



EUROPEAN UNION

**REPORT ON THE FOLLOW-UP OF THE
WORLD FOOD SUMMIT PLAN OF ACTION**

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WORLD FOOD SUMMIT
PLAN OF ACTION

SECTION I: BACKGROUND INFORMATION

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FOREWORD

This report provides an overview of the policies and programmes implemented by the European Union as a whole. The report shows the EU Member States commitment to meeting the global

challenges of the 21st century and promoting the fundamental common values of the EU: poverty reduction, human rights, democracy, stability, the rule of law and international cooperation.

The policies and programmes individually undertaken by the 25 EU Member States complement and add to these efforts making the European Union one of the major actors in international co-operation and development assistance. These individual efforts of the Member States are, however, not included in the report. In total, the EU and its Member States provide some 55% of total International development assistance (ODA). The EU directly managed assistance represents one fifth of the total EU 's overall external aid and some 10% of the entire world ODA.

Like other international donors, the EU is faced with the challenge of increasing the impact and effectiveness of its external assistance. The report particularly mentions the policy changes that have been introduced over the period to meet this challenge.

COMMITMENT 1

Policies pursued to create an enabling political, social and economic environment. Please give details of strategies undertaken by your country with respect to:

- a) Strengthening democratic political systems and broad-based participation**
- b) Improving human rights**
- c) Preventing conflict and creating a peaceful environment**
- d) Enhancing gender quality and women's empowerment**

Founded on the principles of freedom, democracy and the respect of Human Rights, the European Union is defending these principles – protecting Human Rights, consolidating democracy and the rule of law, as well as fighting poverty – the promotion and protection of which are among its fundamental objectives.

The European Initiative for Democracy and Human Rights (EIDHR) offers the Union a legal framework and significant resources to provide targeted aid and to act *in situ*, on its own initiative and without prior agreement. The EIDHR is complementary to Community's foreign aid programmes and the resources of the European Development Fund.

Consolidating democratisation and the rule of law, strengthening the organisations of a pluralistic civil society, creating confidence and restoring peace, as well as initiatives directed at targeted groups are the main areas supported by the EIDHR. More specific priorities have included election monitoring, Human rights education, strengthening NGOs, supporting international justice and protecting human rights, women and torture victims.

Furthermore, since 1992, the EC has included in all its agreements with third countries a clause defining respect for human rights and democracy as 'essential elements' in the EU's relationship. This clause is unique in bilateral agreements. This approach has been further developed in the Cotonou agreement signed with African, Caribbean and Pacific (ACP) countries in June 2000 which is based on respect for human rights, democratic principles and the rule of law, and on good governance. It constitutes a major step in the development of the European Union's human rights policies.

a) Strengthening democratic political systems and broad-based participation

Governance -Institutional capacity building, good governance and the rule of law

The EC policy on institutional capacity building, good governance and the rule of law has been addressed in a recent Communication on Governance and Development¹. The approach is a practical one and focuses on institutional capacity building and dialogue on governance in different types of country situations, i.e. difficult partnerships, post-conflict situations and effective partnerships. It provides policy guidance for supporting governance not only in countries fully respecting Human Rights, the rule of law and democratic institutions, but also in countries where this is not the case, but where support for the basic elements of governance is crucial for long-term stability, sustained governance reforms and development into a more sophisticated political and institutional system.

Indeed, while continuing in 2003 to target its support to ‘good performers’ as a means of increasing aid effectiveness, the EC also takes the policy line that the populations in these vulnerable countries should not pay the price for bad leaders. Isolating the ‘bad performers’ risks leaving them as magnets for extremism and terrorism, with regional spill-over effects as a possible consequence. For reasons of solidarity, security, and long-term aid effectiveness, and instead of totally withdrawing from these countries, the EC continued its efforts in 2003 to find alternative entry points and approaches to co-operation. The root causes of the problems, which are very often linked to governance, need to be addressed and these countries’ gradual evolution into more effective partnerships needs to be supported.

In October 2002 the EC co-sponsored with the OECD’s DAC, the World Bank, and the UNDP a Joint Workshop on difficult partnerships. Suggestions for collaboration were drawn up and, in June 2003, a Learning and Advisory Process on Difficult Partnerships (LAP) was established within the OECD/DAC framework as an interface between the DAC Network on Governance (GOVNET) and the DAC Network on Conflict, Peace and Development Co-operation (CPDC). The EC is an active participant in this work as well as in the two virtual sub-groups established by the LAP in 2003, one on donor co-ordination in difficult partnerships and the other on aid allocation in these country situations.

The Commission initiated in 2003 a process aiming at the establishment of a strategic partnership with the UNDP to foster a policy dialogue in the area of governance, conflict prevention and post-conflict reconstruction. In particular the following areas were singled out: linking governance, peace and development; methodologies for assessing institutional effectiveness, and country performance in the area of governance.

Electoral Assistance and Observation:

Elections represent a crucial moment in the democratic life of a nation. Consequently the EU has placed great value on support to elections through electoral assistance or observation. A specific Communication on Election Assistance and Observation was adopted by the Commission in 2000 and endorsed by the European Parliament and the Council in 2001. The Communication introduced a series of new policy prescriptions and detailed recommendations for a more coherent and effective policy for election support. A Working Document was prepared by the Commission Services on the

¹ COM(2003)615 of 20/10/2003

implementation of the Communication on Election Assistance and Observation; this report was transmitted to the Council on 19 December 2003 and to the European Parliament.

Election observation constitutes an important priority under the European Initiative for Democracy and Human Rights (EIDHR). In addition to election assistance and funding provided by other EC instruments, approximately 14 Mio Euros per year are allocated from the EIDHR for election observation activities. These funds cover mainly the deployment of EU Election Observation Missions. Between May 2000 and May 2004, the EU deployed election observation missions for 31 elections in 23 countries. In 2003 alone, the EU observed a series of elections in Rwanda, Nigeria, Cambodia, Guatemala and Mozambique. Currently election observation missions are deployed in Malawi for Presidential and Parliamentary elections on May 18 and in Indonesia for Presidential Elections on July 5. Of these missions, two Cambodia 2002 and Mozambique 2003, covered local elections and one a referendum (Rwanda 2003). All other missions were deployed for Presidential or Parliamentary elections. Election observation missions have had various achievements: they have provided the national electoral authorities and governments, as well as the EU with an informed assessment of the electoral process, they have contributed to stability, transparency and confidence in the countries observed and, more widely, have served to strengthen the profile, credibility and visibility of the EU in the field of election observation.

The EIDHR also finances through the Network of Europeans for Electoral Support (NEEDS) training seminars for EU election experts and observers, as well as capacity-building programmes for domestic NGOs. Finally, the EIDHR provides support to regional organisations involved in election observation so that local capacities are strengthened in support of democratic processes.

b) Droits de l'homme

L'Union promeut le respect des droits de l'homme et des libertés fondamentales sans lesquelles une paix et un développement durables ne sauraient s'imposer.

Le Traité sur l'Union Européenne de 1993 place pour la première fois l'action communautaire en matière des droits de l'homme, non plus dans le préambule mais dans le dispositif du Traité. En effet, l'article 6 précise que «l'Union est fondée sur les principes de la liberté, de la démocratie, du respect des droits de l'homme et des libertés fondamentales ainsi que de l'État de droit, principes qui sont communs aux États membres», «en tant que principes généraux du droit», est ajoutée au traité sur l'Union européenne. Le respect des droits de l'homme constitue donc un des éléments essentiels de l'appartenance à l'UE et un principe de base de son action.

Du point de vue de l'action externe, le Traité sur l'Union européenne précise que «le développement et le renforcement de la démocratie et de l'État de droit ainsi que le respect des droits de l'homme et des libertés fondamentales» constituent l'un des objectifs généraux de la politique étrangère et de sécurité commune. Parallèlement, la politique de la Communauté européenne dans le domaine de la coopération au développement «contribue à l'objectif général de développement et de consolidation de la démocratie et de l'État de droit ainsi qu'à l'objectif du respect des droits de l'homme et des libertés fondamentales».

Le Traité d'Amsterdam a aussi renforcé les principes et a clarifié l'action communautaire. Sur cette base, L'Union a pris des mesures législatives (deux directives) pour combattre plusieurs aspects de discrimination fondée sur le sexe, la race, l'origine ethnique, la religion et les croyances, un handicap, l'âge ou l'orientation sexuelle Ces mesures ont été renforcées par les programmes communautaires qui appuient les initiatives contre ces discriminations.

En mai 2001 la Commission a établi une nouvelle stratégie dans ce domaine dans la Communication: «le rôle de l'Union Européenne dans la promotion des droits de l'homme et de la démocratisation dans les pays tiers» (COM (2001) 252 final). La Communication vise une

politique plus cohérente en prévoyant la prise en compte des droits de l'homme dans toutes les politiques et initiatives de l'UE (« mainstreaming ») et l'application plus efficace des outils de l'UE, y compris le dialogue avec les pays tiers et les organisations régionales. La Communication a aussi établi une approche plus stratégique pour l'Initiative Européenne pour la démocratie et les droits de l'homme (l'IEDDH), en identifiant quatre grandes priorités : (1) soutien au renforcement de la démocratisation, de la bonne gestion publique et de l'État de droit ; (2) l'abolition de la peine de mort ; (3) soutien en faveur de la lutte contre la torture et l'impunité et de l'établissement de tribunaux internationaux et pénaux et (4) la lutte contre le racisme, la xénophobie et la discrimination à l'égard des minorités et des populations autochtones. En outre, la Communication souligne que les aspects droits de l'homme doivent être pris en compte dans les « Country Strategy Papers » qui établissent les priorités pour la co-opération avec les pays tiers. Le Conseil a accueilli les principes de cette Communication en juin 2001 et a approuvé les mesures pour intensifier leur suivi en décembre 2002.

Le Conseil a aussi adopté les lignes directrices pour les thèmes prioritaires droits de l'homme : la peine de mort (1998); la torture (2001); les dialogues droits de l'homme (2001) et les enfants et le conflit armé (2003). Ces initiatives identifient une stratégie cohérente pour l'action que l'UE poursuivra, y compris dans les enceintes internationales et dans les contacts avec les pays tiers (démarches et dialogues).

L'Union a continué à faire du respect des principes démocratiques et des droits de l'homme un élément essentiel de ses accords avec les pays tiers. La version la plus récente de cet élément a été insérée dans l'accord de Cotonou avec 79 pays africains, caraïbes et pacifiques, qui est entré en vigueur en avril 2003

La clause “essential elements” procure la base pour l'ouverture d'un dialogue positif mais également la base pour la prise des mesures négatives – y compris la possibilité de suspension de l'accord- lors du non respect des principes démocratiques et de droits de l'homme. Un exemple récent est l'imposition de sanctions à Zimbabwe. Le 18 Février 2002², après les consultations sur base de l'Accord de Partenariat ACP-UE, le Conseil adopta une Position Commune, la quelle -en conjonction avec un Règlement du Conseil³ - prohibe la vente des armes et d'autres matériaux, la formation, l'apport d'équipement qui pourrait être utilisé pour la répression et l'entrée/transit des membres du régime. Elle gèle également les fonds et actifs financiers de ce dernier. Les sanctions ont été renouvelées le 19 février 2004.⁴

L'UE, non seulement soulève des questions des droits de l'homme dans ses contacts avec les pays tiers, mais poursuit aussi des dialogues spécifiques sur les droits de l'homme avec la Chine et l'Iran. Ceux-ci tiennent lieu 2 fois par an et sont accompagnés de tables rondes ou en examine en détail des questions particulières avec la contribution de la société civile et d'autres acteurs.

D'autres instruments servent également à promouvoir les droits de l'homme. Le système de préférences généralisées (SPG), en application par le règlement du Conseil (EC) No 2501/2001, inclut une approche incitative en faveur du droit du travail. Dans des cas exceptionnels il permet des sanctions en forme de retrait temporaire des préférences commerciales. L'approche requiert l'application de tous les standards repris dans la Déclaration Fondamentale des Principes et Droits du Travail de l'OIT. L'schéma est accessible aux pays sur demande. Actuellement, il a été accordé à Moldova et Sri Lanka. Le schéma du SPG inclut une liste de circonstances dans lesquelles les préférences peuvent être temporairement suspendues en totalité ou en partie (y compris la pratique de esclavage et de violation des droits syndicaux). En 2003, La Commission a considéré que les rapports sur les violations systématiques à la liberté d'association et le droit à la négociation

² 2002/145/CFSP

³ Council Regulation (EC) No. 310/2002

⁴ 2004/161/CFSP

collective en Belarus étaient bien fondées et a commencé une enquête qui espère avoir complété pour la fin de 2004. En 1997 les préférences SPG ont été retirées au Burma/Myanmar pour la pratique d'esclavage.

L'importance que l'Union européenne attache au respect des principes démocratiques et des droits de l'homme s'est également reflétée dans sa contribution aux travaux des organisations et enceintes internationales, notamment l'Assemblée générale et la Commission des Droits de l'Homme des Nations unies, la conférence sur la dimension humaine de l'Organisation pour la sécurité et la coopération en Europe et le Conseil de l'Europe.

c) Preventing conflict and creating a peaceful environment

The EU has concluded structured, legally binding partnership and cooperation agreements across the world. These range from the agreements concluded with Russia and the former Soviet Union, the association agreements with Eastern Europe and the Western Balkans, to the accords underlying the Barcelona Process with Mediterranean countries and the Cotonou Agreement. Partnership and Co-operation Agreements provide most valuable, effective and integrated frameworks for the long-term development of political relations with partner countries as well as for comprehensive strategies through which the EU and partner countries can address not only poverty reduction, institution building, corruption, international justice and human rights but also peace-building, root causes of conflict and security.

The EU also contributes to address the root causes of insecurity through a wide range of instruments, particularly by supporting interventions that, especially in countries on the brink of conflict, focus on hard and/or soft security matters, on development as well as on institution-building. The following are examples that can illustrate this:

Support to sectoral programmes such as water sector programmes in a conflict prone area. Whilst such projects have as primary objectives the reduction of poverty through the provision of a reliable water supply examples can be included which integrate conflict related objectives (eg the equal access to water services by different/antagonistic identity groups, the inclusion of a wide range of stakeholders in project planning or the avoidance of disputes over land.). The €8 million EC funded Irrigation Development Project - Midwestern Region (IDP-MWR) in **Nepal** is a 'traditional' development project which has been implemented in a rapidly deteriorating security situation; the 'People's War' launched by the Communist Party of Nepal against the security forces of the state having claimed more than 8,000 lives.

Rehabilitation programmes in the immediate post-conflict phase which aim to address the rehabilitation of socio-economic and physical infrastructure as well as education and training to provide employment skills and equally job creation. Such programmes have an impact on reconciliation between conflict-affected groups and rebuilding of the community's social fabric. Using the Rapid Reaction Mechanism, the EU was able to deliver a **substantial programme of assistance to Afghanistan** to support the political settlement achieved at the Bonn Conference of December 2001. The assistance was focussed on the re-establishment of a civilian administration in Afghanistan, confidence-building measures aimed at delivering tangible benefits in the short term to the population and strategic advice to decision-makers in the medium-term planning of rehabilitation, reconstruction and nation-building in the country

Addressing issues related to natural resources management considering the extent to which profits from natural resources are often root causes of conflict. (e.g.: the EIB contribution to funding the Chad – Cameroon oil pipeline, EU involvement in regional Forest Law Enforcement and Governance (FLRG) processes etc. ;)

Targeted initiatives addressing security related issues in cases of stand alone governance, peace-building and security initiatives.(eg : EC assistance focus on good governance to Indonesia, EC assistance to support the Peace Agreements in Guatemala⁵ , EC support to the Royal Solomon island Police etc)

Anti-terrorism capacity Building The EC funds a wide range of projects in the justice and home affairs fields, such as border management, judicial capacity building and the fight against money-laundering which are directly relevant to the fight against terrorism and the implementation of UNSCR 1373. The EC is also making an important contribution to tackling terrorism at its roots. Development assistance has an impact on the environment within which terrorist groups flourish. It can erode the support base for terrorist networks and movements through its focus on poverty reduction, land reform, governance, the fight against corruption and the promotion of participatory development process.

Linking Disarmament, Demobilisation and Reinsertion (DDR) to long term development (e.g. EC contributions to the Multi-Donor Trust Fund (MDTF) for the Re-insertion package in the **Sierra Leone** DDR program for the period from 2001 – 2003 amounted €12.2 million⁶).

Interventions at country and regional level and in particular the Peace Initiative for Africa.

The link between governance, peace, security and development, as well as the importance of ownership are particularly relevant in Africa. An EC-financed programme in support of the AU peace building and transition activities was signed on 2 April 2003. This programme's prime objective is to fund the operational activities of the Peace and Security Council, and secondly to work on AU capacity building in the transition period. This support programme is based on the AU indicative work programme on peace and security issues and it will foremost finance AU mediation and peace monitoring activities.

- Currently, the EC is trying to build a new partnership between the two continents and indeed the two continental organisations. This strategic partnership is based on shared political concerns in a wide range of areas, such as security, stability, democracy and governance. Supporting Africa in restoring peace is a top-priority in this partnership. The AU Assembly adopted in Maputo (July 2003) a decision requesting “the EU to examine the possibility of setting up a **Peace Support Operation Facility (PSOF)**, to fund peace support and peace keeping operations conducted under the authority of the AU”. Following this request, the EU agreed to allow for € 250 million from the European Development Fund to be used as a transitional mechanism to finance a “Peace Facility”,

d) Enhancing gender quality and women's empowerment

The European Union has a long-standing engagement to promoting gender equality and has played an active role in international conferences advocating women's' rights, notably at the Fourth World Conference on Women in Beijing, 1995. Every year the EU actively participates in the follow up of this Conference ensured by the UN Commission on the status of women

The 2001 Communication concerning the *EU's role in promoting human rights and democratisation in third countries* contain clear commitments and references to the rights of women. They uphold the principle that the human rights of women and the girl child are an inalienable part of universal human rights, and include specific objectives concerning the participation of women in the Electoral process and the equal participation of women and men in civil society, economic life and politics. The promotion of gender is to be mainstreamed in all

⁵ in areas such as demobilisation and rehabilitation of the former guerrilla and armed forces, strengthening the judicial system, giving legal protection to property by introducing a national land register, support to the National Ombudsman for Human Rights

⁶ When the multi-donor DDR programme formally ended in December 2003, whereas EDF-financed support to resettlement and rehabilitation continued: € 25 million from the EDF were allocated to a specific programme linking relief, rehabilitation and development activities that will start-up in 2004; the European Initiative for Democracy and Human Rights continued funding in 2003 human rights and national reconciliation programmes, including support to the Truth and Reconciliation Commission and to the Special Court for Sierra Leone.

thematic priorities pursued under the EIDHR. Indeed, gender is a crucial factor to ensure that EIDHR funded projects complies with the wider policy of the Commission.

The strategy for ensuring that gender is addressed in human rights and democracy initiatives focuses principally on the inclusion of the rights of women in dialogue with third countries, the targeting of some operations on women and the adaptation of certain procedures. There are commitments concerning the integration of gender in the methodology used for evaluating the impact of policies and interventions on human rights and democracy, and a gender perspective is among the criteria for assessing proposals.

Under the EIDHR many gender related projects have been supported. For example, following the regional conferences held in Amman and Casablanca in 2002, strengthening the capacity of civil society through the creation or consolidation of networks advocating for the protection of women's rights was identified as a priority for regional projects in the South Mediterranean /Middle East. The EIDHR thus is currently funding a project in Egypt, Jordan, Lebanon West Bank and Gaza for legal aid and literacy, counselling for women victims of violence, awareness campaigns and research (€890 000). Two more projects are under preparation, the first to aid women to act on their rights in Egypt, Tunisia and Lebanon in relation to family law (implementing partner UNDP, EC Contribution €600 000), and in addition, a call for proposals is currently open inviting women's organisations in Morocco Algeria and Tunisia to come together to engage in campaigns for legal reform, aid to women victims of violence, the promotion of legal literacy for women, awareness raising and research.

Equality between men and women has also been identified as a crosscutting theme that should be mainstreamed (integrated) at every staged and within all of the Community's development cooperation and external assistance programmes. The main operational framework for ensuring that the gender dimension is mainstreamed in all EC development cooperation initiatives remains the Programme of Action for the mainstreaming of gender equality in Community Development Cooperation adopted in June 2001⁷

COMMITMENT 2

Policies pursued and actions taken to eradicate poverty and inequality and to improve physical and economic access to food by all. Please give details of strategies or initiatives undertaken with respect to

- a) Specific policies and targeted interventions to generate income and employment for the urban poor**
- b) specific policies and targeted interventions to generate on-farm and off farm income and employment for the rural poor, women and minority groups, including land reform, protection of property and use rights and other strategies to ensure access to land and water resources.**
- c) provisions made to develop social safety nets, if any, to meet the needs of the poor, including those affected by HIV/AIDS**
 - in rural areas**
 - in urban areas**
- d) measures taken to ensure access to basis education and primary health care .**

⁷ COMP (2001) 295

The reduction and eradication of poverty in developing countries is the primary objective of the EC Development Cooperation Policy as set out in the Commission and Council Joint Statement of November 2000⁸ and in the Treaty of Amsterdam (art:177).

The Community is firmly working with others to achieve the targets endorsed by the UN members at the Millennium Summit. These targets, the Millennium Development Goals, include reducing the proportion of people living in extreme poverty (living with less than 1\$/day) by half before 2015. This global framework that emerged from the Millennium Summit, and later confirmed in the international Conferences of Monterrey and Johannesburg, confirmed the direction in which the Community will be concentrating its action in its efforts to achieve growth, poverty eradication and sustainable development.

The Community has also committed to apply international best practice principles in implementing its assistance. This includes a firm commitment to work in partnership with developing countries to respect and promote local ownership, as well as participation of non state actors and other measures such as close working with other donors, and a shift away from projects towards sectoral programmes and budget support where possible.

In an effort to improve the impact of its interventions the EC has opted to concentrate in six priority areas where it can add particular value, in particular in:

the link between trade and development, regional integration, support to macroeconomic policies and equitable access to social services, transport, food security and rural development institutional capacity building, in particular good governance and the rule of law.

Some of these areas are of particular relevance to generate income and employment, develop social safety nets and meet the needs of the poor as well as to make progress towards the achievement of MDGs . The following is detailed information on some of the most relevant initiatives taken:

Macroeconomic policies and equitable access to social services (health and education)

Macroeconomic support plays a key role in creating pro-poor growth, essential for the reduction of poverty. Macroeconomic policies are vital to promoting growth, employment and a more equal income distribution. However, such policies will only have a sustainable effect if they fully embrace social and human development objectives. The EC has therefore sought to promote a close integration of its macroeconomic budget support and the support to social sectors (in particular health and education) with emphasis being placed on a sectoral rather than a project-based approach.

Health:

The average annual EC support to health, including primary health care, in over 100 developing countries over the last eight years (reference period 1994-2001) has been €625 million. This means over 10 % of the EC annual aid, and also over 10 % of the global donor aid to health (around €6 billion a year) for the same period. The EC trend on health development aid moved away from project support towards a Sector Wide Approach (SWAp) for health, therefore making it difficult to assess the end support to primary health care levels. Part of EC contributions to Structural Adjustment Programmes or to initiatives such as the HIPC debt relief also support indirectly the country's overall capacities and resources for health.

⁸ Joint Statement on EC Development Policy, Council and Commission, 10 November 2000

The present programmed support to primary health care is channelled through the following financial tools:

1. The country-programmed support, reflected in the country strategy papers, for health in developing countries follows different programming cycles in the different regions. The common programming period of 2002-2004 will allocate an annual average close to €300 million. Most of the programmed support is directed to strengthen health systems, with the priority of primary levels of care, and focuses as well on priority areas such as communicable diseases and reproductive health.
2. The support to regional initiatives in health has programmed at present €337 million for the period 2002-2007, with an annual average of €56 million (see table 2). These regional initiatives will be carried out mainly in the ACP region and with partner organisations such as the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM), WHO, UNFPA and UNICEF, in close linkage with primary health care services.
3. The programmed support to innovative initiatives through the thematic budget lines on poverty diseases and sexual and reproductive health and rights will reach €430 million for the 2003-2006 period, meaning an annual average of €107.5 million, and also ensures linkages to strengthening health systems and primary health care.
4. The NGO co-financing budget line will continue to program an annual average of €12 million for health-related programmes through calls for proposals for northern and southern NGOs, again close to community levels of care
5. The proportion of EC support given to humanitarian aid interventions will continue to range around 20%, 40% in the least developed countries in Africa. This will mean, at the present general annual budget estimates for ECHO, some €15 million on an annual average.
6. The programmed support to health research in partnership with developing countries will total some €450 million for the 6th Research Framework, with an annual average of €75 million.

Altogether, the different EC financial tools have programmed support in the coming years (different programming cycles, common period 2003-2004 for all instruments described) for an annual average of €565 million.

The programmed support to health will also have a greater focus on HIV/AIDS, malaria and tuberculosis, the main poverty-related diseases: overall, the EC has programmed support for an annual average of €264 million to fight HIV/AIDS, malaria and tuberculosis, that is 46% of the overall support to health in developing countries and an almost four-fold increase compared to commitments in the past period. Out of this, 32% (€340 million for 2003-2006, annual average €85 million) will be channelled through the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM).

Education:

The EC has adopted a new policy on Education and Training in the context of poverty reduction⁹. The main policy priorities of this policy are basic education, vocational training, and support to

⁹ (COM (2002) 116

higher education mainly at the regional level. Important crosscutting issues have been introduced such as gender equality, the link between education and the fight against HIV/AIDS and education in conflict situations.

The European Community also strongly supports the Education Fast Track Initiative (FTI) which it views as a means to accelerate progress towards Education for All (EFA). The FTI focuses on an initial target of 23 low-income countries with sound policies but unlikely to achieve the Millennium Development Goals (MDGs) in the field of education; i.e.; universal primary completion by 2015, in the absence of additional donor support. The FTI aims at implementing a partnership between donors and partner countries, or where it exists consolidating such partnership. The partnership itself rests on two complementary lines of action. First incremental strengthening of co-operation amongst donors through concrete measures (coordination group, common funding, silent partnerships, more sector-wide programmes etc.) in order to cut costs, increase efficiency of support and simplify procedures for partner countries. Second, allocations of additional funds to meet the financial needs of partner countries to reach the education MDGs. So far, 10 countries of the initial group of 23 have had their programmes endorsed under the FTI process, and donors have committed funds to these programmes.

Food security and sustainable rural development:

With roughly 70% of the world's poor living in rural areas, the EC has also reviewed its policy and strategy for Rural Development and the Natural Resources sectors (agriculture, livestock, fisheries and forestry) to ensure they effectively contribute to the poverty reduction objective. A Communication to Council and Parliament on Fighting Rural Poverty was presented in 2002. The Communication identifies six policy areas that need to be addressed: (i) supporting economic policies to enable broad-based growth, (ii) ensuring more equitable access to productive assets, markets and services, (iii) investing in human capital, (iv) promoting more sustainable natural resources management, (v) managing risks and providing safety nets, and (vi) building more effective, accountable, decentralised and participatory institutions.

The issue of access to assets is of particular relevance for resource poor farmers. In an attempt to design a coherent policy to improving access to land, the Commission and the EU Member States have jointly developed a set of policy guidelines aimed at developing a shared understanding of land policy and land tenure reforms. A draft document has been submitted for consultation with civil society through the Rome-based International Land Coalition.

Furthermore, in many developing countries rural livelihoods depend on resources generated by the production and marketing of commodities. To address the issue of declining prices and competitiveness of developing countries, the Commission has launched an initiative for Commodities Dependent Countries (CDDC) including an EU Action Plan on commodities and an EU-Africa Partnership for cotton. The initiative aims at addressing the range of factors affecting commodity prices and productivity at national, regional and international levels.

Regarding food security, the EC believes that it is important to reduce dependence on food aid and that the best way to bring about food security is to pursue a broad based policy for sustainable development and poverty reduction at the national level. Promoting broad based growth and poverty reduction will in fact address the root causes of the food security problem by bringing the issues of food availability, access to food, responses to food shortages and nutritional problems to the centre of poverty reduction strategies. In addition, the political dimensions of food insecurity need to be tackled by giving greater attention to promoting good governance, preventing conflict and building peace. Food security has become in fact a priority of poverty reduction initiatives.

In 1996, a new Regulation (1292/96) integrated food aid into a broader food security strategy. This Regulation broadened the range of instruments at the disposal of the EC. It increased the flexibility with which funds could be directed towards operations in support of food security. While former Regulations focused on food aid, under the 1996 Regulation, the EC programme could then finance almost any type of support for those sectors that concern food security.

The main objectives of the Regulation can be summarized as follows:

- (a) enhancing food security geared to alleviating poverty in the recipient countries;
- (b) reducing the recipient countries' dependence on food aid;
- (c) contributing to the countries' balanced economic and social development.

To focus its interventions on the most vulnerable countries, prior to implementation, the Commission has selected 21 priority countries for structural interventions and a further 11 countries and the territory of Palestine which are regarded as being in a crisis or post-crisis situation. The number of countries may change depending on the situation faced by the countries.

Regulation n°1292/96 distinguishes three types of operations:

- Food-aid Operations
- Operations in Support of Food Security
- Early Warning Systems and Storage Programs

These operations can be implemented by a number of agents including the government of the recipient country, international organizations and organizations of the civil society (non-governmental organizations, both international and national). Aid managed by the recipient country is characterized as direct aid, while aid through an intermediary such as international and regional organizations and NGOs is categorized as indirect aid.

The operations have been translated into a number of instruments according to four categories

1. Food aid-in-kind

Food aid programmes have increasingly been limited to emergencies, protracted emergencies, post-crisis and rehabilitation situations, and are mainly based on regional and local purchases enabling a combination of food aid and food security operations. In most cases there has been a complementarity of the food aid component with other instruments, especially humanitarian aid provided by ECHO, EC Humanitarian Office.

2. Budget Support

In most countries, this facility funds food security related agricultural production and social sector programmes. The budget support instrument serves as leverage for policy dialogue on food security issues.

3. Operations in support of food security

There is a wide range of instruments which include food security via broader programs such as public health, education, rural development, sustainable use of natural resources and environmental protection. The concern of these programs is also related to reduce the risks of food security crises. The programmes are designed to be coherent with national strategies of most of the recipient countries. The support actions link food aid with other (EC) development aid instruments, and reinforce the integration of food aid and food security under a general development policy. The combination of food aid and food security programmes is also suitable to bridge between relief, rehabilitation and development programmes.

4. Technical assistance and capacity building.

Programs devoted to create national capacity, in particular to analyse and monitor national and regional food security situations and to formulate food security policies and strategies.

The specific thematic budget for food security /food aid operations under Regulation 1292/96 is about 430 million Euro per year. However, the statistical analysis confirms the importance of food security in the various EC-instruments. The sum of all food security estimated commitments under different budget lines (Food Security/Food Aid, ECHO, NGO Co-Financing, Rehabilitation and the Geographical Instruments) amounts to **13,130 Million Euro**. In this assessment the geographical budget lines provide the highest level of support with approximately 8,840 Million Euro. This is resulting from the high amount of commitments aiming at poverty reduction and similar food security relevant estimated measures under these instruments.

Water

The **EU is already the largest provider of development assistance for water related** initiatives, investing around **€1.4 billion a year** in water-related development aid and scientific cooperation. In addition to interventions carried out in the context of country and regional programmes, water-related activities are also carried out in the framework of NGO co-financing, micro-projects, decentralised cooperation and humanitarian aid. The EU's contribution in this area is set to increase, following the launch of the **EU Water Initiative** at WSSD.

The EU had refined its policy approach to water in the context of development cooperation in the year 2002. The new policy builds on the need to take an integrated, long-term approach, to work in partnership with developing countries and to tackle governance and financial issues, including sustainability, as a priority.

The new policy main priorities are:

- ensure a supply of sufficient, good quality drinking water, adequate sanitation and hygiene for every human being, especially the poorest, with a clear focus on the needs of women and children, and with the general objective of reducing poverty and improving people's health, quality of life and livelihood opportunities;
- develop sustainable and equitable transboundary water resource management taking into account all relevant interests, integrating the competing needs of the various users and facilitating South-South cooperation;
- implement cross-sectoral coordination to ensure equitable, sustainable and appropriate distribution of water between users of different kinds. This requires the mainstreaming of water management principles into related policy areas.

There is a clear need to take action to support the provision of water services, expand sanitation coverage and hygiene education, meet the urban challenge, achieve water-food security, protect water ecosystems, and manage floods and coastal areas. Conflict prevention and peace building efforts, which are political priorities for the European Community, must include sustainable and equitable management of shared natural resources such as water. Support for regional activities is recommended where a clear commitment to regional collaboration exists.

Furthermore at the 2002 World Summit on Sustainable Development in Johannesburg (WSSD), the EU announced its intention to expand its role in the international effort to achieve water and sanitation-related targets, with the launch of a new EU Water Initiative. The Initiative was endorsed at the highest political level with the signature of a joint declaration for a new Africa/EU strategic partnership on water affairs and sanitation.

A partnership between EU and Eastern Europe, Caucasus and Central Asia was also endorsed at ministerial level during WSSD.

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

The key elements of the Initiative aim to:

- implement the political commitment to increase access to water and sanitation with view to poverty reduction.
- Promote better water governance arrangements, including stronger partnerships between public and private sectors, and local stakeholders, and institutional capacity-building. The EU has also opened its Sixth Research Framework Programme to partners in third countries, to facilitate the sharing of its experience and as a signal of its commitment to face the global and regional challenges together with partners in different parts of the globe.
- Improve coordination and cooperation: This includes a shift away from standalone projects towards sector-wide approaches, the introduction of multistakeholder processes to reinforce partnerships for action, and promotion of south-south collaboration and cooperation.
- Develop regional and sub-regional cooperation by assisting in the application of the integrated water resources management approach, including transboundary waters to contribute to sustainable development and conflict prevention.

Commitment III

Measures taken to pursue participatory and sustainable food, agriculture, fisheries, forestry and rural development policies and practices and to combat pests, drought and desertification. Please give details of strategies or initiatives undertaken with respect to:

- a) Policies and actions taken to intensify and diversify food production**
 - b) Actions taken to combat environmental threats to food security, in particular**
 - drought and desertification
 - pests
 - erosion of biological diversity
 - degradation of land and aquatic based natural resources
 - c) Transfer and use of agricultural technologies**
 - d) Formulation and implementation of integrated rural development**
-

A) INTERNAL DIMENSION

Common Agricultural Policy and Agenda 2000:

Though the relative share of agriculture, in the overall economic activity as in working population of the EU, has continued to decline, agriculture is still an essential and vibrant element of the European society. Farming structures and the agro-food chain undergo a continuous adaptation to modernisation, globalisation and society expectations.

These expectations relate both to production and demands beyond primary production and stem from the urbanisation of the society, increased awareness of environmental issues and requests from consumers about safety, quality and diversity of food.

The evolution of policy has reflected these changes, by a progressive shift away from policy tools centred on agricultural productivity towards instruments taking into account society demands and rural development. All EU policies, including the Common Agricultural Policy (CAP), are further integrating economic, social and environmental concerns, the three pillars of sustainable development, with consideration both to their internal and external dimensions.

Agriculture and forestry cover over 75% of the territory of the EU, and there is a considerable degree of interdependence between agriculture and the conservation of the environment and natural resources across the great diversity of land uses and environmental values in regions from the Mediterranean to the sub-Arctic, including islands, mountainous and peripheral regions.

Agriculture and forestry are principally aimed at production but demands beyond primary production grow in importance. The multifunctional character of agriculture is recognised and is now part of what constitutes the European model of agriculture. Agriculture's functions are largely interlinked and provide both marketable and non-marketable outputs of interest to society, including the maintenance of cultural landscapes and semi-natural habitats. The integration of rural development and environmental concerns into agricultural policy has been taking place progressively over a period of years.

Progress achieved

EU agriculture is characterised by a continuation in the expansion of output and a strong development in the domestic, as well as the external demand, for agricultural products, supported by an improved competitiveness of EU products. Average output per hectare is greater than it was ten years ago while, on average, levels of fertiliser and pesticide use are lower. For example, the average EU wheat yield over the last three years is around 6.7 tons per ha. Methods of agricultural production are becoming more sustainable.

Agricultural production in the EU is probably more diverse now than at any time in the post-War period, both as a result of agronomic progress, evolving consumer demand, market segmentation and protection of denominations of origin. The medium-term outlook for many EU agricultural markets are projected to remain rather favourable as the further expansion in output, mainly driven by productivity gains, would be met by a renewed increase in domestic demand and an expected gradual recovery on world markets.

The utilised agricultural area has decreased in average by around 1% per year over the last decade, as a combined result of urbanisation and reforestation. Enlargement of the EU has, however, increased the utilised agricultural area. The ten new Member States will add 36.2 million ha to the previous 130 million ha. The recent integration of these countries into the EU will both expand significantly production and potential of production, while giving good perspectives for growth in consumer demand.

Actions taken

AGENDA 2000

In 1999, the EU undertook the 'Agenda 2000' reform of the CAP, in order to prepare for the enlargement of the EU, the reopening of multilateral trade negotiations on agriculture and the broadening public demands within the EU on agriculture and the countryside.

The policy continues in the direction set by the 1992 reform, combining cuts in producer support prices and shifting to support through direct payments to farmers, in order to encourage competitiveness and bring EU prices closer to world market prices. There was also extra focus given to consumer concern over food quality, safety and environment.

The reform also brought together a number of rural development measures under a single instrument forming the 'second pillar' of the CAP, which seeks to establish a coherent and sustainable framework for the future of Europe's rural areas. EU Member States are given as much flexibility as possible, in designing their programmes, allowing them to be tailored to the specific conditions and challenges facing their various rural areas. Member States could also apply environmental cross-compliance and could modulate CAP direct payments, by using part of these sums for rural development and agri-environmental purposes. All programmes are subject to strict monitoring, reporting requirements and ex-post evaluation.

MID-TERM REVIEW OF THE AGENDA 2000

The Agenda 2000 was subject to a mid-term review in 2002. This review resulted in another major reform in June 2003, which represents the culmination of the reform process begun in 1992. The 2003 CAP Reform aims to provide a sustainable, long-term perspective for the future development of the European agricultural sector, which integrates the main elements EU strategy for sustainable development, agreed in 2001, into the basic objectives of the CAP. The reformed CAP has also been set into the new framework for agricultural expenditure for EU-25, agreed in October 2002.

The CAP will be governed by a simpler legislative and administrative framework, which replaces most farmer income support payments (arable, livestock and dairy) into the decoupled (i.e. no longer production-linked) single payment scheme. In future, all payments will be subject to cross compliance with statutory EU environmental, food safety and animal welfare standards, and new rules of good agricultural and environmental condition. Such a framework will foster a closer relationship between the CAP and other EU policies of major importance to EU citizens.

The reforms will encourage a more competitive, more market-oriented and more efficiently supported EU agriculture. Since 1992, the CAP has been moving away from price and production support to a policy of farmer income support. The 2003 Reform completes that shift, through a significant reduction in the remaining market support levels and the transfer of a large part of the current production-linked direct payments to the single payment scheme. In this way, farmers will get back in touch with market demand once again by producing what is more profitable in market terms instead of producing what receives the highest level of support. The transfer efficiency of the former direct payments, as an income support mechanism, will also be improved. A series of analyses of the reform's likely impact on EU-25 markets and farm incomes have concluded that, overall, the CAP reform will improve the situation of agriculture in the Member States and in particular in the new Member States.

The new CAP also offers a greater flexibility for Member States to adapt the policy to their needs. Though the single payment scheme becomes the core element of the CAP, the possibility of keeping a part of the support linked to certain types of production responds to Member State concerns about the risk of production abandonment in more marginal areas.

With regard to the rural development pillar, more breadth will be given to the policy, by introducing new measures to promote the environment, food quality and animal welfare and to help farmers meet EU production standards. More money will also be available for rural development

measures, through the introduction of a compulsory, EU-wide modulation mechanism, which will transfer up to 5 % of the direct payment budget to the rural development pillar by 2007.

Finally, the reformed CAP contains instruments to ensure better financial discipline, by introducing a financial mechanism, which will ensure that the funding needed for the financing of the farmers' direct income support payments and market measures will fully respect the financial perspectives for the CAP.

ONGOING REFORMS AND ENLARGEMENT

In April 2004, the 2003 Reform approach was extended to other important agricultural sectors, through the incorporation of the tobacco, olive oil and cotton sectors into the Single Farm Payment. Furthermore, a proposal for sugar sector reform is expected in summer 2004.

In December 2002, the EU and ten candidate countries reached agreement on a formula for adapting the CAP to the new Member States' needs. Special emphasis is given to rural development, through a package with specific additional measures and more favourable conditions than those applied to the present EU Member States. A transition period is provided for the introduction of direct aids, in order to avoid creating distortions in the agricultural sector but providing the possibility of topping-up those payments, if necessary. An option is available for a simplified implementation of direct payments through the single area payment scheme, which has parallels with the single payment scheme introduced in the CAP Reform.

CAP Reform will help the integration of the new Member States by allowing smoother price convergence, giving more emphasis to rural development and bringing a more market-oriented dynamic to the agriculture sector.

Common Fisheries Policy: conservation and management of fishery resources

The Common Fisheries Policy (CFP) covers conservation, management and exploitation of living aquatic resources, aquaculture, and the processing and marketing of fishery and aquaculture products. This Policy aims at conserving and managing marine living resources, and provides for rational and responsible exploitation on a sustainable basis.

The European Community seized the opportunity provided by the fact that some elements in the CFP had to be reviewed by 31 December 2002 to widen this review to the whole CFP¹⁰.

This review of the Common Fisheries Policy offers the best possible prospect of securing the future of the European fisheries sector for the benefit of all concerned: the fishing sector and the coastal communities, fish stocks, the marine environment and consumers.

The main objectives are, among others, to:

progress towards a responsible and sustainable fisheries that ensure healthy marine ecosystems maintaining the quality, diversity and availability of marine resources and habitats,
integrate health requirements in order to protect public and animal health and safety,

¹⁰ Council regulation (EC) N° 2371/2002 of 20 December 2002

bring fleet capacity into line as soon as possible with the availability and sustainability of the resources,

secure an economically viable and self-sufficient fisheries and aquaculture sector which can be competitive in a global economy.

The main measures of the new Common Fisheries Policy are the following:

- **Long-term approach:** until now measures concerning fishing opportunities and related measures have been taken annually. They have often resulted in fluctuations which not only have prevented fishermen from planning ahead but have also failed to conserve fish stocks. Under the new CFP, long-term objectives for attaining and/or maintaining safe levels of adult fish in the European Union (EU) stocks will be set as well as the measures needed to reach these levels.
- **A new policy for the fleets:** the reform has responded to the challenge posed by the overcapacity of the EU fleet by providing two sets of measures:
 - a simpler fleet policy that puts responsibility for matching fishing capacity to fishing possibilities with the Member States;
 - a phasing out of public aid to private investors to help them renew or modernise fishing vessels, while keeping aid to improve security and working conditions on board.
- **Better application of the enforcement rules:** The diversity of national control systems and sanctions for rule breakers undermines the effectiveness of enforcement. This is why measures will be taken to develop co-operation among the various authorities concerned and to strengthen the uniformity of control and sanctions throughout the EU. Commission inspectors' powers to ensure the equity and effectiveness of EU enforcement have been extended.
- **Stakeholders' involvement:** stakeholders, particularly fishermen, need to take a greater part in the CFP management process. It is important that fishermen and scientists share their expertise. Regional advisory councils (RACs) will be created to enable them to work together to identify ways of achieving sustainable fisheries in the areas of interest to the RAC concerned.

Actions already taken

Mediterranean fisheries:

The importance of Mediterranean fisheries is fully recognised by the adoption of an Action Plan to ensure the sustainability of fisheries in the Mediterranean. The measures foreseen in the Action Plan include: a concerted approach to declaring fisheries protection zones, the use of fishing effort as the main instrument in fisheries management, improving fishing techniques so as to reduce the adverse impact on stocks and the marine ecosystem and promoting international co-operation.

Action Plans and strategies already adopted:

- A strategy for the sustainable development of European Aquaculture. This strategy is designed to strengthen the role of aquaculture in providing jobs and in supplying quality fisheries products in a way that does not harm the environment.
- The integration of environmental protection requirements into the CFP covering, among others, measures to protect sharks and measures to minimise by-catches of cetaceans in fishing gear.

- The eradication of illegal, unregulated and unreported fishing in order to ensure sustainable fisheries beyond EU waters.
- Measures to counter the social, economical and regional consequences of fleet restructuring. These measures mainly concern the reprogramming of structural aid in favour of reduction of fleet capacity and social measures, the improvement of the image of the sector and support for sustainable coastal development.
- The reduction of discards of fish by tackling its causes. The measures aim to prevent catches of unwanted fish, particularly immature fish and to remove incentives for discarding.
- The creation of a single inspection structure to ensure the pooling of Community and national inspection and monitoring resources.

Communications already adopted:

- The setting up of partnership agreements with third countries. This Communication looks at ways of improving fisheries agreements, in particular those concluded with developing coastal states by promoting international co-operation and strengthening measures to ensure sustainable fisheries in the waters of the partner concerned.
- The improvement of scientific and technical advice for fisheries managers, by reorganising the provision of scientific advice and by devoting more resources to obtaining this advice.

A) EXTERNAL DIMENSION

Rural development

In many developing countries, most of the poor and vulnerable groups live in rural areas. Rural poverty is a multidimensional problem that includes low incomes, inequalities in access to productive assets, low health education and nutrition status, natural resource degradation, vulnerability to risk and weak political power. Strategies for rural poverty reduction must address all of these problems, and take account of the diversity of rural areas and population groups, as well as the changing context of rural poverty.

The majority among the 70% of the world population living in rural areas depend on agriculture. Lack of access to resources and services increases dramatically their vulnerability to shocks. Rural development by improving access to food through better and more diversified income and availability of food through better performing agricultural and commercial systems is critical in the fight against poverty and in improving food security for the poor.

In addition to agriculture, other sectors therefore play a vital role in rural poverty reduction in particular, health and education, water and sanitation, transport and communication and natural resource management. The EC considers that rural poverty reduction requires co-ordinated action in

all these sectors. Broader macroeconomic policies must also be taken into account because they have a major impact on rural economies.

The concrete actions taken by the EC to support rural development can be seen in the EU report for commitment 2.

Food security and fisheries

According to the United Nations Development Programme (UNDP) the volume of sea catches has increased fourfold in the last 50 years. Almost a billion people in 40 developing countries risk losing access to their primary source of protein, as overfishing driven by export demand for animal feed and oils puts pressure on fish stocks to the detriment of domestic consumption.

Actions taken

The EC recognises fisheries as a key sector for developing countries and is committed to support the implementation of sectoral fisheries policy oriented toward poverty reduction and food security. This new orientation is being implemented through important programs financed under the Cotonou Agreement (EDF-funds) to support institutional and capacity building in developing countries:

- to assess the fisheries resources,
- to better manage and control fishery activities.
- to improve fish sanitary control measures,

On the basis of a communication on Fisheries and Poverty Reduction (2000), the Council has taken a resolution, which recognises the fishery sector contribution to food security, the macro-economic importance of the sector for developing countries and the contribution provided to local employment. The resolution stresses the importance of fishery development strategies taking into account the principle recognised by the international community concerning sound and sustainable management of the resource and the need for fisheries to be integrated in Country Strategy Processes. Pursuant to the principle of coherence, the Council reaffirmed that the Common Fisheries Policy needs to take into account the objectives of sustainable development and the fight against poverty.

In 2001, the Commission analysed the importance of the fisheries sector to developing country societies and a Council resolution was adopted, where fisheries resource management is set to become a main priority (given the increasing pressure on stocks). A number of projects - in particular those in the Pacific (ProcFish), Indian Ocean (Monitoring Control and Surveillance, MCS) and Lake Victoria (Fisheries Implementation plan) were launched to build aquatic resource management competency in target ACP countries and facilitate regional collaboration. Two new important national projects on rural coastal fisheries also started in the Pacific (PNG & S.I.) promoting private sector involvement. In co-operation with FAO/SIFAR a number of other fisheries management projects are in preparation aiming at strengthening the management capacity of developing countries in Africa, the Pacific and the Caribbean. Another initiative in preparation concerns resources management with particular attention to MCS in the West African sub-region covered by the Sub-regional Fisheries Commission (SRFC). To ensure improvements in production and trading capacity in relation to fishery products, a €45 million programme on the strengthening of sanitary control aspects was also financed.

b) Actions taken to combat environmental threats to food security, in particular

- drought and desertification**
- pests**
- erosion of biological diversity**
- degradation of land and aquatic based natural resources**

B) INTERNAL DIMENSION

Environment and Sustainable Development

The EU continued its efforts to incorporate measures for environmental protection and sustainable development into other Community policies. An environmental assessment will now be required during the preparation and before the adoption of plans or programmes likely to have significant effects on the environment.

Sustainable development was the central issue at the Gothenburg European Council in 2001. In its conclusions, the European Council approved a strategy based on the principle that not only the economic and social but also the environmental effects of all policies should be examined in a coordinated way and taken into account in decision-making. It also singled out four areas as immediate priorities: climate change, transport, public health and management of natural resources.

To put into action the strategy agreed in Gothenburg, the Council identified environmental indicators for each of the four priority areas. The need for consistency between the EC framework programme for research and development activities and the sustainable development strategy was also stressed.

In preparation for the *World Summit on Sustainable Development* held in Johannesburg in 2002, the European Commission adopted a communication identifying various priorities and measures to help to make a success of the 10th anniversary of the first Earth Summit in Rio. Some of the issues identified for the summit were: protecting natural resources, integrating environment and poverty eradication objectives, making globalisation work for sustainable development, and enhancing good governance and participation.

Desertification

At Community level, the 6th Environment Action Programme, "Our Future, Our Choice" of January 2001, established, inter alia, the objective to protect soils against erosion and pollution. In May 2001 the European Community further acknowledged¹¹ that soil loss and declining fertility are eroding the viability of agricultural land. Along these lines the European Commission adopted in 2002 a Communication "Towards a thematic strategy for soil protection", including the description of the main threats to soil and of the possible Community regulatory and non-regulatory responses.

Furthermore, effort put in place through EC research programmes in relation to land degradation/desertification (e.g. Environment and Sustainable Development in 5th Framework Programme) or future activities under the 6th framework programme 2002-2006 could represent a way of collaboration between the Commission and the FAO in particular in the Mediterranean basin in support to the UNCCD.

¹¹ European Commission "A sustainable Europe for a Better World: a European Union Strategy for Sustainable Development" (COM(2001)264 final

Maintaining Woodland

A wide range of initiatives for the development and optimal utilisation of woodlands are also taken through Community regional and rural development programmes, financed through the Structural Funds.

The European Commission implemented a programme to prevent forest fires (regulation (EC) No 2158/92) and a monitoring programme on forest condition (regulation (EC) No 3528/86). A yearly financial contribution of about €16 million is allowing the Community to support programmes in the EU Member States under these regulations.

Agriculture, Protection of Water

A directive establishing a framework for Community action in the field of water policy was adopted in 2000, which constitutes a new basis for the co-ordination of policies in this area between EU Member States in order to prevent further deterioration in water quality and provide greater protection for water. It provides for a gradual reduction in chemical pollution caused by discharges of hazardous substances. Another aim is to ensure an adequate supply of good-quality surface and groundwater. The European Commission proposed the establishment of a list of priority substances with a view to evaluating the risk they pose to aquatic ecosystems.

Biodiversity

In 2000 the Community ratified the Cartagena Protocol on Biosafety, which marks a significant step in the environmental, trade and development fields. Based on the precautionary principle, in order to ensure safe transfer, handling and use of living modified organisms (LMOs) obtained with the aid of biotechnology and which could have an adverse effect on biodiversity, the protocol allows all importing countries to take scientifically well-founded, reasoned decisions before importing such organisms. It introduces an Advance Informed Agreement (AIA) procedure for LMOs intended for direct introduction into the environment and an alternative procedure for transfrontier movement of LMOs intended for food, feed and processing. It also contains provisions on information-sharing and financial resources, with special emphasis on the difficulties encountered by developing countries in these areas.

The European Commission adopted in 2001 a series of action plans to integrate the protection of biodiversity into **EU agricultural, fishery, environment and development and co-operation policies**. A review process for all of these action plans started in 2003, culminating in a call for reinforced action in order to meet the 2010 targets for halting the loss in biodiversity. Rich biodiversity is important as it provides the raw materials that our society needs. It is essential for the long-term sustainability of agriculture and fisheries and it is the basis for many industrial processes and the production of new medicines. The aim of the action plans is to stop losses in wildlife, ecosystems, varieties of crops, domestic animals and fish. The plans define concrete actions and measures and specify measurable targets to ensure a reversal of the current trend.

The action plan on agriculture starts with an analysis of the interrelations between agriculture and biological diversity. It is clear that the scale, the scope and the nature of production techniques can have substantial impacts on the landscape and on natural habitats. Intensive farming practices seem particularly prone to cause negative effects. On the other hands, many landscape and site-specific environmental characteristics reflect a rich farming heritage. The action plan indicates **seven priorities** to achieve reciprocal benefits between farming activities and biodiversity. These areas are:

- Ensuring a reasoned intensification in agricultural practices.

- Maintaining an economically viable and socially acceptable agricultural activity, in particular in biodiversity-rich areas, where these activities have been weakened.
- Using the potential of agri-environmental measures for the conservation and sustainable use of biodiversity.
- Ensuring the existence of an ecological infrastructure at the level of the whole territory.
- Supporting actions aimed at the enhancement of genetic diversity in agriculture and in the maintenance of local and traditional varieties and breeds.
- Encouraging the marketing of land-races and varieties that are naturally adapted to the local and regional conditions.
- Preventing the abundance and spreading of non-native species.

The communication mentions several Community **instruments** that can be used to implement the biodiversity action plan in agriculture, such as:

- the Council Regulation establishing common rules for direct support schemes under the common agricultural policy;
- agri-environmental measures in the field of rural development
- the Regulation on genetic resources in agriculture [Council Regulation (EC) No 1467/94, Official Journal L 159, 26.8.1994];
- Council Directive 98/95/EC amending, with respect to plant genetic resources, Directives on the marketing of beet seed, fodder plant seed, cereal seed, seed potatoes, seed of oil and fibre plants, and vegetable seed;
- phytosanitary legislation
- SAPARD programme (Special pre-accession assistance for agriculture and rural development).

Following a mandate from the Council and the European Parliament to report on the implementation of the Biodiversity Strategy and its Actions Plans, a “BAP-agriculture implementation report” was prepared in 2004. The report aimed at giving an overview of the implementation of the Common Agricultural Policy (CAP) instruments addressing biodiversity concerns. Several draft versions of the report were discussed, in 2003 and 2004, with an *ad-hoc* working group, with a broad participation reflecting wide-ranging positions and expertise. The main threats and challenges concerning agricultural biodiversity were discussed. The report was presented and discussed at a multistakeholder conference on biodiversity held in Malahide, Ireland (2004). The draft conclusions of the conference acknowledge that the majority of the measures foreseen in the Biodiversity Action Plan for Agriculture have been implemented and that the CAP reform of 2003 represents a significant step forward in the implementation of this Action Plan.

The European Commission **Biodiversity Action Plan for Fisheries** (COM(2001)162) leads to the preservation or rehabilitation of biodiversity where it is perceived as being under threat due to fishing or aquaculture activities. In this action plan, three areas are identified as requiring action:

- To promote the conservation and sustainable use of fish stocks and feeding grounds through control of exploitation rates and through the establishment of technical conservation measures to support the conservation and sustainable use of fish stocks. Measures available include, inter alia, fishing exclusion areas (mainly for the protection of dense aggregations of juvenile fish), and mesh sizes. Each measure should be applied according to its merits and expected conservation effect.

- To reduce the impact of fishing activities and other human activities on non-target species and on marine and coastal ecosystems to achieve sustainable exploitation of marine and coastal biodiversity.
- To avoid aquaculture practices that may affect habitat conservation through occupation of sensitive areas, i.e. mangroves in third countries and inter-tidal areas within the Community, pollution by inputs and outputs from fish farms and genetic contamination by possible releases or escapes of farmed species or varieties.

In the area of **economic and development co-operation**, the Biodiversity Action Plan builds on the objectives of the Biodiversity Strategy formulated in 1998 and considers how these objectives can be achieved in the context of the International Development Goals. Two development goals are of particular relevance: the development of national strategies for sustainable development and halving poverty by 2015. The action plan aims to identify priority actions that address the objectives of the EC Biodiversity Strategy: priority actions for integrating biodiversity into the policies, programmes and projects; and actions for the strengthening of the Commission's capacity to address biodiversity issues as part of economic and development co-operation.

Genetic Resources in Agriculture

The European Council at its meeting on 24 February 2004 decided on the conclusion of the International Treaty on Plant Genetic Resources for Food and Agriculture (International Treaty). On 31 March 2004 the European Community and eleven of its Member States deposited with the FAO their instruments of ratification/conclusion of the International Treaty which will enter into force on 29 June 2004. The European Community has actively been involved in the negotiation of the International Treaty and will contribute to the finalization of its provisions and the implementation.

Moreover, the EC has adopted a new programme¹² on 24.4.2004 (Council Regulation (EC) N° 870/2004 on the conservation, characterisation, collection and utilisation of genetic resources in agriculture and repealing Regulation (EC) No 1467/94 - OJ L 162, 30.4.2004, p.18).

The new programme, covering the period 2004-2006, will promote genetic diversity and the exchange of information including close co-ordination between Member States and between the Member States and the European Commission for the conservation and sustainable use of genetic resources in agriculture. It will also facilitate co-ordination in the field of international undertakings on genetic resources. The budget allocated to this programme amounts to €10 million.

The aim of the new programme is to finance measures to promote the conservation, characterisation, collection and utilisation of genetic resources in agriculture, allowing for a wider coverage of plant and animal diversity with particular emphasis on complementing the scope (as regards beneficiaries and/or eligible actions for funding) of the "Rural Development" Council Regulation (EC) No 1257/1999. Programme implementation shall cover actions that aim to support, complement or co-ordinate at Community level work undertaken at local, regional, or Member State level. Smaller-scale measures may cover *in situ* / on-farm conservation (reproduction of genetic resources by farmers, on their own farm). The new programme will comprise targeted actions, concerted actions and accompanying actions. The actions co-financed under the Community programme shall have a maximum duration of 4 years.

¹² in replacement of the previous regulation 1467/94

Fisheries and Environmental Contaminants

A food crisis occurred in Belgium in 1999 involving the contamination of animal feed by waste oil containing dioxins and PCBs. Linked to this crisis the general question of contamination of food and feed by these environmental contaminants was examined by two European Union Scientific Committees as part of a risk analysis. Using the scientific opinions which were published on the internet in November 2000 as a basis a subsequent risk management exercise resulted in *harmonised maximum limit values for dioxins being introduced into Community law in order to give a high level of consumer health protection*. These limits apply *inter alia* to fish and fishery products for human consumption and to fish and fishery products used in animal nutrition, the date of application is 1 July 2002. The dioxin case illustrates the fundamental importance of health and environmental issues for fisheries.

External Dimension

Environment and Sustainable Development

Environmental deterioration, including natural resources depletion, continues to increase in Developing Countries. Soil erosion and land degradation, loss of forests, habitats and biodiversity, depletion of fish stocks and pollution represent serious permanent threats to sustainable development in most countries. The protection of the environment is a crucial element of food security as it ensures availability of the natural resources essential to food production. Furthermore, Developing Countries are considered to be particularly vulnerable to the impact of global climate change, despite their small contribution to this phenomenon.

The effort of promoting specific opportunities so as to strengthen the environmental dialogue with Developing Countries is an ongoing challenging exercise, which has not produced so far encouraging results. Country Strategy Papers often lack an environmental analysis and dimension and usually identify the focal sectors of intervention without a proper assessment of the potential adverse effects on the environment. In a process towards sustainability and environment integration the EC is currently campaigning to seek high political commitment in the partner countries. In the context of the current review of the Country Strategy Papers, in particular for African, Caribbean and Pacific countries, EC has provided in its guidelines that for each country a Country Environmental Profile be attached to the Country report. Steps towards the conduct of Strategic Environmental Assessments for key sectors of intervention in the country are also introduced through the review. Moreover, training for officials in Headquarters, delegations and partner countries on environmental integration has been organised (due to start late 2004) and a helpdesk has been set up and will be operational by late 2004 as well.

One of the major accomplishments in 2001 was the formulation of an EC strategy for “ Integration environment into EC Economic and Development co-operation¹³ » and its Council Conclusions. The strategy puts an emphasis on linking poverty reduction and environment, and aims to integrate environment into the six priority areas of EC development co-operation. This strategy is currently under review

The Community has been a major actor in the international environmental scene and one of the leading proponents of international action to tackle trans-boundary/global environmental problems.

In a co-ordinated fashion the European Community has provided important input and arranged financial and technical assistance through different channels for the implementation of a whole range of Multilateral Environmental Agreements (MEA) to which it is party, particularly the three major Rio Conventions (Climate Change, Biodiversity and Desertification) but also the UN Forum

¹³ SEC (2001) 609 of 10.04.2001

on Forests and other international Conventions or international instruments relating to chemicals and waste management activities relating to Toxic.

Furthermore, efforts to mainstream the requirements of these Conventions into EC economic and development policies as well as in several other sectoral Community policies and programmes have been pursued through the elaboration and implementation of strategy papers and action plans..

With regard to the different MEAs and related environmental themes the following is a succinct description of the **most significant actions and objectives pursued and achieved by the Community at international level.**

Desertification [UN-CCD]: The European Community is a Party to the 1994 **United Nations Convention to Combat Desertification (UN-CCD).**

The Community and its Member States in line with previous commitments have pursued more actively and consistently at international level awareness-raising on the objectives of the UN-CCD and mainstreaming the issues into development co-operation policy and strategies.

The last Conference of the Parties to the UNCCD (Cop-6 Havana September 2003) made some progress on crucial issues. The Conference adopted operational decisions likely to foster the implementation of the Convention and promoting its scientific and technological base. Among those the ones relating to the designation of the Global Environment Facility (GEF) as a financial mechanism for the Convention and the arrangements to facilitate collaboration between GEF and UNCCD; the review of the policies and activities of the Global Mechanism (the financial brokerage service of the Convention); the indication of the concrete steps needed for an improved implementation of the Convention and of those needed to establish synergies with other relevant Multilateral Environment Agreements or fora such the ones on climate, biodiversity and forests.

The EC together with other UNCCD likeminded parties is currently reflecting on how to better exploit the great potential of the UNCCD as an integrated framework for land degradation and on the functions that the Convention should better perform. This analysis goes in parallel with the increased efforts to enhance real implementation on the ground in the affected countries in close partnership with the WB, UNDP and the other likeminded donors.

Forests [UN-FF]: The Community promoted the establishment in 2000 of the United Nations Forum of Forests, with the objective of strengthening political commitment to the management, conservation and sustainable development of all types of forests.

Forests and agro forests are an important and often overlooked resource in local food security strategies. Fruits, vegetables and meat harvested from the forest are an important source of nutrition. Forests also form a buffer resource in times of hardship. The tropical forest budget guidelines for 2005-2006 highlight the use of forest plants for human nutrition; forests and agroforests in local food security strategies; and activities which promote the sustainable use of wildlife and fish resources in forest areas, as priority areas for Commission funding.

Climate Change [UN-FCCC]: A policy paper proposing a strategic framework, including an action plan, for the effective integration of climate change related concerns into national and regional development frameworks has been adopted by the Commission in 2003. The proposed strategy has been endorsed by the EU Council in 2003 and the EU Action Plan is currently further developed and is due to be adopted by the end of 2004. The Community has ratified the Kyoto Protocol in 2003 and has adopted several instruments in view of its future implementation,

including in relation to the flexible mechanisms. The EC continues to be a key actor in the negotiations under the UNFCCC

Biodiversity [CBD]: The European Community is a Party to the United Nations Convention on Biological Diversity (CBD) and to its Biosafety Protocol. The CBD pursues three objectives, namely the conservation of biodiversity, the sustainable use of its components and the fair and equitable sharing of the benefits arising out of the utilisation of genetic resources. The EC Biodiversity Action Plan for economic and development cooperation, adopted in 2001, is currently under review.

Water management and Sanitation

Under the overarching policy framework of Integrated Water Resources Management, the focus of EC policy is on water supply and sanitation, transboundary water resources management, and cross-sectoral co-ordination and integration of the different water uses.

The focus of EC support to provision of water and sanitation in developing countries has progressively evolved from a project approach concentrating on water supply, addressing mainly technical issues, into a programme approach, including stronger social and environmental concerns, and support for improved management of the resource.

In view of the World Summit on Sustainable Development (Johannesburg, September 2002), the European Commission has produced a Communication on "Water management in developing countries", in which water is addressed in two priority areas:

- *Sustainable management of natural and environmental resources:* launch an initiative at the World Summit on Sustainable Development on a strategic partnership with international organisations, governments and stakeholders to promote sustainable water resource management based on the principle of integrated river basin management;
- *Fighting poverty and promoting social development:* ensure that, within the context of poverty reduction strategies, water and sanitation services are fully integrated with health and education policies, with a view to improving substantially access particularly for poor people, to an adequate quantity of safe and affordable water and to hygienic sanitation facilities.

Hazardous Chemicals

The Community has contributed significantly to the safe use of chemicals at global level through participation in the Intergovernmental Forum on Chemical Safety work for the implementation of the Programme on Environmentally sound Management of Chemicals as set out in Chapter 19 of Agenda 21. Major achievements in this area are represented by *the Rotterdam Convention on the Prior Informed Consent (PIC) Procedure for Certain Hazardous Chemicals and Pesticides in International Trade* and by *the Stockholm Convention on Persistent Organic Pollutants (POPs)* ratified by the Community in 2003 and 2004 respectively. EC legislative acts have been adopted to implement these conventions at EU level; The Community is contributing to the *FAO Programme for the Elimination of Obsolete Pesticides*, which are clearly identified sources of health problems and contamination of land and water in rural areas. EC also financially supports the elaboration of several Country Environmental Profiles, the running of the INFOCAP network (capacity building information) and the implementation of the Global Harmonised System (classification and labelling of chemicals and pesticides). All these activities are aiming to improve chemicals' management in countries to the benefits of people, including the rural poor.

Fishery resources and the marine environment

In the process of integrating environmental concerns in the Common Fisheries Policy, the European Commission has published the Communication "Fisheries management and nature conservation in

the marine environment" (COM(1999)363) in which the need to implement medium-term strategies in accordance with the precautionary principle is stressed.

The Commission also follows closely the code of conduct for responsible fishing with a view to making a better contribution to food supplies and world food security, while respecting the criterion of sustainable and responsible management.

The European Community takes an active part in international co-operation through the work of Regional Fisheries Organisation (RFO). The EC considers that the Regional Fisheries Organisations have a key role in conserving and managing world fish stocks as well as in dissuading non-contracting parties from jeopardising their conservation and management measures as a result of illegal fishing practices (COM(99)613).

By adhering to the code of conduct for responsible fisheries, the Community has accepted to co-operate with developing countries and to help them to develop their fisheries sector. In the Communication "Fisheries and Poverty reduction" (COM(2000)724) the European Community indicates its willingness to concentrate its efforts on reinforcing the necessary coherence between its development policy and the external aspects of its Common Fisheries Policy.

In 1997 the Commission financed studies on reducing the impact of fishing activities and aquaculture on marine ecosystems, such as the study on the "Development of software to estimate unreported or misreported catch and effort data and to apply fishery management models", and on raising the fishing industry's awareness of the problems of fishery waste.

As part of its work with the OECD the Commission also financed the OECD study on the economic impact of the transition to responsible fishing.

The reform of the Common Fisheries Policy, launched in 2002, calls for a fisheries policy which ensures sustainable development in environmental, economic and social terms, both inside and outside EC waters. As part of its reform proposals the Commission issued in December 2002 a Communication on an "Integrated Framework for Fisheries Partnership Agreements with Third Countries" (COM(2002)637). The Commission proposes in it that EC bilateral fisheries relations involving a financial contribution gradually move from access agreements to partnership agreements with a view to contributing to responsible and sustainable fishing in the mutual interest of both parties.

The implementation of this new approach plays an important role since 2003. It comprises among others sustainability impact assessments in order to get better knowledge on the economic, environmental and social impact of a fisheries agreement on the partner country prior to the opening of negotiations. Another contribution to responsible and sustainable fishing is the focus on the improvement of scientific and technical advice on the state of stocks outside Community waters.

Energy

Energy is recognized as an important crosscutting element in the elimination of poverty and the achievement of the Millennium Development Goals. (Although there is no specific MDG on energy, the provision of adequate affordable and sustainable energy services in rural and urban areas is essential for the achievement of the MDGs) The strategy for sustainable energy support emphasizes the need to mainstream it into the social and economic sectors (health, education, enterprise and development), as well as the environmental and other benefits of increasing use of energy efficiency and renewable energy. It also emphasizes the importance of institutional capacity building and policy support in the energy sector, as well as the necessity to enhance partnerships between the

private and public sectors, and involve civil society.

The EU's energy initiative seeks to contribute to poverty eradication by helping to improve access to energy services, working through a menu of technical options, including rural electrification and decentralised energy systems, cleaner more efficient fossil fuel technologies and use of locally available renewable energy, especially the improved management and use of biomass. Activities will ensure ownership of beneficiaries, and will be developed through partnerships with developing countries and regions, as well as stakeholders from private sector, financing organisations and civil society. Dialogue with partners and stakeholders will be enhanced at national and regional level to implement partnerships on a demand-led basis. Important aspects of the initiative will include the provision of support for institutional capacity building and technical assistance to countries to put in place adequate energy policies. An important role will be given to the development of new research based strategies

C) AGRICULTURAL RESEARCH FOR DEVELOPMENT

Agricultural research occupies an important place in the bi-regional Scientific & Technological dialogue that the European Union keeps with other regions in Asia, Africa and Latin America & Caribbean.

In 2001 the Commission defined, in collaboration with the Member States and within the "European Initiative for Agricultural Research for Development (EIARD)", a European strategy for the Agronomic Research for Development. This strategy is in accordance with the recommendations of the 1996 World Food Summit Plan of Action regarding the activities to be undertaken in the research sector and in the fields of agricultural scientific co-operation, fisheries and forestry in order to increase production potential, maintain natural resources and thereby strengthen the fight against poverty and ensure food security.

This strategy aims to develop the participation of the stakeholders in the field of research (private and public sectors, research institutions, universities, professional organisations, NGOs etc) at the various levels, (national, regional or global), on the basis of an equitable partnership, which deals with priorities jointly identified through a dialogue with the development regions. This strategy allows the use of funds from the development co-operation and the research and development framework programme.

The EC is committed to continue supporting Agricultural Research for Development (ARD), using its various financial instruments adequately and taking advantage of their complementarity:

- At national and local levels, the EC will support the establishment or strengthening of broad-based National Agricultural Research Systems representing different stakeholders.
- The EC will concentrate its support towards regional research structures, to address problems in a more efficient manner.
- The EC will continue its support to ARD activities carried out at international level through specialised institutions, according to their comparative advantages and specific know-how in issues related to international public goods.

COMMITMENT IV

Measures taken at national level to ensure that food and agricultural trade and overall trade policies are conducive to fostering food security. In particular, steps taken to:

- a) promote financial and technical assistance to improve agricultural productivity and infrastructure of developing countries , specially Low Income Food-deficit Countries (LIFDCs) in order to optimise opportunities arising from the international trade framework
 - b) reduce subsidies on food exports in conformity with the Uruguay Round Agreement in the context of the on-going process of reform in agriculture conducted in the World Trade organisation (WTO)
 - c) implement the decision on measures concerning the possible negative Effects of Reform programme on Least Developed and Net Food-Importing developing countries through the WTO Committee on Agriculture
-

The EC plays a pivotal role in international trade of farm products. The EC is the world's largest importer and second exporter of agri-food products. In particular, the EC is the largest buyer from developing countries, to a large extent the result of the trade preferences granted by the EC to them. The EC also imports far more from major producers of agricultural commodities such as the US or the "CAIRNS" group than it exports.

Trade expansion plays an increasing role in the development of the agri-food sector, which, as a result, contributes to the general economic growth. The EC is negotiating constructively in WTO negotiations in agriculture to continue the process of establishing a fair and market oriented multilateral trading system, in accordance with the conclusions of the Doha ministerial conference, with a view to raising standards of living worldwide.

In order to ensure that developing countries fully benefit from the expansion of world trade, the key is to create opportunities for increased market access for developing countries, while recognising the importance of food security and accepting the need for the most fragile developing countries to maintain protection in order to have adequate time for adaptation.

Therefore, UE has proposed significant and concrete special and differential treatments measures for developing countries during the WTO agricultural negotiation:

THE EC'S PROPOSAL FOR MODALITIES IN THE WTO AGRICULTURE NEGOTIATIONS, DEC. 2002

A special treatment for developing countries to give them a better deal

Bearing in mind the fact that agriculture is central to the livelihoods of the world's poor, the EC proposed in December 2002 the following additional package of enhanced measures in favour of developing countries:

For market access:

- A "food security box". In order to facilitate the implementation of further tariff reductions and to meet the developing countries' concerns on sensitive agricultural crops, a Special Safeguard instrument should be extended to developing countries in order to ensure food security. Substantially lower commitments should be agreed if this is necessary for developing countries to attain their legitimate objectives regarding food security and other multifunctional concerns
- No less than 50% of developed countries farm imports from developing countries at zero duty
- Duty-free and quota-free access for all imports from Least-Developed Countries (LDCs) into developed and advanced developing countries.
- A significant reduction of tariff escalation on products of particular interest to developing countries by reducing the level of tariff protection (both ad valorem and specific).

For domestic support :

- The possibility to support their agricultural sector for developmental reasons. This would imply that such support would not count as trade-distorting support.

Special treatment:

- Lower reduction rates and a longer implementation period. The EU proposes that the new commitments be implemented over six years for developed countries and ten years for developing countries commencing in the year 2006.

FURTHER CONCESSION IN FAVOUR OF DCs

- In January/February 2003, the UE tabled a substantial further proposal in favour of developing countries which consist in eliminating export subsidies on a list of products of interest to developing countries, if other forms of export subsidisation (export credits, abuse of food aid, state trading enterprises) are equally disciplined. However, in the year since EU made this proposal, no country has come forward with proposal of products.
- On the 9th May 2004, Pascal Lamy and Franz Fischler have sent a letter to their WTO counterparts. In the letter the EU outlines three areas where it is ready to make further movement: and particularly regarding agriculture: 1) the EU is ready to put on the table all export subsidies, provided the EU gets full parallelism and a balanced overall package on agriculture, and 2) a package on concessions for the poorest and weakest WTO members, essentially G-90, who should have the "Round for free". The letter has received positive feedback from most WTO members and is considered as an important contribution to relaunching the negotiations. This first offer fulfils completely the point b) of the Commitment VI

MAIN ACTIONS TAKEN

INTEGRATION OF THE LEAST DEVELOPED COUNTRIES (LDCs) INTO THE WORLD ECONOMY - THE "EVERYTHING BUT ARMS" INITIATIVE

Taking the lead in opening its markets to the Least Developed Countries (LDCs), the EC has adopted the "Everything but Arms" (EBA) initiative. This follows the first Ministerial Conference of the WTO held in Singapore in 1995 where developed countries pledged to further open their markets to exports from LDCs. The EBA initiative is in force since March 2001, and ensures unrestricted access for all products (except arms and ammunition) from the LDCs to the EC market, which is the most important export destination for the LDCs. Even the three most sensitive products - rice, sugar and bananas - were included, but are to be progressively liberalised between 2006 and 2009 the latest, depending on the products.

The EC will complement this action by measures to increase the export capacity of the LDCs and improve their ability to integrate into the multilateral trade regime.

THE GENERALISED SCHEME OF PREFERENCES (GSP)

Since the adoption of the enabling clause in 1971, the EC has granted autonomous trade preferences to imports from developing countries under the GSP. The present regulation governing the GSP entered into force in 1 January 2002 and will cover the period until the end of 2005 (it has been decided to extend the regulation for an extra year, 2005). Beneficiary countries are developing countries, economies in transition and a number of dependent territories. Given its non-reciprocal

nature, GSP is of particular interest for some 90 countries, which do not benefit from trade preferences under a preferential trade agreement with the EC.

The GSP provides tariff reductions without quantitative limitations. Reductions are modulated according to the sensitivity of products. While non-sensitive products enter the EC market duty free, the MFN duty rate of sensitive products is reduced by a flat rate of 3,5 percentage points.

The EC's GSP offers additional tariff reductions under special incentive arrangements, which are meant to protect, labour rights and the environment. The special incentive arrangements for the protection of labour rights are available for countries complying with the "core labour standards" referred to in the 1998 ILO Declaration on Fundamental Rights and Principles at Work, while the special incentive arrangements for the protection of the environment require compliance with international standards on sustainable management of tropical forests. The additional preferences under the special incentive arrangements are, at least, of the same extent as those available under the general arrangements.

The GSP provides for special arrangements to combat drug production and trafficking (the "drug regime"). The beneficiary countries of the drug regime are Bolivia, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Pakistan, Panama, Peru, and Venezuela.

The drug regime provides duty free market access for all industrial products (chapters 25 to 97 of the CCT, except 93) included in the general arrangements and classified as sensitive. It also provides duty free access for some agricultural products (chapters 1 to 24 of the CCT), which are included in the general arrangements and classified as sensitive. Moreover, it grants duty free access for certain agricultural products that are not covered by the general arrangements.

The most favourable treatment under the GSP is granted to LDCs that under the so-called EBA arrangements ("Everything but Arms") benefit from duty-free and quota-free access for all exports to the EU (see above).

ECONOMIC AND TRADE CO-OPERATION WITH ACP COUNTRIES

The special trade relations between the ACP group of States and the EU are set out in the [ACP-EU Partnership Agreement](#), signed in Cotonou on 23 June 2000. Based on non-reciprocal trade preference since 1975 that grant duty free access to nearly all ACP exports to the EU market, they have long been considered a model for North-South trade co-operation. However, all in all, the results have not lived up to expectations since they have not prevented the ACP's marginalisation in world trade nor have they overcome a high level of dependency on a few commodities.

In the light of these difficulties, the ACP and EU agreed to conclude new trade arrangements that aim to better integrate the ACP into the world economy. Economic Partnership Agreements (EPAs) will be negotiated and will be designed as an instrument for development. EPAs will build on regional integration initiatives within ACP countries and will create a free trade area with the EU. They will also go beyond border measures, and address all areas relevant to trade.

The ACP and the EU opened negotiations on Economic Partnership Agreements in September 2002. Since October 2003, [regional negotiations](#) with some of the six regions (West Africa, Central Africa, Eastern and Southern Africa, the Southern African Development Community, Caribbean, Pacific) have begun.

HIGHLIGHT OF SOME SPECIFIC MEASURES

Since 2000, the EC has committed over € 2billion in trade related assistance and capacity building [see OECD-DAC database]. In the ACP region which regroups a majority of the LIFDCs, more than € 800million as been earmarked for TRA/CB over the same period, and more than € 600million are being programmed under the 9th EDF.

Under the Cotonou Agreement, trade related technical assistance and capacity building is provided to the ACP at three different levels:

- The **national level** through co-operation with individual ACP countries: overall, €10 billion are earmarked for co-operation with individual ACP countries under the first five years of the Cotonou Agreement. Infrastructure is the prime sector of concentration of our cooperation, mobilising more than a quarter of total funding. Rural development and food security have traditionally also been an important sector of intervention, in particular in the LIFDCs. Mid-term review of the 9th EDF programming is ongoing and trade is increasingly mentioned as an area for possible support mainly within a non-focal sector of the country strategy papers. It is expected that more than € 300million will be earmarked for trade related assistance and capacity building. Support will be mainly provided in relation to the WTO agenda, the upcoming Economic Partnership negotiations and the wider trade mainstreaming and enhancement objectives. Trade facilitation, SPS and TBT issues are priority areas of concern.
- The **regional level** through co-operation with groupings of ACP countries and regional organisations: The most important regional organisations with an economic integration mandate in Africa, the Caribbean and the Pacific are supported by the EC through the provision of Trade Related Technical Assistance/Capacity Building (TRTA/CB). For the first five years of the new Cotonou Agreement, €0.9 bn have been allocated for regional activities. Trade related support and notably regional capacity building in connection with the multilateral negotiations, the negotiations of EPAs and regional trade issues and integration are a focal sector of our regional support programmes in all the ACP regions, amounting to €300million, to which should be added transport facilitation and other indirectly trade enhancing programmes.
- Through **horizontal** instruments accessible to **all ACP** countries : <A €10 million programme has been designed to support ACP countries during the new multilateral trade negotiations. In the context of the EPAs negotiations, an other programme of €20 million will support the ACP. An ACP antenna in Geneva has also been opened (funded from the European Development Fund) at the beginning of 2002, to assist the ACP group to co-ordinate their positions with regard to the WTO. Besides the country and region specific programmes and the various trade and private sector development programmes funded at these levels, some thematic programmes have also been conceived at a broader, all ACP level such as:
 - The pesticides initiative programme (€ 29million) to support the ACP horticultural sector meet international SPS standards (www.coleacp.org);
 - The fisheries programme (€ 43million) to assist the ACP fisheries sector meet international SPS standards (www.sfpacp.org);
 - The institutional support to the joint EC-ACP Centre for the Development of Agriculture (CTA) which aims at improving access to technologies for increasing agricultural productivity, commercialisation, food security and rural development (www.cta.int);
 - The Special Framework of Assistance for the banana sector (a yearly amount of +/- € 60million until 2008, funded out of the EC Budget);
 - The support programme for the rum sector (€ 70million);
 - The rice support programme (€ 24million);
 - Various trade policy and trade negotiation support programmes which all include components relating to SPS and trade liberalisation issues in the agricultural sector, such as the € 10million support programme for WTO negotiations (www.mtsacpeu.org), the € 20million support programme for EPA negotiations (www.acpepa.org) and the € 50million Trade.Com institutional trade capacity building programme which will become operational by fall 2004.

- The EC has launched in 1999, in co-operation with **FAO** and the **WTO**, a programme for *Training ACP Countries in Multilateral Trade Negotiations in Agriculture.*” **Five Regional Seminars** were held in different locations reaching a total of **312 participants** from **62 ACP countries**. After the Summit at **Doha**, this Programme is being updated in co-ordination with FAO. Given its positive impact it will be extended to other food security priority countries.

COMMITMENT 5

Measures taken to prevent and to be prepared for natural and man-made disasters. Please give details of strategies or initiatives undertaken with respect to

- a) **Institutional arrangements for early warning and advance information on possible emergencies**
- b) **mechanism in place to combat disasters and to provide rehabilitation for people affected**
- c) **measures taken to link post –emergency relief operations to development programmes**
- d) **watershed management strategies put in place**

Disaster preparedness and early warning. The EU disaster preparedness policy

Natural hazards such as earthquakes, volcanic activity, landslides, tropical cyclones, floods, drought, and other hazards have caused major loss of human lives and livelihoods over the past few decades. These natural disasters also destroyed economic and social infrastructure and created huge environmental damage. According to the Red Cross, more than 200 million people have been affected by natural disasters or technological accidents every year since 1990. More than 60,000 people on average were killed each year, most of them in the poorest countries. A steep increase of hydro-meteorological disaster events (floods, tropical storms, droughts) since 1996 poses a particular threat to millions of people in those countries. Many scientists assume that this trend will continue and could even become stronger due to climate change and world population growth. A dramatic increase in the number of people affected by natural disasters can be expected over the next few years.

In view of the need to find an adequate response to the increase in natural disasters the EC decided in 2003 to reinforce its disaster preparedness policy. The EC had been active in disaster preparedness through its DIPECHO programme since 1996 - based on article 2f of Regulation (EC) no. 1257/96 on Humanitarian Aid. Its new strategic orientation rests on three pillars: DIPECHO, mainstreaming and advocacy.

The DIPECHO (acronym for "DIaster Preparedness ECHO") programme was launched in 1996 to help prepare populations in areas at risk from natural catastrophes and to support practical measures to reduce such risks. An average of about €8 million worldwide are allocated through DIPECHO each year. DIPECHO funds support training, capacity-building, awareness-raising and early-warning projects as well the organisation of relief services. The programme has shown that even simple precautions can help save lives and property when disaster strikes. The funds are directed through ECHO and implemented by aid agencies working in the regions concerned.. In 2003, €12 million were available (+50% compared to previous years).

Mainstreaming disaster preparedness measures into relief operations.

Where appropriate, disaster preparedness measures are to be integrated into "classical" relief operations, particularly where DIPECHO is not present. Examples of such activities include training affected populations in building earthquake resistant housing after earthquakes (El Salvador and Peru), training in water quality control after floods (Indonesia), emergency cholera prevention and treatment (Somalia), food security monitoring and early warning (Ethiopia, Central America), cholera preparedness (Tanzania). These activities are undertaken as an integral part of ECHO programmes in areas affected by ongoing humanitarian crises. The establishment of suitable crisis information, alert and rapid damage assessment systems for the humanitarian community can also be considered as mainstreaming.

Advocacy towards mainstreaming disaster preparedness into development cooperation. The EC has reinforced its efforts to convince development donors to mainstream disaster preparedness activities in their programmes. As a key donor of external assistance, the European Community has a vital interest to prevent disasters from happening or to mitigate their effects.

ECHO also runs an internal early warning system to monitor the disaster situation worldwide (Conflicts, earthquakes, floods etc.) on a daily basis (ICONS: Impending Crisis Online Knowledge Management System).

B) Mechanisms in place to combat disasters

The Community's Humanitarian Aid Office, ECHO provides assistance on a non-discriminatory basis to populations of third countries that are affected by disasters both man made and natural and to those affected by conflicts. ECHO upholds to provide this assistance solely determined on the basis of needs and not be subject to political considerations. ECHO also aims to assist affected populations to return to self-sufficiency. To this end ECHO is actively involved in implementing the linkage between relief, rehabilitation and development (LRRD). The Office also works at promoting disaster preparedness (see above).

The global humanitarian situation in 2003 remained bleak. Civilian populations continued to be the prime target and victim of violent conflicts, with Asia and Africa being the continents most afflicted. The number of internally displaced persons (IDPs) world-wide remained at 25 million in 2003. Although the number of refugees dropped in absolute terms after the return of 2 million civilians to Afghanistan, bringing the total number down to 10.4 million, this did not mean a reduction in humanitarian needs, as returnees and not just IDPs and refugees required humanitarian assistance.

With respect to natural disasters, the IFRC World Disasters Report 2003 concluded that, globally, the number of natural disasters has significantly increased during the last decade, with famine being the single greatest cause of death. Although the number of deaths reported globally due to natural disasters has decreased, the number of people affected has risen, thus causing greater humanitarian needs.

In 2003, ECHO continued to focus on areas of greatest humanitarian needs as identified in its global needs assessment: in Africa - Horn, Great Lakes, West Africa and Southern Africa – as well as in certain parts of Asia, notably Iraq and Afghanistan. In addition, the humanitarian situation in the Middle East continued to deteriorate dramatically. ECHO has continued to pay specific attention to forgotten crises and forgotten needs, such as in North Korea. ECHO remained committed to promoting cross-cutting issues such as LRRD, disaster preparedness and children. As a result of the onset of sudden and unforeseen crises as well as the worsening of already existing ones the initial budget of the office had to be reinforced from an initial € 441.7 million to € 600.7 million. ECHO

had to adapt its work programme quickly to the new situation provoked by man-made or natural disasters. By way of example, ECHO had to increase its response following the outbreak of war against Iraq and of hostilities in Liberia, the outbreak of the Ebola virus in Congo Brazzaville and the emergence of urgent nutritional needs in North Korea. ECHO also responded quickly to natural disasters such as the earthquakes that struck Algeria in May with some 4 000 people killed and south-eastern Iran (Bam) in December with more than 40 000 people killed, a further 30 000 injured and 45 000 made homeless.

ECHO also played an active role in promoting the humanitarian principles of impartiality, neutrality and independence, both within the context of the Convention and the international debate about the use of military assets to secure the delivery of humanitarian aid. ECHO's overall objective in these debates was to ensure an independent "humanitarian space" in crisis situations and that the dignity of populations in humanitarian disasters could be preserved.

The following table gives an overview of the **geographical distribution** of decisions for humanitarian aid adopted in 2003 (amounts in '000's of Euro):

Unit/Region	Amounts	% (rounded)
Echo-1: Africa, Caribbean, Pacific	225,285	38 %
Horn of Africa	50,700	
Great Lakes	88,000	
West Africa	33,185	
Caribbean, Pacific, Indian Ocean	1,400	
Southern Africa	52,000	
Echo-2: Eastern Europe, New Independent States, Mediterranean, Palestinian Territories	94,003	16 %
NIS (Chechnya, Caucasus, Tajikistan, ...)	39,200	
Western Balkans	7,660	
Palestinian Territories	38,000	
Mediterranean countries	9,143	
Echo-3: Asia, Iraq, Latin America	224,199	37 %
Asia	116,949	
Middle East/North Africa	97,139	
Latin America	10,111	
Dipecho- Disaster Preparedness	12,000	2 %
Thematic funding	23,196	4 %
Technical Assistance (experts & Imprest Accounts)	16,917	2 %
Support Expenditure (audits, evaluation, information & communication, ..)	4,749	1 %
TOTAL 2003	600,349	100 %

C) LRRD

According to the European Commission, linking Relief, Rehabilitation and Development ('LRRD') should become a priority for external relations and development co-operation.¹⁴ LRRD is not easy to measure as it is not only influenced by the willingness of other donors to engage in the process but also because the overall situation in a country may be more or less conducive to a transition from humanitarian relief to long-term development cooperation.

¹⁴ Communication from the Commission to the Council and the European Parliament: Linking Relief, Rehabilitation and Development – An Assessment (COM(2001) 153 final of 23.4.2001).

Significant progress has been made in 2003. ECHO's phase-out from Macedonia, Serbia, Armenia, Kenya, and Mexico was completed as foreseen. Partial phase-outs or sectoral handovers have been achieved in Afghanistan (health sector), Cambodia (de-mining sector), Colombia (IDPs), DR Congo (health sector), India (education), Malawi (nutrition), Sierra Leone (health), Sudan (water and sanitation), and Tanzania (food aid). Set-backs such as in Eritrea were compensated by improvements in other places that were not foreseen in early 2003 such as in Malawi or Kashmir.

COMMITMENT VI

Measures taken to promote optional allocation and use of public and private investments to foster human resources, sustainable food, agriculture, fishery and forestry systems.

Developed countries are requested to report as appropriate on measures taken

- a) towards the fulfilment of the agreed ODA target of 0.7% of GNP and to ensure that the flow of concessional funding is directed to economically and environmentally sustainable activities;
- b) to focus ODA towards countries that have a real need for it, especially low-income countries
- c) to intensify the search for practical and effective solutions to debt problems and support the initiatives to reduce external debt of Heavily-indebted Poor countries (HIPC).

The Monterrey Consensus, adopted by the International Conference on Financing for Development (FfD) in Mexico, 18-22 March 2002, concluded with a number of critical commitments "*to address the challenges of financing for development around the world, particularly in developing countries.*"

The European Union, which as a collective is responsible for more than 50 % of the worldwide Official Development Assistance (ODA), contributed significantly to the overall positive outcome of the Conference and defined its contribution to the FfD process in eight explicit commitments, adopted at the European Council in Barcelona on 14 March 2002. In these commitments the EU pledged to:

- examine the means and timeframe for each EU Member State to reach the UN target of 0.7% ODA of Gross National Income (GNI), with an intermediary target of 0.39% by 2006, by which year the Member States should reach the target of at least 0.33% of GNI individually;
- improve aid effectiveness through closer coordination and harmonisation, and take concrete steps to this effect before 2004;
- take measures with regard to untying of aid to Least Developed Countries (LDC);
- increase its Trade Related Assistance (TRA);
- support the identification of relevant Global Public Goods (GPG);

- support reforms of the International Financial Systems and strengthen the voice of developing countries in international economic decision-making; and
- pursue the efforts to restore debt sustainability in the context of the enhanced Heavily Indebted Poor Countries (HIPC) initiative.

The EU reports annually on the extent to which the EU Member States and the Commission implement the Barcelona Commitments and contribute to the FfD Process. Two reports have already been published on the state of play in the EU implementation of the Barcelona Commitments¹⁵ providing comprehensive information by commitment. These reports show that the Union remains firmly engaged in the FfD process and is on track for meeting its 2006 targets for increase in the volume of Official Development Assistance (as a share of GNI). In addition, some Member States, which have not yet met the UN target of 0.7% ODA/GNI, have chartered new steps and set a timetable for reaching this goal.

In spite of a difficult budgetary situation in many Member States, the EU countries increased their ODA in 2002 by 5.8% in real terms compared to 2001, and provided **0.35% of their collective GNI**. This was beyond expected and initially made forecasts and that amounted to an ODA/GNI ratio of 0.34 %.

ODA rose significantly in Sweden, France, Greece and Italy compared to 2001, and also increased in Belgium, Finland and Portugal, while it decreased in Austria, Denmark, the Netherlands, Spain and the United Kingdom. ODA fell markedly in Austria (by -8.4 %) and Spain (by -10.3.%) compared to their 2001 levels, which had been boosted by exceptional debt relief operations.

The EU average ODA/GNI ratio remains above the effort of most other OECD countries, except Norway (US:0,13%, Japan:0,23%).

The roadmap to 2006 and beyond:

Assuming that current trends continue, the European Commission estimates that in 2006 all of the current Member States will have reached or exceeded the individual target of 0.33% ODA/GNI. The projected collective ODA/GNI ratio of the first 15 Member States in 2006 is 0.43

Some Member States (Greece, France and Italy) have increased the pledges for one or several intermittent years while Austria, Belgium and Luxembourg have revised their annual pledges slightly downwards. Belgium has, however, also committed itself to attaining the UN target of 0.7% ODA/GNI by 2010, and Austria remains committed to the individual target of 0.33% by 2006. Luxemburg remains well above the UN target of 0.7% for the whole period.

Ireland and France have also made strong commitments for which year the UN ODA target of 0.7% of GNI should be reached (Ireland by 2007 and France by 2012). Finland has extended its perspective to 0.44 % by 2007. Denmark will gradually reduce its assistance year-by-year, but will remain above 0.8 % of GNI.

¹⁵ “ *Monitoring the Barcelona Commitments* SEC 2003, (569), 15.5.2003 and “*Translating the Monterrey Consensus into practice: the contribution by the European Union, COM(204) 5.3.2004*)

The data available for new Member States, which have joined the Union on 1 May 2004, indicate that they provided 0.03% of their collective GNI in ODA in 2002. This may appear far off the targets for ODA/GNI ratios as set by the Barcelona commitments. It must however be kept in mind that the acceding countries face special constraints and most have a GNI per capita which puts them in the Part II of the OECD/DAC classification. All acceding states have nevertheless started to make the transition to becoming donors and shoulder the part of the '*acquis communautaire*' relating to development policy, including the Barcelona Commitments. Initially, most of the ODA from the acceding countries will be provided through the contributions to the EC (via the EU budget and the European Development Fund) and their contribution to multilateral institutions. The transition to also providing additional bilateral aid will be gradual and differentiated, and will depend on the starting point of each of the countries concerned.

Calculations on the basis of current studies suggest that the ten new member countries would increase the ODA contribution from 0.03% of their collective GNI in 2002 to 0.11% in 2006. This would represent more than tripling the nominal amount (from €107 million to a projected €389 million).

If the calculations outlined above hold true, the EU as a whole will provide 0.42 % of its collective GNI in ODA by 2006, or €38.5 billion. Thus, the Union would actually exceed the Barcelona targets, in spite of the changing landscape for development policy due to the 2004 enlargement. In comparison, the OECD/DAC estimates that the DAC average will be 0.28 ODA/GNI

Accrued focus of EU assistance on poverty reduction and sustainable development and on those countries that have a real need for it, especially low-income countries:

Poverty reduction is the primary aim of the EC development Policy as set out in the Commission and Council Joint Statement of November 2000¹⁶.

It should be noted that the eradication of poverty in developing countries is one of the three main objectives of the EC development policy in the Amsterdam Treaty (art 177) together with two other goals: the sustainable economic and social development of the developing countries, and more particularly the most disadvantaged among them, as well as the smooth and gradual integration of the developing countries into the world economy.

The EC approach has been to pay particular attention to the least developed countries (LDCs), other low income countries (LICs) and middle-income countries (MICs) with large poor populations (where more than 20% of the population live with less than 1\$/day). This has been reflected on EC resource allocation.

Resource allocation for the 9th EDF was determined according to methodology (agreed with Member states in November 2000) based on needs and performance. The former include population, GNP per capita and indicators of social development. Following the calculation of needs and performance, the country's vulnerability was also taken into account. The overall result was the earmarking of 89% of the 9th EDF funds to LDCs and LICs.

Furthermore, since the end of 1990s, the EC has placed poverty reduction at the centre of country strategies. The main instrument to promote this are the CSPs, which are based on national

¹⁶ Joint Statement on EC Development Policy, Council and Commission, 10 November 2000

development strategies and on PRSPs where appropriate (the latter in cooperation with the IMF/World Bank). This implies greater support for agreed public expenditure plans which are focused on poverty reduction.¹⁷

As part of its commitment to increasing the impact of its assistance, the Community has committed to pay particular attention to the situation of the least developed and other low-income countries. In 2000, 59% of EC bilateral ODA went to these categories of countries; the bulk of the rest (35%) went to lower middle income countries¹⁸.

Debt relief

The Barcelona commitment is to pursue the EU efforts to restore debt sustainability in the context of the enhanced Heavily Indebted Poor Countries (HIPC) initiative, so that developing countries, and especially the poorest ones, can pursue growth and development unconstrained by unsustainable debt dynamics.

Already by May 2003, all the current Member States of the Union had made the necessary provisions to ensure their own participation in the HIPC initiative. They also all go or have committed going beyond the requirements of the HIPC scheme by providing 100% debt relief on their pre-cut off date claims towards HIPC countries. Three of the acceding countries have also made a contribution to HIPC.

ACTIONS TAKEN

Debt Relief

The **European Community** has strongly backed the **Heavily Indebted Poor Countries (HIPC) Initiative** since its inception in 1996 and fully supports the enhancement mechanism agreed at the G7 Summit in Cologne in 1999. In December 1999, the Joint ACP-EU Council decided to grant extraordinary assistance for ACP countries totalling €1.028 billion. In a separate agreement assistance was provided (€54 million) to Asian and Latin American countries. **In total the Community assistance managed by the European Commission is of €1.08 billion.**

Part of the assistance to **ACP** countries is channelled through the HIPC Trust Fund which is managed by the World Bank. The European Community contribution, one of the largest, is to finance the partial cancellation of eligible countries' debt incurred with the African Development Bank (AfDB). The remaining part is geared to cancelling a sizeable portion of Community loans to ACP countries that were administered by the European Investment Bank (EIB) and it is managed by

¹⁷ The EU has been particularly active in the preparation of Poverty Reduction Strategy Papers (PRSPs), a concept launched by the World Bank to provide a framework for mainstreaming poverty reduction in government and donor policies and to ensure donors co-ordination.

¹⁸ OECD DAC peer review of EC aid, 2002.

the EIB itself. **The support to the HIPC Trust Fund amounts to €680 million of which €500 million have already been released. The support through the EIB amounts to €348.97 million, of which €200 million have been released.**

The European Commission is currently preparing a proposal, which has already received the agreement of the EU-ACP Council of Ministers for the full settlement of the Community Special Loans. The proposal will further increase the contribution of the European Community to the Initiatives by €60 million.

By the end of December 2001, of a total of 42 HIPC countries, 24 countries, among which 20 are in sub-Saharan Africa and 4 in Latin America, had attained **Decision Point** (*i.e.* eligible for interim debt relief). Among them, Uganda, Bolivia, Mozambique and Tanzania have attained **Completion Point**, thus starting full debt relief.

The HIPC initiative is closely linked to the formulation of Poverty Reduction Strategy Papers (PRSP). It is expected that the **savings** will be used for **poverty reduction** priorities identified in PRSPs. In all cases this has had a substantial component for **basic health and education** services.

The World Bank estimates that **social expenditure** in qualified HIPC countries will increase by €2 billion (\$1.8 billion) between 2001 and 2002. During that period social expenditure is expected to increase by 1 percentage point of GDP – from 5.8% to 6.9% - and will reach 40% of total revenues, compared to 35% before debt relief.