June 2005-December 2007 (see table below).

Table 36: Methodological Training organised from June 2005 to December 2007

	Project Approach and related topics		Sector/Budget Support and related topics	
	Number of courses	Number of participants	Number of courses	Number of participants
At Headquarters	45	889	73	1218
At country level	36	754	61	1305

Total	81	1643	134	2523
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In the category of project approaches, this year new trainings were developed on enhancing project monitoring systems; managing participatory approaches and stakeholder analysis; and taking into account the cultural dimension in the design and implementation of projects. In the area of sector and budget support, new advanced courses were developed in the area of public financial management (PFM) and applied macroeconomics. Training in PFM is scoring very high, both in terms of attendance and in terms of quality (average evaluation score is 4/5). Sector specific seminars continued to be developed in the area of water, transport, education, decentralisation and local government with very positive evaluations. The quality of methodological training is consistently evaluated as good, very good, or excellent, and the total average score is 3.9/5. Impact assessment exercises were conducted on the two main trainings. These confirmed that the courses were well-received by participants, particularly in terms of accessibility and quality.

5.2. Progress on qualitative issues in aid management

Design quality of operations

The Commission has developed a structured system to screen and support quality of operations at the stages of identification and formulation – the Office Quality Support Group (oQSG) system. During 2007, the functioning of this system was consolidated further. The methodology was revised and doing so proved useful. In terms of coverage, 147 meetings were organized (53% increase in comparison to 2006) and almost 900 operations were screened (63% increase) corresponding to nearly €6.3 billion. The ratio of well-designed projects submitted to oQSG has reached 88.5%⁸⁸. The overall results of the oQSG are encouraging especially considering that considerable strain was put on the system this year for several reasons, including the late approval of the new financing instruments and programming documents, the tight deadlines imposed by changes in the financial instruments and new procedures, the "cut off" date of end July for the approval of projects financed under the 9th EDF, and the scale-up of aid.

Developments in working with indicators

Several exercises are continuing in the area of performance measurement and indicators. EuropeAid's performance indicators are a set of central indicators which track data on financial, quality, internal processes and staffing. They were reviewed and expanded in 2005. Regular reports on EuropeAid's activity, which include indicators, are submitted to the Group of External Relations Commissioners.

The MDGs are the key development outcomes the EC is working to achieve between now and 2015, along with the rest of the international community. The Commission has worked with an expert group of Member States and other interested parties, including the OECD DAC, UNDP and the World Bank, to develop a core set of ten indicators drawn from the MDGs, the Millennium Development Indicators. Six are

⁸⁸ As this indicator measures the quality of the documents discussed during oQSG step II, it precludes the further improvements before the Financing Decision is taken.

directly related to the well-being of children, while three have a specific gender dimension. All country strategies include the last available data for each indicator. In addition, country strategy papers will also measure progress against a wider range of country-specific indicators, which should reflect the focal sectors identified as well as overall movements in poverty.

In using the classic project approach, renewed attention is given to appropriate use of the "Quality Frame", a tool for assessing project quality based on three attributes (relevance, feasibility and effectiveness) introduced with the *Project Cycle Management Guidelines* issued in 2004. These recommend the use of the logical framework approach and of SMART indicators identified at each level of the framework: results, purpose and overall project objective. These indicators are then referred to in monitoring and evaluation. When using budget support programmes, disbursements are linked to the evolution of key outcome indicators such as child vaccination, girl enrolment in primary schools, primary school completion rate, etc.

The Commission wants to equip itself progressively with measuring tools enabling the assessment of the quantifiable effects of its operations in order to report on development results and enhance accountability to the European Parliament and Member States. This concept of accountability-reporting has been developed in agreement with the commitments under the Paris Declaration to enhance donors' and partner countries' respective accountability to their citizens and parliaments and with the importance given to progress indicators in the European Consensus on Development and the DCI regulation. For this purpose, on 1 September the pilot phase started of systematic use of a selected list of standard result indicators in a limited number of sectors including human development, good governance, food security and rural development, which are key areas for MDGs progress. These indicators will be aggregated. To measure the effectiveness of external aid, and to appraise trends over a given period of time, quantifiable performance indicators are applied.

In making available pertinent development indicators, the Commission's support for high quality statistics is instrumental. The key elements consist of preparing and implementing a national statistics development strategy⁸⁹ that has full national political support and that is compatible with the national development programme, such as a poverty reduction strategy. A national statistics development strategy will prioritise needs for statistics to develop, monitor and evaluate economic, social and environmental policies in a sustainable programme. This is the quantitative element of good governance. Increased demand for quality statistics has resulted in the Commission participating in the multi-partner programme for scaling up of assistance to statistics.

Developing thematic networks

To strengthen EuropeAid's supporting role in improving the quality of operations, several thematic networks have been created in recent years to promote better sharing of information with Delegations and other members of the External Relations Directorates General. These networks, e.g. on budget support, transport, water, food

⁸⁹ See www.paris21.org. Other equivalent methodologies are also available.

security, or urban development, are proving to be effective tools. In 2008 new tools and technologies will be introduced to support the networks.

5.3. Cooperation with international organisations and other donors

Cooperation and partnership with the UN and the World Bank has remained significant, with contributions amounting to just under €1.3 billion in 2007. While commitments to the UN system fell slightly, this reflects changed responsibilities with respect to food aid, which is now managed by the Commission's Humanitarian Aid Directorate General (DG ECHO), and does not signal a slowdown in Commission-UN cooperation. Cooperation otherwise has remained strong with the UN and the World Bank working together with the Commission to support programmes in areas such as election monitoring and assistance, institution building, rehabilitation, rural development, education and health. Cooperation also takes place with regional development banks such as the African, Asian and Inter-American Development Banks.

Requiring prerequisites before working with international organisations provides the Commission with the confidence that such organisations meet international standards as regards accounting, external audit, internal control and procurement. During the year, this compliance analysis was successfully completed for the main UN organisations and the World Bank.

The United Nations

Sharing common objectives and values, and similar policy priorities in poverty reduction, democratic governance, crisis prevention and recovery, *inter alia*, the Commission and the UN are now working together in over 105 countries, as illustrated in the latest report on UN–Commission cooperation produced by the UN in 2007 with Commission support⁹⁰.

The Commission and the UN continued to streamline the way they work together under the 2003 Financial and Administrative Framework Agreement (the FAFA). The annual meeting saw the adoption of joint reporting guidelines, and throughout the year staff from both the UN and the Commission participated in joint training initiatives to help foster mutual understanding and ensure that together their institutions can deliver a better service to partner countries. Moreover the Commission offered the UN training on how it works with the UN (use of joint management, FAFA and applicable procedures).

UNDP continues to be the Commission's main partner, with major rehabilitation and reconstruction programmes. Support for elections is also an area where the Commission and UNDP have increasingly cooperated. The *Operational Guidelines for the Implementation of Electoral Assistance Programmes and Projects*, first agreed with UNDP in 2006, were reviewed this year. This partnership has already proved to be of great value to partner countries and the updated guidelines will improve even further the way election support is implemented. At the end of 2006 an evaluation was launched of Commission financing channelled through the UN

⁹⁰ "Improving Lives", produced by the UN office Brussels with Commission support, available on www.unbrussels.org/improvinglives.pdf

system. Most phases of this evaluation were completed, including a series of field trips to locations where the UN is managing EC-funded programmes. The final report is expected for the first half of 2008.

The World Bank

The Commission remains one of the main donors to multi-donor trust funds managed by the World Bank. The Commission is conscious of the need to ensure that these substantial amounts are properly managed, reported on and accounted for. In 2001 it signed a Framework Agreement with the Bank, which is jointly reviewed each year and has been updated on several occasions in relation not only to financial management but also on issues such as visibility. The Bank manages over 900 trust funds, each with its own remit, rules and governance structure. Most are relatively small. This is a significant management problem for the Bank. The Commission fully supports the Bank's efforts to make these trust funds more transparent and to simplify the procedures which govern them.

Operational co-ordination with the World Bank is extremely good and relations in-country between the Commission's Delegations and the Bank's offices help to reinforce the frequent contacts at headquarters level. The Bank's representative in Brussels and the Commission's Delegation in Washington also help to support the cooperation. In some of the key programmes, such as in aid to the Palestinians and in Iraq, the need for a common approach is reinforced. Progress was also made on the continuing evaluation of EC contributions to World Bank Trust Funds.

OECD/DAC

The DAC reviewed the development cooperation policies and programmes of the European Community during 2007⁹¹. The OECD report highlights the Commission's achievements over the past years as an effective aid donor in its own right and as a "Federator" of aid from the 27 EU Member States.

The OECD also shows the Commission's unique role in current development thinking: policy coherence; promoting aid effectiveness; developing new aid modalities, for example for budget support; and fragile states. The OECD sees the Commission as a driving force for the future. In addition to continuing to lead the scaling-up, aid effectiveness and policy coherence debates, the OECD sees added value for the Commission in: managing the growing pool of Official Development Assistance as EU Member States increase aid budgets; creating an EU system of performance management for development projects; intensifying the dialogue with civil society and communication with the wider public; and creating an explicit framework to engage with multilateral institutions, such as the World Bank and the United Nations.

Council of Europe

With the signature in May of a Memorandum of Understanding on enhanced cooperation and political dialogue between the EU and the Council of Europe, the

⁹¹ DCD/DAC/AR(2007)2/EC/PART1/FINAL and DCD/DAC/AR(2007)2/EC/PART2/FINAL of 4 and 9 July 2007 respectively

relations between the two organisations were deepened. The Commission contributed significantly to the negotiating process and is already very active in implementing the Memorandum. This is borne out by the increasing volume of joint projects, reaching over €80 million at the end of 2007. The shared values of pluralistic democracy, the rule of law, and human rights and fundamental freedoms form the core areas in which the Commission and the Council of Europe concentrate their cooperation, which is particularly fruitful in the countries participating in the EU's Neighbourhood Policy and the Enlargement process.

OSCE

In 2007, the usual productive cooperation between the EU and the OSCE translated into numerous practical accomplishments, such as EUBAM (European Union Border Assessment Mission) in Moldova, BOMCA (EU Border Management Programme in Central Asia) and CADAP (EU Central Asia Drug Action Programme) in Central Asia, the OSCE-led rehabilitation programme in South Ossetia, and ripe cooperation with ODIHR (Office for Democratic Institutions and Human Rights).

Cooperation with other donors

Cooperation was driven by the Paris Declaration. In addition to participating in relevant OECD-DAC forums, the Commission established a permanent network with the development institutions of the Member States, the European Development Aid Practitioners network to exchange views on best practices. The Commission also supports the Outreach Strategy established by the OECD/DAC.

A major change was the possibility, opened by the new Financial Regulation which came into force in May, to co-finance with bilateral donors. By the end the year, eight aid agencies had expressed their interest in this form of co-financing and six of them are undergoing the assessment procedure, which is a pre-requisite for the EC to co-finance in this way.

The Commission is committed to a process of dialogue, mainly with China in association with the African Partners and the African Union. This process aims to foster understanding of respective policies and explore potential synergies, on, for example, security and stability, or infrastructure development. This could lead to a broader consultation process including bilateral dialogue at the highest level (such as the EU-China and EU-Africa Summits). Cooperation with other emerging donors such as India, Russia, South Korea and Turkey is also becoming increasingly important.

5.4. Simplification of procedures

The Commission has been engaged in a drive to make the rules for managing external assistance simpler and more visible. This year's entry into force of a new legal and financial framework for the management of external assistance was evidence of this effort. Innovations included revised Financial Regulations and the new instruments for external assistance. These not only rationalise the number of applicable legal bases, but also introduce several measures that facilitate the delivery of external assistance, including (i) identical rules for all instruments (harmonised eligibility rules, procedures and financing mechanisms); (ii) the opening up of contracting procedures to co-financing mechanisms (with the possibility to use local

rules or rules agreed between donors); (iii) greater flexibility in calculating contracting deadlines (the so-called d+3 rule); (iv) higher thresholds for procurement procedures; (v) new provisions facilitating the administration of documentary evidence for tenders or for purchases under particularly advantageous conditions; and (iv) the possibility to make grants to entities without legal personality or in cascade and new cases of full financing.

All these innovations were incorporated in a new version of the Practical Guide to contract procedures, which also covers the rules applicable to actions financed under the European Development Fund⁹². In addition to innovations that will be introduced with the entry into force of a new legal and financial framework for the 10th EDF, an effort was made to simplify the contractual documents for the EDF to ensure greater coherence in the application of the rules in question.

5.5. Visibility and communication

Communicating on the role of the EU remained a priority for the Commission. Numerous events took place within the context of the celebrations around the fiftieth anniversary of the Treaty of Rome⁹³. The Commission also produced a youth newspaper entitled *50 Years / 50 Stories of Solidarity* in 15 languages and some 450.000 copies. This was widely distributed, including through schools participating in the annual 9 May initiative in schools, which this year reached some 97,000 pupils from over 4400 classes in around 50 regions.

The second EU Development Days were held in Lisbon from 7 to 9 November. This year's forum focused on climate change and how to respond to the needs of already vulnerable countries hardest hit by its impacts. A new website on external cooperation, available in 22 languages, was launched in September. New videos were released on cooperation in the area of water and of food security. The External Cooperation Info Point received 7000 visitors over the year. Discussions with the UN and the World Bank on joint visibility guidelines progressed over the year and were expected to be concluded in early 2008.

6. ANNEXES

6.1. Introduction to financial tables

The Annual Report provides an overview of policies, objectives and achievements in 2007. The tables and graphs that follow present the main figures of development assistance in the year, featured by country, region, sector and per source of funding, i.e. EU external assistance instrument.

2007 was the first year of a new financial programming period of the EU Budget, with a whole new set of instruments coming into force, and the final year of an EDF funding cycle (9th EDF); in financial terms it was thus not a "mainstream" year. Nevertheless the tables 2007 show again an improvement of overall Official Development Assistance levels. As regards poverty focus, the figures show that the

⁹² http://ec.europa.eu/europeaid/work/procedures/implementation/practical_guide/index_en.htm

⁹³ An overview of events is available at http://europa.eu/50/around_world/index_en.htm

trend of the previous years is consolidated and sustained, with again an increase of the share going to least developed countries as well as the share of allocations to social sectors.

The first table shows 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 accounted for 9% of the total allocation in 2007 (General Commission Budget and EDF) – *Fig 6.1*. The decrease from 2006 (10%) is mainly due to the accession of Romania and Bulgaria to full membership of EU.

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 6.2*. A detailed breakdown of the budget – *Table 6.3* – identifies the different policy areas that contribute to this external assistance effort. A similar breakdown for the EDF can be found in *Table 6.4*. For the first time these tables also show, for this breakdown, the part that was counted as Official Development Assistance (ODA).

ODA is also sometimes referred to as "Development Assistance" or "Development Co-operation". The concept of ODA used throughout the tables and figures is the one defined by the OECD DAC (Development Assistance Committee) and reported by the EC to this body. The same applies to OA (Official Assistance). Not all EC external assistance can be reported as ODA or OA. Whether an action, programme or project is classified as ODA or not depends on the recipient country and the purpose and content of the aid.

Figures 6.5 and 6.6 show the share of EC's external assistance classified as ODA, OA or neither. 92% of the total resources of EC external assistance committed in 2007 are considered reportable as ODA, showing an increased developmental focus of the external financial allocations.

Turning to beneficiary countries and regions, *Fig 6.7*, and tables 6.8 and 6.9, present the breakdown per region and per country. For this breakdown it is necessary to differentiate between bilateral and multilateral aid. Bilateral aid, as defined by the Development Assistance Committee, 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.

Fig 6.7 gives a breakdown of EC ODA per region. Africa continues to be the top ranking region (38% of ODA, same share as in 2006). Overall Sub-Sahara Africa gets one third of total ODA committed in 2007. Asia continues to rank 2nd in 2007, though decreasing slightly its relative share (17% against 19% in 2006), with Europe now coming a close 3rd (16%). *Fig 6.8* presents regional distribution of ODA to developing countries over the period 2003-2007.

A more detailed breakdown for 2007, per country and region, in line with OECD DAC countries list, can be found in *Table 6.9*. From the country allocated aid (thus excluding regional programs and Least Developed Countries' programs unspecified at this stage), the top ten ODA countries in 2007 included Turkey, Palestinian Adm.

Areas, Serbia, Ethiopia, Afghanistan, Morocco, Ukraine, Sudan, South Africa, India. This top-ten list is broadly the same as in 2006, the differences being Sudan and South Africa (in) and Democratic Republic of Congo and Indonesia (out).

It is also important to identify the main sectors of activities that receive support. *Fig 6.10* shows this breakdown of EC ODA per main sector as defined by the DAC. The tables show a confirmation of the upward trend of the share devoted to social infrastructure and services (education and health, water management, civil society, government, etc.) within total ODA, with an all time high peaking at 42,8%. A more detailed sector breakdown of ODA is provided in *Table 6.11* for commitments and *table 6.12* for payments.

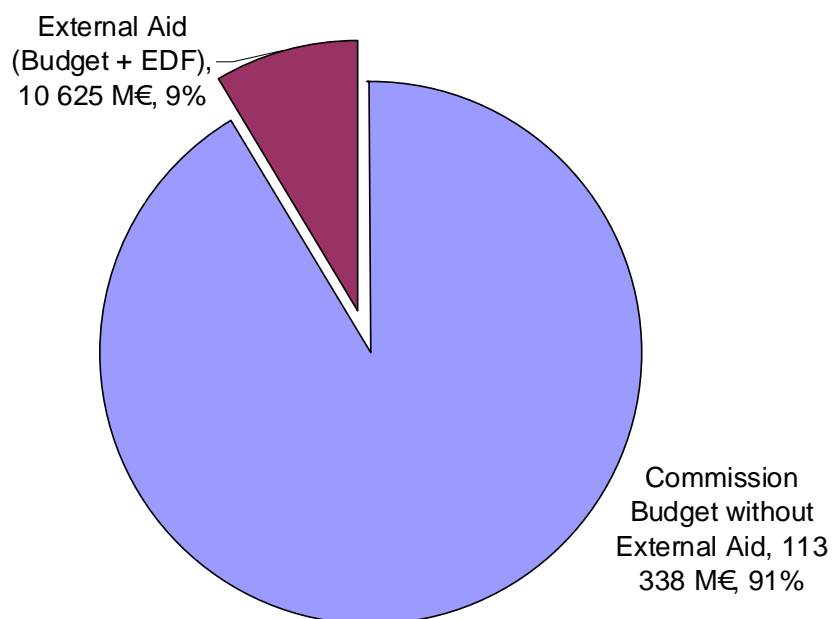
Table 6.13 gives an overview of ODA managed by EuropeAid, with a breakdown per sector and region managed. In this table the region is defined with the country groupings used in the EC instruments and corresponding budget structure.

The 2007 report provides an additional table intended to meet information concerns expressed by the budget authority during the legislative process. *Table 6.14* shows the sector breakdown of ODA per EC External Assistance Instrument and sub-component within the Instruments, with the associated *graph 6.15* providing a clearer picture.

Finally, the remaining tables and graphs show the evolution over time, from 2001 to 2007, of external assistance and ODA: *Fig. 6.16* shows the evolution of the main sources of funding (External assistance from EC Budget and EDF, with the share managed by EuropeAid), *Fig 6.17* shows the evolution of total ODA and OA volumes committed and disbursed, and *Fig. 6.18* shows the evolution of the sector breakdown of ODA.

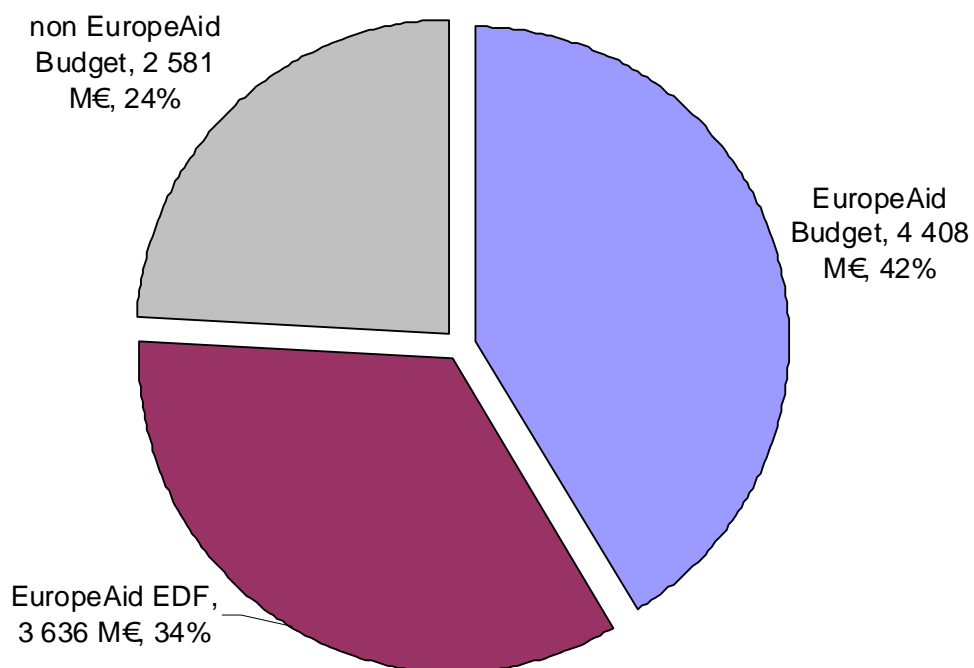
6.2. Financial tables

Fig 6.1. Percentage of Commission Budget committed on External Assistance in 2007.



Commitments (€Million)	
Commission Budget without External Aid	113 338 M€
External Aid (Budget + EDF)	10 625 M€
Commission Budget + EDF	123 963 M€

Fig.6.2. Sources of External Assistance in 2007.



Commitments (€ Million)

EuropeAid Budget	4 408 M€
EuropeAid EDF	3 636 M€
non EuropeAid Budget	2 581 M€
External Aid (Budget + EDF)	10 625 M€

Fig.6.3. General Commission Budget for External Assistance in 2007.

Heading / Policy Area	Description	Total		Managed by EuropeAid		Managed by other DG's		of which ODA	
		Commit.	Payments	Commit.	Payments	Commit.	Payments	Commit.	Payments
4 01 - ECFIN	Macroeconomic assistance + EBRD	57.88	23.24			57.88	23.24	57.88	20.21
4 04 - EMPL		64.78				64.78		64.78	
4 05 - AGRI	The Sapard pre-accession instrument — Completion of the programme (2000 to 2006)	5.96	291.07			5.96	291.07		7.42
4 06 - ENERGY	Completion of Intelligent energy — Europe programme (2003 to 2006): external strand — Coopener		1.93				1.93		1.31
4 07 - ENV	LIFE (European Financial Instrument for the Environment)	2.00	9.03			2.00	9.03	0.36	5.37
1 08 - RTD	Combating major diseases + Specific measures in support of international cooperation		152.79				152.79		62.74
2 11 - FISH	International fisheries agreements	127.78	159.20			127.78	159.20	6.26	5.25
4 13 - REGIO	Pre-accession IPA and former ISPA.	221.77	643.28			221.77	643.28	221.77	0.12
4 14 - TAXUD	Customs cooperation and international assistance	0.50	0.91			0.50	0.91		
4 15 - EAC	Education	26.71	22.87			26.71	22.87	20.50	19.96
4 17 - SANCO	International agreements and membership of international organisations	0.33	0.29			0.33	0.29		
4 19 - RELEX	Multilateral relations, cooperation in the areas of migration and asylum, and general external relations matters	47.96	18.79	47.96	18.79			47.96	17.77
4	Common foreign and security policy	159.47	89.89			159.47	89.89		
4	European initiative for democracy and human rights (EIDHR)	133.34	123.90	133.34	122.68		1.22	133.34	121.82
4	Relations and cooperation with industrialised non-member countries	24.48	11.60			24.48	11.60		
4	Crisis response and global threats to security	212.05	104.59	113.90	73.25	98.16	31.35	159.14	79.37
4	European Neighbourhood Policy and relations with Russia	1 628.88	1 400.82	1 628.88	1 400.82			1 603.86	1 278.01
4	Relations with Latin America	339.76	341.00	339.76	341.00			339.76	341.00
4	Relations with Asia, Central Asia and East of Jordan countries	836.58	791.15	836.58	791.15			836.58	791.15
4	Policy strategy and coordination for External relations policy area	24.98	22.13	15.95	12.66	9.04	9.47	21.68	19.29
4 20 - TRADE	External trade relations	14.27	8.07			14.27	8.07	6.53	2.21
4 21 - DEV	Food security	201.28	301.38	201.28	301.38			201.28	301.38
4	Non-State actors in development	210.85	168.55	210.85	168.55			210.61	168.48
4	Environment and sustainable management of natural resources, including energy	84.58	80.71	84.58	80.71			83.02	80.71
4	Human and social development	95.29	128.95	95.29	128.95			95.29	128.95
4	Geographical cooperation with ACP Countries	346.66	161.86	346.66	161.86			346.66	159.59
4	Other cooperation actions and ad-hoc programmes	29.28	29.25	26.52	26.47	2.75	2.78	3.01	3.04
4	Policy strategy and coordination for Development and relations with ACP States policy area	17.20	20.00	9.60	9.94	7.60	10.06	17.15	20.00
4 22 - ELARG	Management of the Instrument for Pre-Accession	868.18	1 551.18			868.18	1 551.18	867.94	914.71
4	Information and communication strategy	11.80	5.39			11.80	5.39	7.00	0.98
4 23 - ECHO	Humanitarian aid including aid to uprooted people, food aid and disaster preparedness	731.43	731.30			731.43	731.30	713.34	707.60
4+5	Administrative expenditure of External assistance (*)	462.72	427.61	316.76	300.62	145.96	126.99	451.05	420.32
TOTAL		6 988.76	7 822.76	4 407.91	3 938.83	2 580.85	3 883.92	6 516.75	5 678.77

(*) Includes administrative cost of EDF management charged to heading 5.

Total ODA (Budget + EDF) administrative cost (from headings 4 & 5 and EDF adm. envelope) shown in tables 6.11 & 6.12
Breakdown by budget line of external aid financed on the General Commission Budget in 2007. (Amount in € Million)

Fig.6.4. European Development Fund (EDF) in 2007

Instruments (1)	Of Which ODA			
	Commitments (2)	Payments (3)	Commitments (2)	Payments (3)
6th, 7th, 8th EDF				
National + regional indicative programmes (NIP/RIP)	-	388	-	387
Interest-rate Subsidies	-	1	-	1
Emergency Aid	-	-	-	-
Aid for Refugees	-	2	-	2
Risk Capital	-	58	-	58
Stabex	6	98	6	98
SYSMIN	-	23	-	22
Structural Adjustment Facility	-	0	-	0
Transferred Funds (prior to 6th EDF)	-	0	-	0
Use of interests	-	-	-	-
Total	6	572	6	569
9th EDF & Transitional measures				
Envelope A	1 981	1 642	1 927	1 624
Envelope B	296	217	292	217
Regional Project	252	136	250	136
Intra ACP Project	946	235	838	178
Implementation expenditure + Congo Rep. Dem.	49	38	49	38
Studies + tech. Assist. to Overseas Countries and Territories	-	1	-	1
Transferred Funds (6th EDF)	-	7	-	7
Peace facility (Voluntary contributions)	39	29	-	-
Other	67	43	67	43
Total	3 630	2 348	3 424	2 244
Total EDF	3 636	2 920	3 430	2 814

Breakdown by instrument of development assistance financed on the European Development Fund (EDF) in 2007. (Amount in € Million)

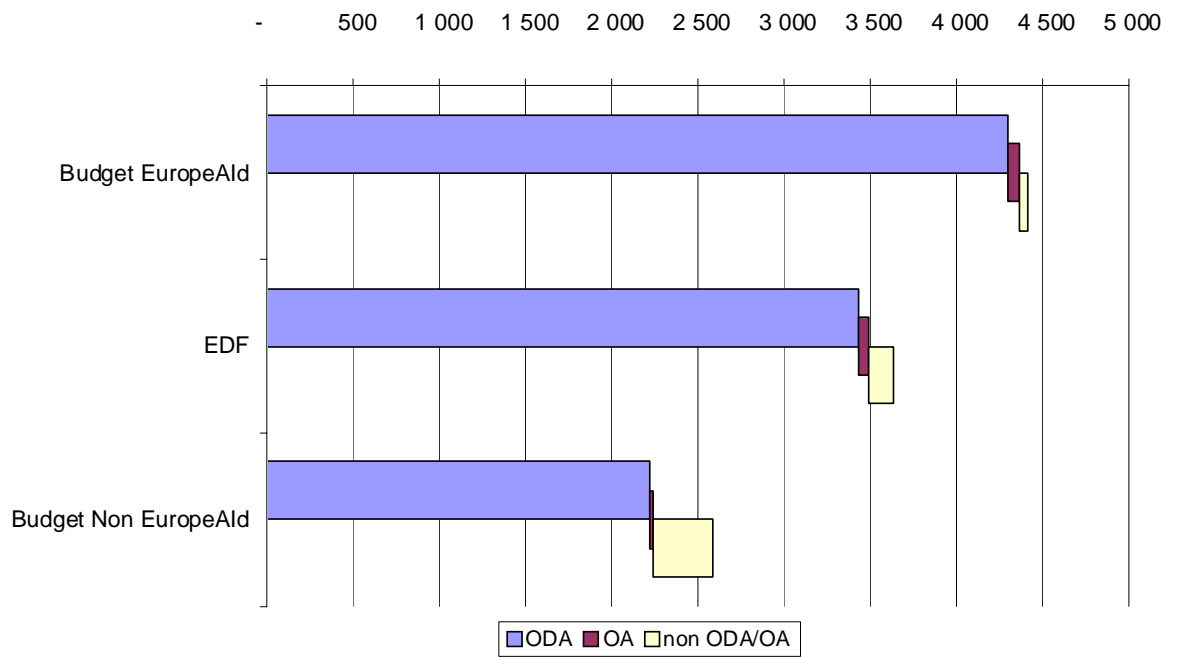
(1) Except The Investment Facility (9th EDF) managed by the EIB

(2) Commitments 2007 have been calculated following DAC procedures :

Total commitments made in 2007 reduced by decommitments made on projects committed in 2007

(3) Before recoveries

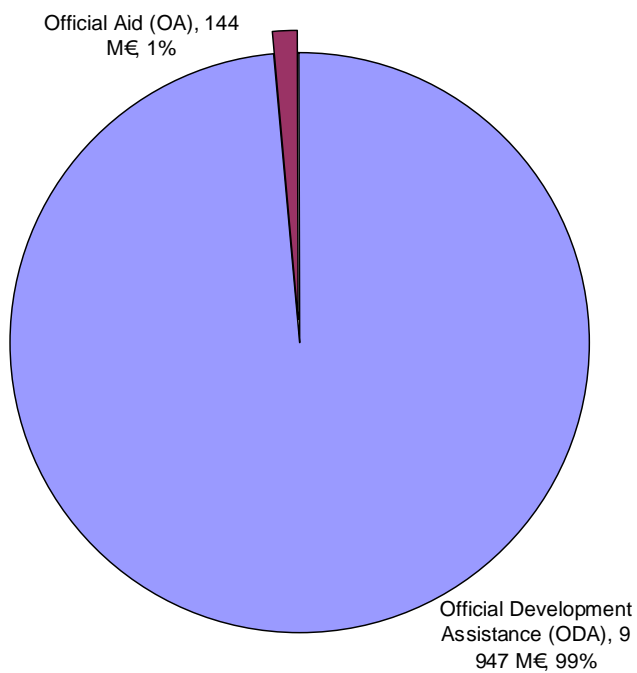
Fig.6.5. Proportion of External Assistance used for Development Aid (ODA and OA).



Commitments (€ Million)

	ODA	OA	non ODA/OA	Total
Budget EuropeAid	4 300	66	42	4 408
EDF	3 430	59	147	3 636
Budget Non EuropeAid	2 217	19	345	2 581
Total	9 947	144	534	10 625

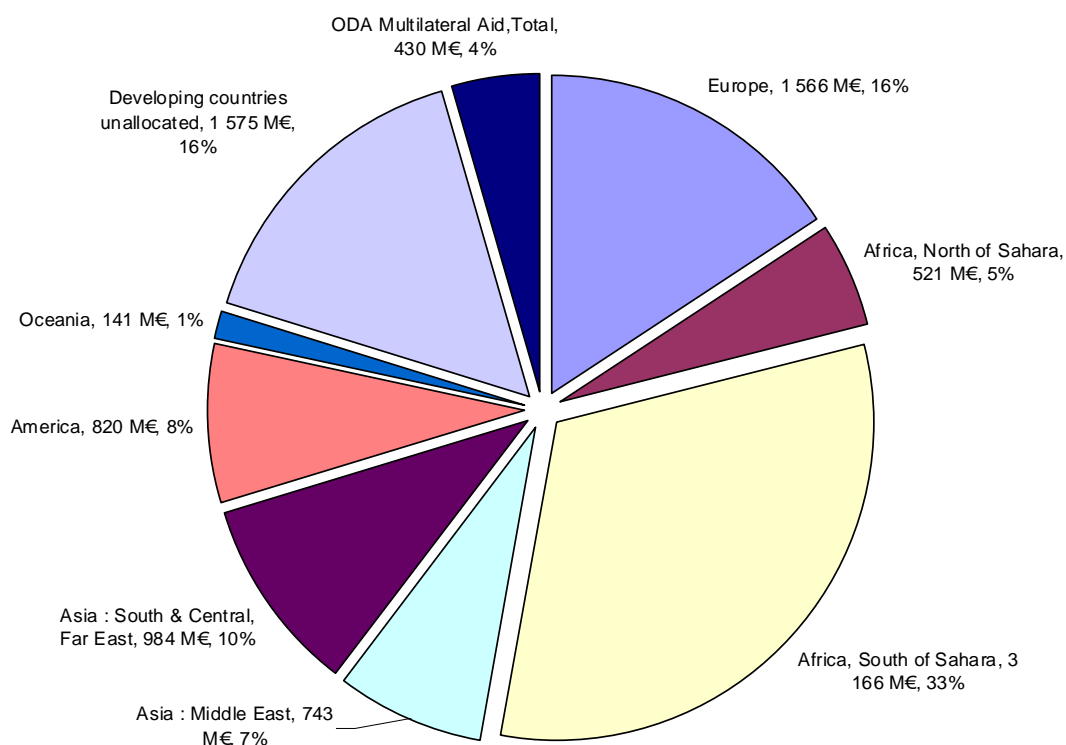
Fig.6.6. Relation between ODA and OA in the Development Aid of the EC in 2007.



Commitments (€Million)

(€Million)	Grand total		Managed by EuropeAid		Managed by Other DG's		
	Commitments	Payments	Commitments	Payments	Commitments	Payments	
Official Development Assistance (ODA)	9 947	8 493	7 730	6 572	2 217	1 921	9 947 M€
Official Aid (OA)	144	1 441	125	147	19	1 294	144 M€

Fig.6.7. Regional distribution of aid to developing countries (ODA) in 2007.



Commitments (€Million)

(€Million) Region	Grand total		Managed by EuropeAid		Managed by Other DG's	
	Commitments	Payments	Commitments	Payments	Commitments	Payments
Europe	1 566	1 062	345	123	1 221	939
Africa, North of Sahara	521	692	512	680	9	12
Africa, South of Sahara	3 166	3 087	2 748	2 688	418	399
Asia : Middle East	743	574	619	467	124	107
Asia : South & Central, Far East	984	922	859	782	125	140
America	820	776	760	724	60	52
Oceania	141	52	141	51	1	1
Developing countries unallocated	1 575	856	1 342	617	233	239
ODA Multilateral Aid, Total	430	472	403	440	27	32
TOTAL ODA	9 947	8 493	7 730	6 572	2 217	1 921

(1) Following OECD region.

Cfr next table "Country breakdown of EC Development Aid (ODA and OA) in 2007".

Fig.6.8. Regional distribution of aid to developing countries (ODA) 2003-2007.

Commitments (€ Million)					
	2003	2004	2005	2006	2007
Europe	835	996	1 144	1 532	1 566
Africa	3 439	2 910	4 143	3 806	3 687
North Of Sahara	417	480	503	543	521
South Of Sahara	3 019	2 428	3 640	2 867	3 113
Regional	3	2	1	396	53
America	692	609	605	759	820
North & Central	419	317	331	505	387
South	257	230	211	214	334
Regional	16	63	62	40	100
Asia	1 304	1 357	1 641	1 852	1 728
Middle East	466	398	420	587	743
South & Central	584	517	858	831	739
Far East	196	391	214	347	164
Regional	57	52	149	88	81
Oceania	60	52	87	32	141
Developing countries unallocated	1 042	1 172	1 189	1 245	1 575
ODA Multilateral Aid, Total	897	441	479	605	430
TOTAL ODA	8 269	7 538	9 287	9 832	9 947

Payments (€ Million)					
	2003	2004	2005	2006	2007
Europe	640	733	780	1 069	1 062
Africa	2 645	2 916	3 161	3 341	3 779
North Of Sahara	346	558	559	658	692
South Of Sahara	2 299	2 357	2 602	2 683	3 024
Regional	1	2	0	0	63
America	502	535	645	666	776
North & Central	228	308	305	365	454
South	210	152	233	246	275
Regional	64	75	107	56	47
Asia	1 126	1 302	1 484	1 596	1 496
Middle East	409	511	420	494	574
South & Central	463	526	661	699	604
Far East	202	210	257	295	263
Regional	52	55	147	108	55
Oceania	40	54	73	64	52
Developing countries unallocated	777	876	846	790	856
ODA Multilateral Aid, Total	602	510	508	602	472
TOTAL ODA	6 331	6 926	7 497	8 130	8 493

Bilateral and Multilateral ODA flows.

(1) Following OECD region.

Cfr next table "Country breakdown of EC Development Aid (ODA and OA) in 2007".

Fig.6.9. Country breakdown of EC Development Aid (ODA and OA) in 2007.

(€ 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	1 566.00	1 061.96	345.28	123.11	1 220.71	938.86
Albania	50.48	36.75		1.53	50.48	35.22
Belarus	10.00	5.04	10.00	5.02		0.01
Bosnia-Herzegovina	57.31	50.61		1.52	57.31	49.09
Croatia	105.59	73.68		0.25	105.59	73.44
Macedonia (fYRoM)	47.28	46.19		0.16	47.28	46.03
Moldova	88.06	48.40	40.00	25.92	48.06	22.48
Montenegro	23.92	23.06			23.92	23.06
Serbia	240.46	198.03		0.79	240.46	197.24
Turkey	481.52	401.25		1.98	481.52	399.27
Ukraine	166.59	65.01	166.20	64.51	0.39	0.50
States of ex-Yugoslavia unspecif.	7.35	2.25		2.14	7.35	0.10
Europe, Regional	287.43	111.69	129.08	19.28	158.35	92.42
Africa, Total	3 686.76	3 778.57	3 259.79	3 367.54	426.97	411.03
North Of Sahara, Total	521.11	691.89	512.20	679.74	8.90	12.14
Algeria	63.78	62.98	57.00	52.23	6.78	10.76
Egypt	139.04	161.19	137.00	160.35	2.04	0.84
Libya	2.00	0.82	2.00	0.42		0.39
Morocco	190.06	225.34	190.00	225.30	0.06	0.04
Tunisia	103.03	98.10	103.00	98.09	0.03	0.01
North Of Sahara, Regional	23.20	143.45	23.20	143.35		0.10
South Of Sahara, Total	3 112.98	3 023.71	2 694.91	2 624.91	418.07	398.81
Angola	19.10	47.38	19.03	46.73	0.08	0.65
Benin	72.11	59.83	72.10	59.83	0.01	0.01
Botswana	3.65	25.36	3.65	25.35	0.01	0.01
Burkina Faso	43.08	145.20	36.02	140.02	7.06	5.17
Burundi	82.26	88.91	62.64	69.67	19.62	19.25
Cameroon	36.22	55.97	36.21	55.90	0.02	0.08
Cape Verde	9.72	11.92	9.72	11.92	0.00	
Central African Rep.	36.55	21.91	33.55	19.38	3.00	2.53
Chad	96.72	56.47	53.62	24.38	43.10	32.09
Comoros	3.92	9.89	3.92	9.89		
Congo, Dem. Rep.	137.87	115.43	79.76	61.88	58.11	53.55
Congo, Rep.	23.64	27.40	23.64	26.77		0.63
Cote d'Ivoire	29.72	51.26	29.21	49.49	0.51	1.77
Djibouti	21.90	4.13	21.90	4.13		
Equatorial Guinea	4.38	1.52	4.38	1.52		
Eritrea	57.82	26.73	51.81	19.40	6.01	7.33
Ethiopia	220.38	244.39	196.95	225.61	23.43	18.78
Gabon	5.60	9.51	5.59	9.50	0.01	0.01
Gambia	9.01	6.72	9.01	6.72		
Ghana	109.35	62.44	108.66	61.87	0.69	0.57
Guinea	87.55	23.66	84.15	19.94	3.40	3.72
Guinea-Bissau	49.25	32.82	48.63	32.33	0.61	0.49
Kenya	90.93	100.06	81.23	87.26	9.70	12.80
Lesotho	44.24	13.42	41.29	11.00	2.95	2.42
Liberia	59.92	28.83	43.30	10.59	16.62	18.24
Madagascar	84.48	125.50	79.48	121.31	5.01	4.19
Malawi	38.41	56.21	38.37	55.88	0.03	0.33
Mali	37.91	130.71	34.90	129.13	3.01	1.58
Mauritania	23.76	60.29	19.61	57.82	4.16	2.47
Mauritius	80.74	20.54	75.87	18.00	4.87	2.54
Mayotte	20.53	0.43	20.53	0.43		

Mozambique	112.95	170.81	108.93	166.15	4.02	4.66
Namibia	14.11	20.53	14.10	20.53	0.01	0.01
Niger	24.94	83.72	18.78	77.71	6.16	6.01
Nigeria	123.24	57.66	122.90	57.39	0.34	0.28
Rwanda	55.12	58.27	55.06	57.51	0.06	0.77
St.Helena	2.20	2.50	2.20	2.50		
Sao Tome & Principe	5.45	2.85	5.45	2.85		
Senegal	72.67	63.74	72.00	61.48	0.67	2.26
Seychelles	0.09	0.88	0.09	0.88		
Sierra Leone	54.36	52.62	54.35	51.63	0.01	0.99
Somalia	62.18	57.43	44.88	40.74	17.30	16.69
South Africa	154.02	105.67	154.00	105.66	0.02	0.01
Sudan	158.04	186.04	51.98	68.03	106.06	118.02
Swaziland	22.91	9.15	20.03	6.79	2.88	2.36
Tanzania	60.21	141.61	48.07	128.12	12.14	13.49
Togo	64.63	22.70	63.43	21.27	1.20	1.43
Uganda	59.64	92.85	31.31	72.14	28.33	20.71
Zambia	41.80	60.19	41.79	60.13	0.02	0.06
Zimbabwe	68.80	44.54	42.75	25.78	26.05	18.76
South Of Sahara, Regional	314.88	125.12	314.08	124.01	0.79	1.11
Africa, Regional	52.68	62.96	52.68	62.89		0.08
America, Total	820.38	776.10	760.40	723.73	59.98	52.37
North & Central, Total	386.69	454.39	365.93	436.24	20.75	18.15
Anguilla	3.95		3.95			
Antigua & Barbuda	0.50	1.92	0.50	1.92		
Barbados	11.15	4.45	11.13	4.44	0.01	0.01
Belize	8.31	3.89	8.00	3.74	0.31	0.15
Costa Rica	0.05	5.78		5.68	0.05	0.10
Cuba	0.03	1.53		1.45	0.03	0.08
Dominica	18.42	10.53	18.42	10.53		
Dominican Republic	14.23	76.14	10.00	73.68	4.23	2.46
El Salvador	0.45	18.38		17.05	0.45	1.32
Grenada	11.59	0.86	11.59	0.62		0.24
Guatemala	14.64	22.47	14.60	21.18	0.04	1.29
Haiti	79.45	71.44	72.52	69.73	6.94	1.71
Honduras	9.89	30.18	9.00	28.47	0.89	1.71
Jamaica	58.27	34.92	58.24	34.90	0.02	0.02
Mexico	6.33	7.96	6.27	7.89	0.05	0.07
Montserrat	6.57	2.60	6.57	2.60		
Nicaragua	26.12	64.17	19.30	56.83	6.82	7.34
Panama	0.01	2.16		2.07	0.01	0.09
St.Kitts-Nevis	13.06	0.68	13.06	0.68		
St.Lucia	8.16	3.23	8.16	3.23		
St.Vincent & Grenadines	15.53	10.33	15.53	10.33		
Trinidad & Tobago	6.30	9.01	6.30	9.01	0.00	0.00
Turks & Caicos Islands	4.00	8.91	4.00	8.52		0.40
West Indies, Regional	1.55	18.45	1.55	18.45		
N. & C. America, Regional	68.13	44.41	67.24	43.25	0.89	1.15
South, Total	333.69	274.59	294.47	240.41	39.22	34.17
Argentina	12.91	4.46	12.70	4.18	0.21	0.28
Bolivia	45.47	32.04	41.38	29.75	4.09	2.29
Brazil	2.10	18.76	2.00	18.63	0.10	0.12
Chile	25.45	9.14	25.42	9.12	0.03	0.02
Colombia	29.15	53.89	10.40	36.79	18.75	17.10
Ecuador	20.45	25.50	18.90	24.31	1.55	1.19
Guyana	64.28	12.72	63.92	12.34	0.36	0.39
Paraguay	1.71	16.80	0.03	15.45	1.68	1.35
Peru	28.57	47.63	17.00	38.68	11.57	8.95
Suriname	8.75	16.11	8.55	15.94	0.21	0.17
Uruguay	20.03	6.74	20.00	6.71	0.03	0.03
Venezuela	8.78	13.49	8.14	13.02	0.64	0.47
South America, Regional	66.05	17.32	66.05	15.50		1.82
America, Regional	100.00	47.13	100.00	47.08		0.05

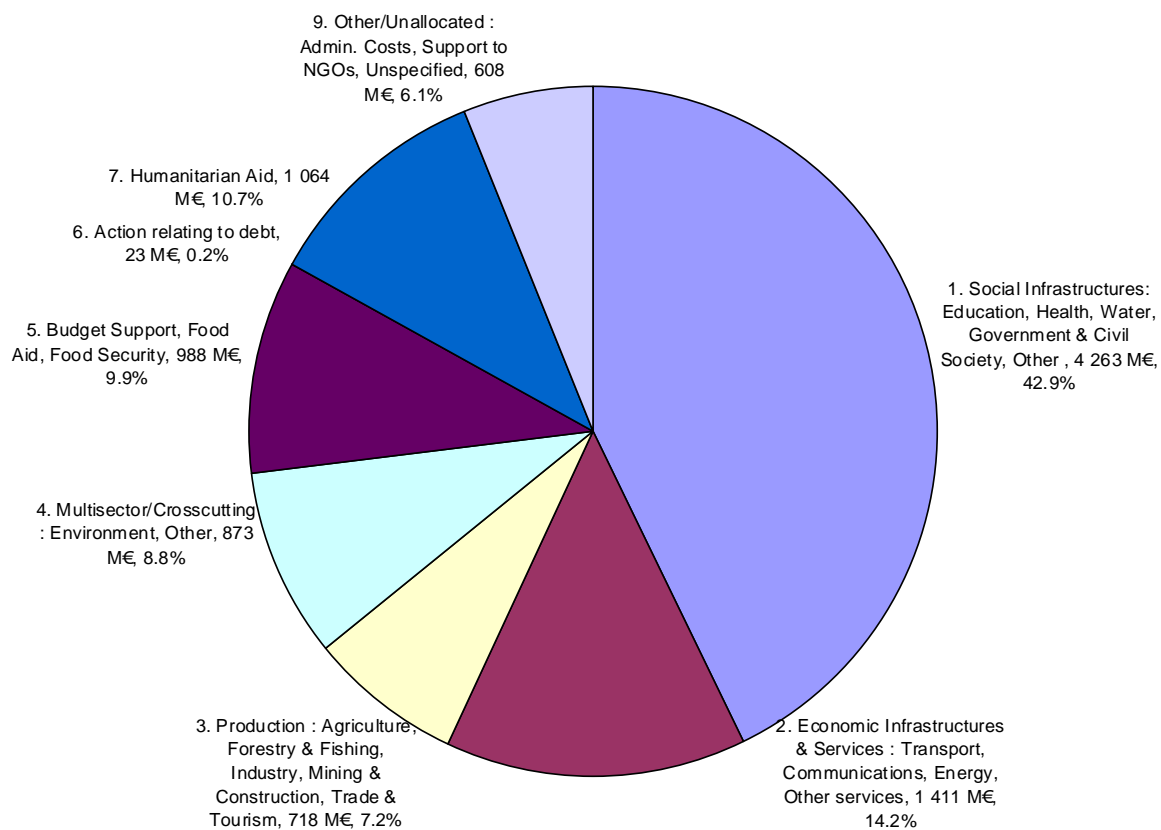
Asia, Total	1 727.55	1 495.93	1 478.61	1 249.14	248.94	246.79
Middle East, Total	743.37	573.98	619.32	466.92	124.05	107.07
Bahrain						
Iran	7.14	7.33		0.64	7.14	6.70
Iraq	21.80	17.87	14.00	14.65	7.80	3.22
Jordan	90.88	49.19	88.68	47.63	2.20	1.55
Lebanon	74.96	56.30	47.08	32.23	27.88	24.06
Oman						
Palestinian Admin. Areas	467.70	389.95	394.76	323.68	72.94	66.26
Saudi Arabia		0.01				0.01
Syria	34.03	34.71	29.00	31.57	5.03	3.15
Yemen	21.50	12.96	20.50	10.84	1.00	2.12
Middle East, Regional	25.36	5.67	25.30	5.67	0.07	
South & Centr. Asia, Total	739.09	603.96	630.25	518.68	108.84	85.28
Afghanistan	195.84	224.60	180.30	211.37	15.54	13.24
Armenia	31.55	14.98	31.29	14.90	0.27	0.09
Azerbaijan	20.35	6.60	19.00	5.38	1.35	1.22
Bangladesh	89.16	74.11	70.50	65.76	18.66	8.35
Bhutan	0.06	2.62		2.62	0.06	
Georgia	29.86	20.49	27.09	17.92	2.78	2.57
India	144.94	65.47	129.50	56.07	15.44	9.40
Kazakhstan	19.09	6.89	19.00	6.70	0.09	0.19
Kyrgyz Rep.	13.60	14.52	13.60	13.42		1.11
Maldives		5.36		5.30		0.06
Myanmar (Burma)	45.60	14.36	26.02	8.42	19.57	5.93
Nepal	40.69	18.05	29.00	6.92	11.69	11.13
Pakistan	33.18	49.57	25.67	38.14	7.51	11.43
Sri Lanka	18.43	39.34	4.00	24.55	14.43	14.78
Tajikistan	23.02	11.65	23.01	7.61	0.01	4.05
Turkmenistan	6.00	1.80	6.00	1.52		0.28
Uzbekistan	0.10	7.57	0.10	6.98		0.59
Central Asia, Regional	20.03	21.88	18.90	21.88	1.13	
South Asia, Regional	7.60	0.00	7.29		0.31	0.00
South & Central Asia, Regional		4.08		3.23		0.85
Far East, Total	163.65	263.14	147.59	214.88	16.06	48.26
Cambodia	23.88	32.76	23.85	31.17	0.03	1.59
China	8.33	40.91	7.50	40.50	0.83	0.40
Indonesia	13.84	40.85	12.00	34.42	1.84	6.43
Korea, Dem.	10.00	12.13	8.00	1.49	2.00	10.64
Laos	10.42	6.51	10.40	5.91	0.02	0.61
Malaysia	0.01	0.28		0.27	0.01	0.01
Mongolia	10.00	1.63	10.00	1.28		0.35
Philippines	15.21	25.12	13.00	20.61	2.21	4.51
Thailand	14.88	22.08	11.50	7.10	3.38	14.98
Timor-Leste	21.34	28.91	18.34	23.46	3.00	5.45
Viet Nam	35.09	49.46	33.00	46.18	2.09	3.28
Far East Asia, Regional	0.65	2.49		2.49	0.65	
Asia, Regional	81.45	54.86	81.45	48.67	0.00	6.19

Oceania, Total	141.49	52.24	140.78	51.42	0.71	0.82
Cook Islands	1.00	0.27	1.00	0.27		
Fiji	2.77	7.87	2.75	7.78	0.02	0.09
Kiribati	2.20	2.81	2.20	2.61		0.20
Marshall Islands	1.80	1.03	1.80	1.03		
Micronesia, Fed. Sts.	2.12	0.50	2.12	0.50		
Nauru	0.77	0.18	0.77	0.18		
Niue		0.35		0.35		
Palau	0.90	0.24	0.90	0.24		
Papua New Guinea	49.74	17.62	49.71	17.62	0.02	0.01
Samoa	2.24	1.83	2.24	1.83		
Solomon Islands	13.94	2.35	13.38	1.91	0.55	0.44
Tokelau						
Tonga	3.42	0.19	3.42	0.19		
Tuvalu	0.70	1.03	0.70	1.03		
Vanuatu	5.16	3.71	5.05	3.63	0.11	0.09
Wallis & Futuna	16.32	0.08	16.32	0.08		
Oceania, Regional	38.42	12.16	38.42	12.16	0.00	0.00
LDC's Unspecified	1 574.83	855.94	1 342.14	616.58	232.68	239.36
Part I (ODA) Bilateral, Total	9 517.01	8 020.75	7 327.01	6 131.53	2 190.00	1 889.22
Public Private Partnerships		1.54		1.54		
United Nations	174.49	229.21	150.08	200.17	24.41	29.03
UNRWA	66.00	65.92	66.00	65.92		
UNDP	37.00	25.00	35.00	25.00	2.00	
WFP		85.51		85.51		
WHO		2.78		2.78		
FAO	14.61	6.83	14.58	6.79	0.03	0.04
World Bank Group	98.00	114.72	98.00	114.72		
Regional Development Banks	10.00	18.98	10.00	18.98		
Other Multilateral Institutions	146.26	106.04	145.00	104.75	1.26	1.29
GFTAM	100.00	62.00	100.00	62.00		
Others	1.50	1.49			1.50	1.49
Part I (ODA) Multilateral Aid, Total	430.24	471.97	403.08	440.16	27.16	31.81
Part I (ODA), Total	9 947.25	8 492.72	7 730.08	6 571.69	2 217.17	1 921.04

Part II: Countries and Territories in Transition - Official Aid (OA)						
More Advanced Developing Countries	61.03	28.14	60.66	20.67	0.37	7.47
Aruba	1.43	3.94	1.43	3.94		
Bahamas	1.87	0.14	1.69		0.18	0.14
Bermuda						
Brunei						
Cayman Islands	3.30		3.30			
Chinese Taipei (Taiwan)	0.03	0.04			0.03	0.04
Cyprus		0.25				0.25
Falkland Islands	1.50	1.51	1.50	1.51		
French Polynesia		2.29		2.29		
Gibraltar						
Hong Kong, China		0.02				0.02
Israel	2.01	0.93	2.00	0.87	0.01	0.06
Korea	0.06	0.03			0.06	0.03
Kuwait						
Macao						
Malta		1.73				1.73
Netherlands Antilles	43.61	1.70	43.61	1.70		
New Caledonia		5.23		5.23		
Northern Marianas						
Qatar						
Singapore	0.09	0.09			0.09	0.09
Slovenia		5.11				5.11
United Arab Emirates						
Virgin Islands (UK)	1.00		1.00			
MADCT Unallocated	6.13	5.13	6.13	5.13		
CEEC's/NIS	82.69	1 410.20	64.27	126.47	18.42	1 283.73
Bulgaria		238.61		0.05		238.57
Czech Republic		15.08				15.08
Estonia		6.12				6.12
Hungary		53.30				53.30
Latvia		20.68				20.68
Lithuania		25.41				25.41
Poland		226.81		0.04		226.77
Romania		579.85				579.85
Russia	80.92	126.82	62.74	102.89	18.18	23.93
Slovak Republic		5.63		0.01		5.62
CEEC's Unallocated	1.77	82.92	1.53	1.51	0.24	81.41
NIS Unallocated		20.97		20.97		
CEEC's/NIS Unallocated		8.00		1.00		7.00
Part II (OA) Bilateral Aid, Total	143.72	1 438.34	124.93	147.14	18.78	1 291.20
EBRD		3.04				3.04
Part II (OA) Multilateral Aid, Total		3.04				3.04
Part II (OA), Total	143.72	1 441.38	124.93	147.14	18.78	1 294.24
Grand Total Part I & Part II (ODA+OA)	10 090.97	9 934.10	7 855.02	6 718.83	2 235.95	3 215.27

Breakdown by country/region of external aid financed on the General Commission Budget and the European Development Fund (EDF) in 2007.
Bilateral and Multilateral ODA / OA flows.

Fig.6.10. Sectoral breakdown of ODA managed by the EC in 2007.



Commitments in €Million

Fig.6.11. Detailed description of ODA by sector in 2007 - Commitments.

Commitments (€Million)

Sector of Destination	Total	Managed by EuropeAid	Managed by Other DG's
SOCIAL INFRASTRUCTURE AND SERVICES	4 262.58	3 561.95	700.64
Education	595.63	496.62	99.01
Education, level unspecified	250.61	209.21	41.40
Basic education	102.03	97.27	4.76
Secondary education	66.42	52.42	14.00
Post-secondary education	176.57	137.72	38.85
Health	430.42	422.62	7.80
Health, general	73.17	65.37	7.80
Basic health	357.25	357.25	
Population polices/programs and reproductive health	65.42	63.04	2.38
Water supply and sanitation	337.65	308.15	29.50
Government and civil society	1 952.71	1 497.01	455.70
Other Social Infrastructure	880.76	774.50	106.26
ECONOMIC INFRASTRUCTURE AND SERVICES	1 410.96	1 124.92	286.04
Transport and storage	706.95	575.35	131.60
Communications	55.83	50.50	5.33
Energy generation and supply	393.75	334.46	59.29
Banking and financial services	35.05	28.00	7.05
Business and other services	219.39	136.62	82.77
PRODUCTION SECTORS	717.86	661.18	56.68
Agriculture, Forestry and Fishing	340.87	309.31	31.56
Agriculture	279.81	256.70	23.11
Forestry	16.00	16.00	
Fishing	45.07	36.61	8.46
Industry, Mining and Construction	167.01	150.53	16.49
Industry	167.01	150.53	16.49
Mineral resources and mining			
Construction			
Trade and Tourism	209.97	201.34	8.63
Trade policy and regulation	194.67	187.04	7.63
Tourism	15.30	14.30	1.00
MULTISECTOR/CROSSCUTTING	873.36	674.05	199.31
General environmental protection	263.26	149.01	114.25
Other multisector	610.11	525.04	85.07
COMMODITY AID AND GENERAL PROGRAMME ASSISTANCE	987.52	906.02	81.50
General budget support	715.97	658.47	57.50
Development food aid/food security assistance	271.56	247.56	24.00
Other commodity assistance			
ACTION RELATING TO DEBT	22.82	22.82	
Action relating to debt	22.82	22.82	
HUMANITARIAN AID	1 064.22	356.58	707.64
Emergency Response	832.59	144.77	687.82
Reconstruction relief and rehabilitation	160.35	159.85	0.50
Disaster prevention and preparedness	71.28	51.96	19.32
OTHER/UNALLOCATED/UNSPECIFIED	607.92	422.56	185.35
Administrative costs of donors	501.54	365.73	135.81
Support to non-governmental organisations	0.75	0.75	
Unallocated/unspecified	105.63	56.09	49.54
GRAND TOTAL	9 947.25	7 730.08	2 217.17

Breakdown by sector of Official Development Assistance (ODA) financed on the General Commission Budget and the European Development Fund (EDF) in 2007.
Bilateral and Multilateral ODA flows.

Fig.6.12. Detailed description of ODA by sector in 2007. - Payments.

Payments (€ Million)

Sector of Destination	Total	Managed by EuropeAid	Managed by Other DG's
SOCIAL INFRASTRUCTURE AND SERVICES	3 439.82	2 712.83	726.99
Education	546.31	440.53	105.78
Education, level unspecified	116.12	95.74	20.37
Basic education	157.17	112.19	44.98
Secondary education	100.61	77.94	22.66
Post-secondary education	172.41	154.65	17.76
Health	446.83	377.28	69.55
Health, general	49.90	48.44	1.46
Basic health	396.93	328.84	68.09
Population polices/programs and reproductive health	101.60	87.36	14.24
Water supply and sanitation	266.62	256.77	9.85
Government and civil society	1 321.59	831.38	490.21
Other Social Infrastructure	756.88	719.51	37.37
ECONOMIC INFRASTRUCTURE AND SERVICES	1 209.49	1 092.96	116.53
Transport and storage	805.65	788.85	16.80
Communications	32.76	28.15	4.61
Energy generation and supply	202.98	142.81	60.17
Banking and financial services	54.52	54.02	0.50
Business and other services	113.58	79.13	34.45
PRODUCTION SECTORS	635.35	597.89	37.47
Agriculture, Forestry and Fishing	289.08	273.04	16.04
Agriculture	230.51	219.70	10.81
Forestry	40.21	40.21	
Fishing	18.36	13.13	5.24
Industry, Mining and Construction	177.08	171.59	5.49
Industry	134.82	129.40	5.42
Mineral resources and mining	42.17	42.17	
Construction	0.09	0.02	0.07
Trade and Tourism	169.20	153.26	15.94
Trade policy and regulation	158.39	143.27	15.12
Tourism	10.80	9.99	0.82
MULTISECTOR/CROSSCUTTING	620.42	457.54	162.88
General environmental protection	165.57	142.57	23.00
Other multisector	454.85	314.97	139.89
COMMODITY AID AND GENERAL PROGRAMME ASSISTANCE	962.39	929.24	33.15
General budget support	689.66	669.53	20.13
Development food aid/food security assistance	272.73	259.71	13.02
Other commodity assistance			
ACTION RELATING TO DEBT			
Action relating to debt			
HUMANITARIAN AID	1 080.48	379.70	700.78
Emergency Response	848.25	166.23	682.02
Reconstruction relief and rehabilitation	214.79	213.34	1.46
Disaster prevention and preparedness	17.44	0.13	17.30
OTHER/UNALLOCATED/UNSPECIFIED	544.76	401.53	143.24
Administrative costs of donors	481.56	359.96	121.60
Support to non-governmental organisations	0.37	0.33	0.04
Unallocated/unspecified	62.84	41.24	21.60
GRAND TOTAL	8 492.72	6 571.69	1 921.04

Breakdown by sector of Official Development Assistance (ODA) financed on the General Commission Budget and the European Development Fund (EDF) in 2007.
Bilateral and Multilateral ODA flows.

Fig.6.13. EuropeAid in 2007: A closer look. Sectoral breakdown per region.

Commitments (€Million)							
Sector of Destination	ENPI East	ENPI South	Asia	Latin America	ACP	Multi Region	Total
SOCIAL INFRASTRUCTURE AND SERVICES	187	978	489	181	1 427	340	3 603
Education	55	169	105	70	88	22	508
Education, level unspecified		120	48	11	30		209
Basic education		17	35	16	7	22	97
Secondary education	16		5	12	19		52
Post-secondary education	39	32	16	31	31		149
Health		40	167	0	154	62	423
Health, general		40	5		21		65
Basic health			162	0	133	62	357
Population polices/programs and reproductive health		2		7	54		63
Water supply and sanitation				7	319	2	328
Government and civil society	111	252	193	96	600	255	1 507
Other Social Infrastructure	21	515	25	1	212		775
ECONOMIC INFRASTRUCTURE AND SERVICES	208	76	39	57	751	32	1 162
Transport and storage	16		24		545		584
Communications			12	7	32		51
Energy generation and supply	192				138	32	363
Banking and financial services		15			13		28
Business and other services		61	3	50	23		137
PRODUCTION SECTORS	6	55	67	22	513		664
Agriculture, Forestry and Fishing	6		12	10	282		309
Agriculture			12	10	235		257
Forestry	6				10		16
Fishing					37		37
Industry, Mining and Construction		40	25	6	80		151
Industry		40	25	6	80		151
Mineral resources and mining							
Construction							
Trade and Tourism		15	30	6	152		204
Trade policy and regulation		15	30	6	137		189
Tourism					15		15
MULTISECTOR/CROSSCUTTING	82	81	33	110	333	73	713
General environmental protection	1	43	5	1	55	46	150
Other multisector	82	38	28	109	279	27	562
COMMODITY AID AND GENERAL PROGRAMME ASSISTANCE	6	10	248	0	532	110	906
General budget support			173		486		658
Development food aid/food security assistance	6	10	76	0	46	110	248
Other commodity assistance							
ACTION RELATING TO DEBT					23		23
Action relating to debt					23		23
HUMANITARIAN AID	4	26	68		261		360
Emergency Response		4	37		104		145
Reconstruction relief and rehabilitation	4	18	31		110		163
Disaster prevention and preparedness		4			48		52
OTHER/UNALLOCATED/UNSPECIFIED	38	12	6	2	51	315	424
Administrative costs of donors	2	0	0	0	51	315	367
Support to non-governmental organisations			1				1
Unallocated/unspecified	37	12	5	2	0	1	56
GRAND TOTAL	532	1 239	950	373	3 891	871	7 855

Breakdown by sector and Region of external aid financed on the General Commission Budget managed by EuropeAid and the European Development Fund (EDF).

Bilateral and Multilateral ODA / OA flows.

On budget side, region is identified following geographical budget lines and recipient countries for thematic budget lines.

ENPI East : Europe + Armenia, Azerbaijan, Georgia, Russia.

ENPI South : North Of Sahara + Jordan, Lebanon, Libya, Palestinian Admin. Areas, Syria, Israel.

Asia : Iran, Iraq, Oman, Saudi Arabia, Yemen, Afghanistan, Bangladesh, Bhutan, India, Kazakhstan, Kyrgyz Rep., Maldives, Myanmar (Burma), Nepal, Pakistan, Sri Lanka, Tajikistan, Turkmenistan, Uzbekistan, Cambodia, China, Indonesia, Korea, Dem., Laos, Malaysia, Mongolia, Philippines, Thailand, Timor-Leste, Viet Nam.

Latin America : Costa Rica, Cuba, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru, Uruguay, Venezuela

ACP : South Of Sahara + Oceania + Anguilla, Antigua & Barbuda, Barbados, Belize, Dominica, Dominican Republic, Grenada, Haiti, Jamaica, Montserrat, St.Kitts-Nevis, St.Lucia, St.Vincent & Grenadines, Trinidad & Tobago, Turks & Caicos Islands, West Indies, Regional, Guyana, Suriname

Multi region : covering several regions or unspecified location.

Fig.6.14. EuropeAid in 2007: A closer look. Sectoral breakdown per instrument.

Commitments (€ Million)

Sector of Destination	ENPI	EDF	DCI - Geo (1)	DCI - Thema (2)	EIDHR	IFS	NSI	Other	Total
SOCIAL INFRASTRUCTURE AND SERVICES	1 161	1 247	720	322	133	9		10	3 603
Education	224	88	171	22				4	508
Education, level unspecified	120	30	59						209
Basic education	17	7	51	22					97
Secondary education	16	19	17						52
Post-secondary education	71	31	44					4	149
Health	40	154	167	62					423
Health, general	40	21	5	0					65
Basic health		133	162	62					357
Population policies/programs and reproductive health	2	54	7						63
Water supply and sanitation		209	112	0				6	328
Government and civil society	359	546	226	238	133	4		0	1 507
Other Social Infrastructure	536	196	37			5			775
ECONOMIC INFRASTRUCTURE AND SERVICES	207	751	93	32			77	3	1 162
Transport and storage	16	545	24						584
Communications		32	19						51
Energy generation and supply	115	138		32			77		363
Banking and financial services	15	13							28
Business and other services	61	23	50					3	137
PRODUCTION SECTORS	61	372	112	90				29	664
Agriculture, Forestry and Fishing	6	181	22	83				17	309
Agriculture		135	22	83				17	257
Forestry	6	10							16
Fishing		37							37
Industry, Mining and Construction	40	43	61	7					151
Industry	40	43	61	7					151
Mineral resources and mining									
Construction									
Trade and Tourism	15	148	30					12	204
Trade policy and regulation	15	137	30					7	189
Tourism		11						5	15
MULTISECTOR/CROSSCUTTING	150	323	143	53		15		28	713
General environmental protection	43	55	6	47					150
Other multisector	107	269	137	6		15		28	562
COMMODITY AID AND GENERAL PROGRAMME ASSISTANCE		462	173	271				0	906
General budget support		416	173	70					658
Development food aid/food security assistance		46		201				0	248
Other commodity assistance									
ACTION RELATING TO DEBT		23							23
Action relating to debt		23							23
HUMANITARIAN AID	30	261	68						360
Emergency Response	4	104	37						145
Reconstruction relief and rehabilitation	22	110	31						163
Disaster prevention and preparedness	4	48							52
OTHER/UNALLOCATED/UNSPECIFIED	57	50	53	64	9	3	1	186	424
Administrative costs of donors	38	50	47	33	9	3	1	186	367
Support to non-governmental organisations				1					1
Unallocated/unspecified	19		7	30					56
GRAND TOTAL	1 666	3 489	1 362	833	142	27	78	257	7 855

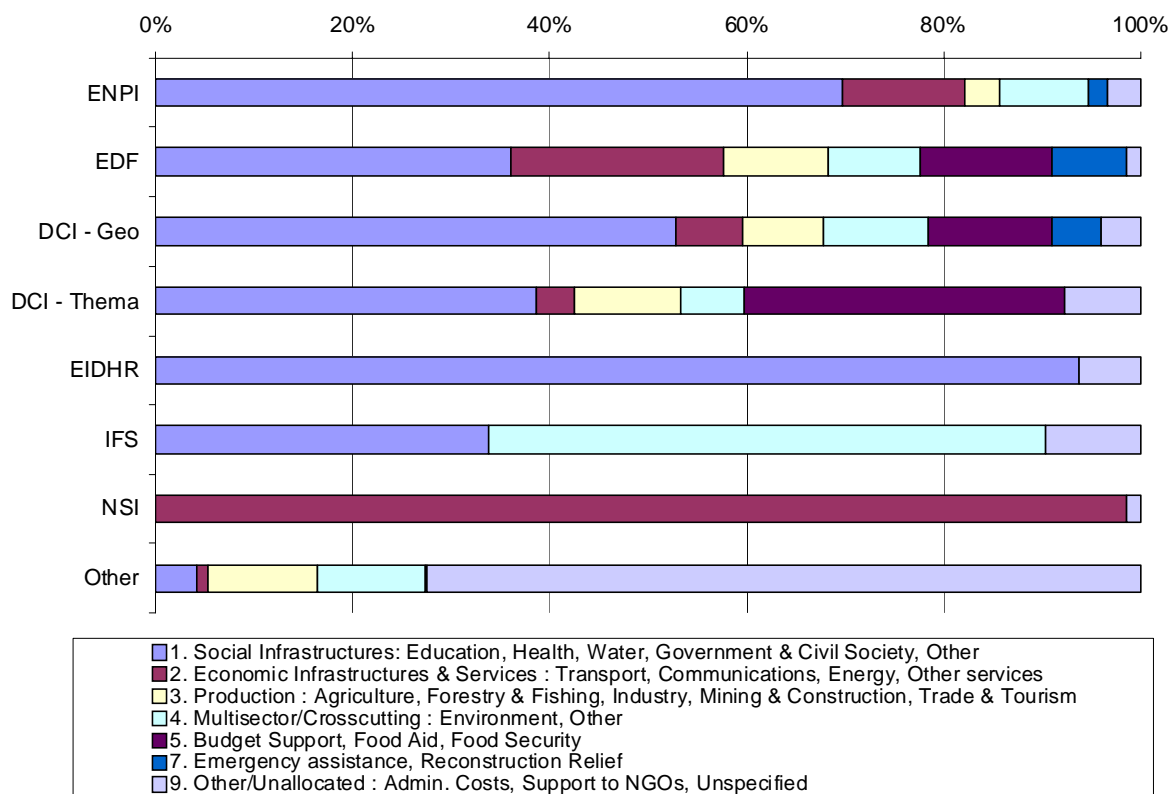
Breakdown by sector and Region of external aid financed on the General Commission Budget managed by EuropeAid and the European Development Fund (EDF).

Bilateral and Multilateral ODA / OA flows.

(1) DCI - Geo : Asia, Latin America, South Africa

(2) DCI - Thema : Migration, Food security, Non-state actors, Environment, Human & social development, ACP sugar programmes

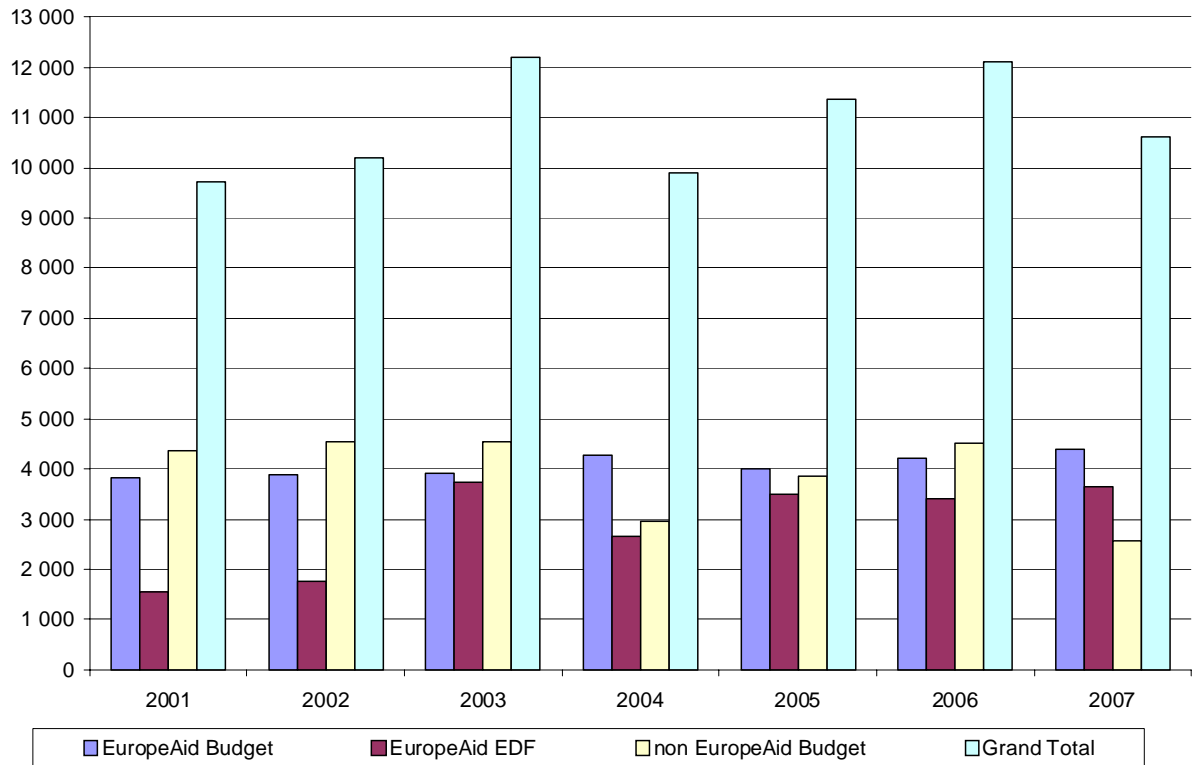
Fig.6.15. EuropeAid in 2007: A closer look. Sectoral breakdown per instrument.



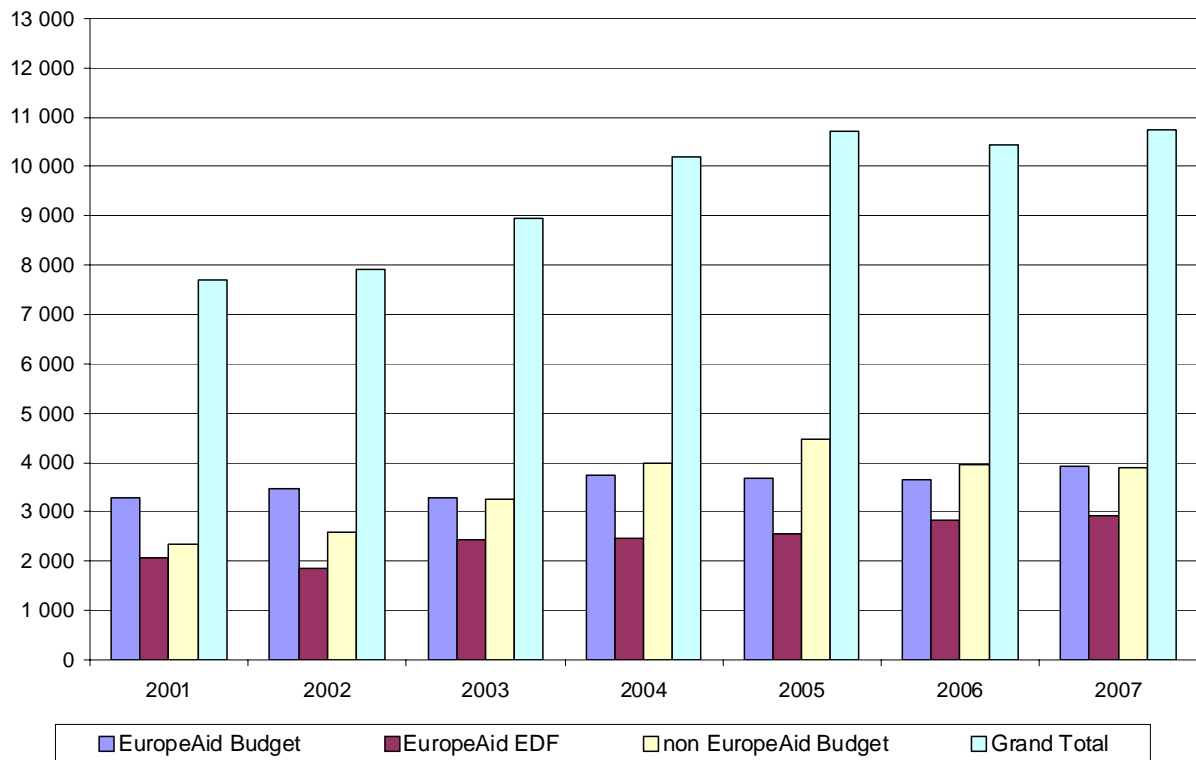
Commitments %

Fig.6.16. 2001-2007 External Assistance.

Commitments (€million)



Payments (€million)



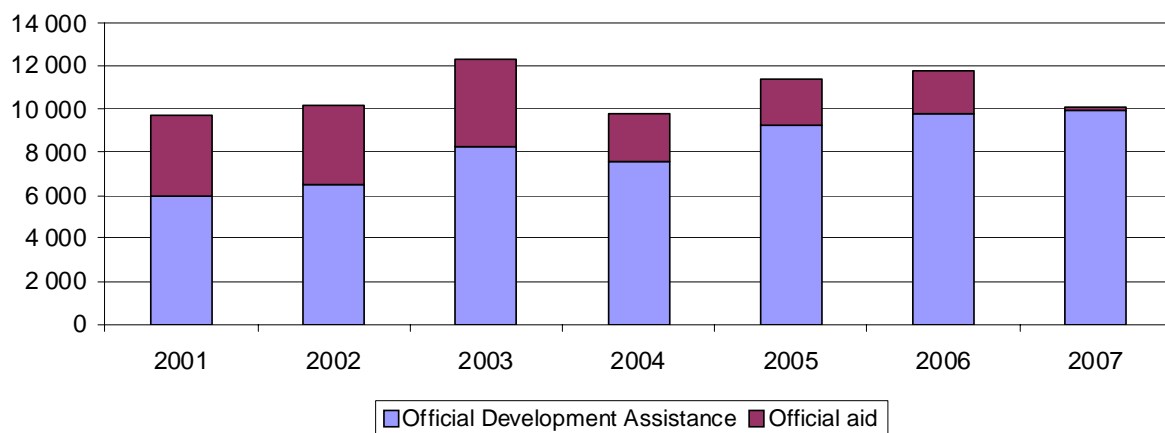
External aid financed on the General Commission Budget and the European Development Fund (EDF) managed by EuropeAid.

Source : Annual Report 2001, 2002, 2003, 2004, 2005 and 2006

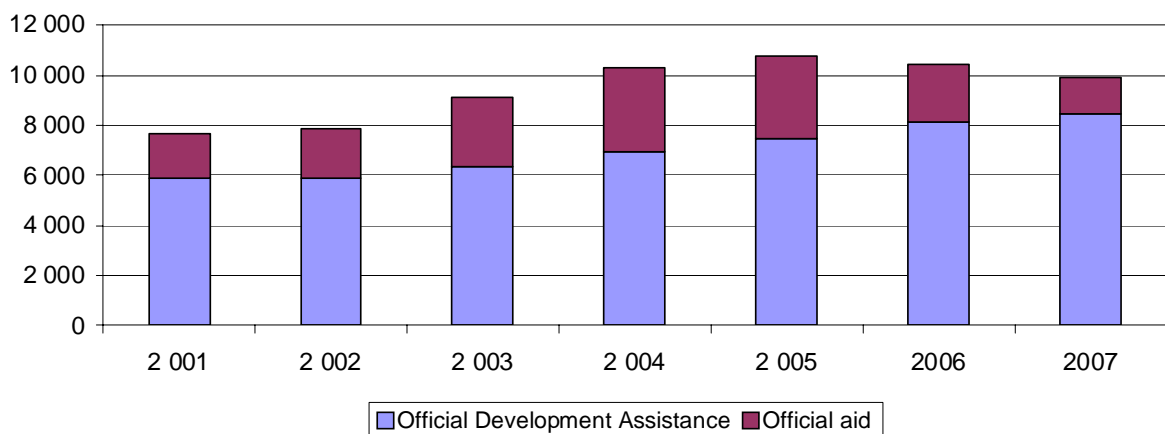
Bilateral and Multilateral ODA / OA / Other flows.

Fig.6.17. 2001-2007 Official Development Assistance (ODA) and Official Aid (OA) by the EC.

Commitments (€million)



Payments (€million)



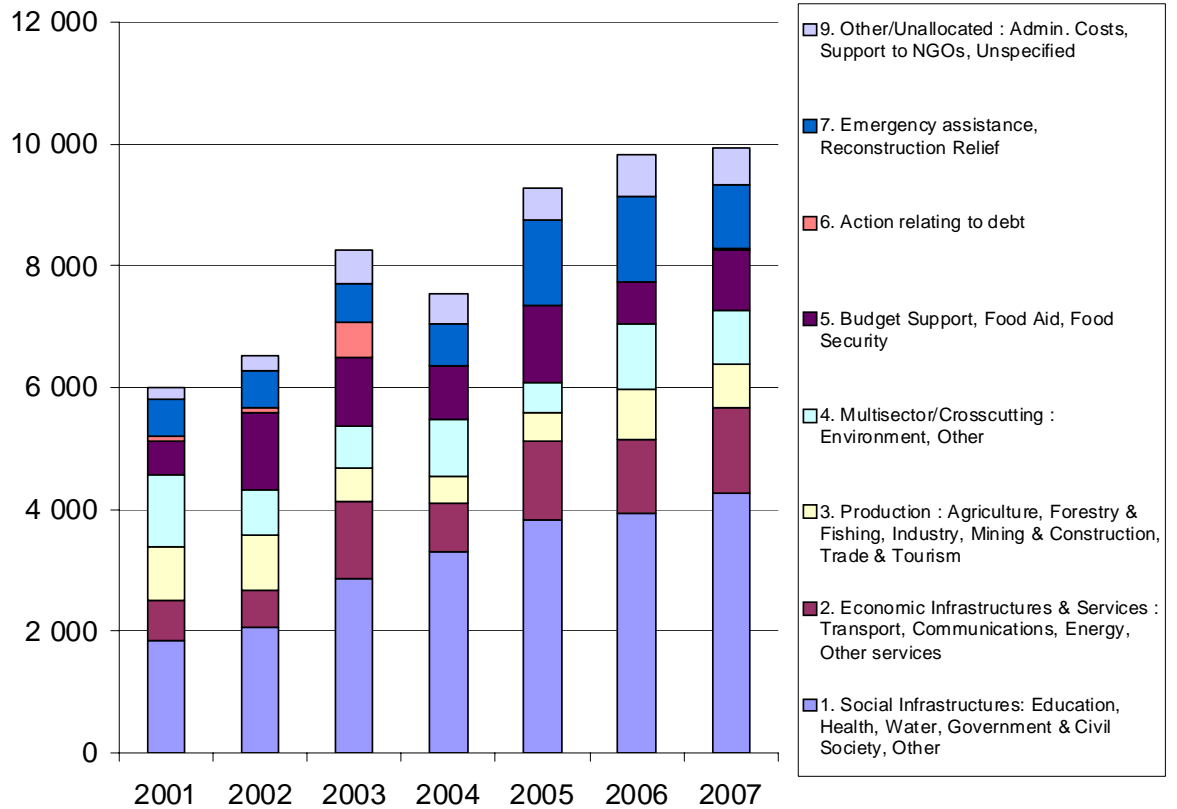
External aid financed on the General Commission Budget and the European Development Fund (EDF).

Source : Annual Report 2001, 2002, 2003, 2004, 2005, 2006

Bilateral and Multilateral ODA / OA flows.

Fig.6.18. 2001-2007 Sectoral breakdown of Official Development Assistance (ODA).

Commitments (€million)



Bilateral and Multilateral ODA flows.