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

**Annual Report 2005 on the European Community's Development Policy and the
Implementation of External Assistance in 2004**

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A. EXECUTIVE SUMMARY

Introduction

This Annual Report presents the key features of the European Community's policy initiatives and activities in the field of development co-operation and external assistance in 2004. It aims to reach a wide audience, including the institutions of the European Union, key groups in the Member States (especially Parliaments and administrations), civil society and the general public, who all help make this important effort possible, as well as partner developing countries, and other agencies and organisations active in the area of development and external assistance.

The European Union holds a unique status on the international stage and among the donor community. It is the world's largest donor, as it accounts for more than half of the world's official development assistance. The Commission itself manages +/- 11% of the world total, having spent over € 6.9 billion in 2004. That means that the European Commission manages one fifth of the Official Development Aid (ODA) delivered by the EU. Over the past four years, the Commission has been reforming the way it prioritises, organises and implements assistance projects and programmes abroad, so as to make more effective use of funds provided by the European taxpayer. A special Eurobarometer¹ survey carried through in 2004 confirms that the European public expects the European Union to play a central role in development. 6 out of 10 European citizens believe that the European Commission helps poor people in developing countries – a goal that 9 out of 10 recognize as important.

In the major crises and natural disasters we witnessed in 2004, the European Commission played an important role, responding with emergency assistance when required, as well as continuing aid efforts in the regions which underwent crises in previous years. This support in the search for peace, stability and reconstruction in countries such as Afghanistan, Timor-Leste, Democratic Republic of Congo, Haiti and Fiji, and the efforts towards economic growth and reduction of poverty in countries such as Uganda, Vietnam or Rwanda, bear witness to the Commission's vital role in the world today.

2004 was also the year of the EU enlargement, which has had a major impact on the Union's external relations. The Commission has supported the active participation of the new Member States in EU development policy through a "Road Map" programme adopted in 2003 which has continued and expanded in 2004-2005. The effects of enlargement go well beyond the Union's immediate vicinity – it marks a

¹ http://europa.eu.int/comm/public_opinion/archives/ebs/ebs_222_en.pdf

significant increase in the Union's importance in global efforts to promote peace and stability, foster world trade, and fight poverty.

Objectives set and underlying analyses

The key development objectives for 2004, in the framework of sustainable growth, were set out in the Commission's 2004 Annual Policy Strategy². These included:

- Follow-up to the World Summit on Sustainable Development (WSSD), particularly through the EU initiatives for Water and for Energy;
- Successful completion of the Doha round and other important trade negotiations, including South East Asia and Latin America;
- Implementation and revision of the Cotonou Agreement with African, Caribbean and Pacific countries;
- Progress with implementing the debt initiative, and with measures in the global fight against communicable diseases in developing countries.

A further objective for 2004 was the preparation for the High-Level Event in New York in September 2005, for which an EC MDG report was launched in October 2004, suggesting that specific EU measures shall be prepared in the areas of Finance for Development, Coherence for Development and Focus on Africa.

a) The political dimension

The main objective of Community development policy must be to reduce and eventually, to eradicate poverty. This objective entails support for sustainable economic and social and environmental development, promotion of the gradual integration of developing countries into the world economy and a determination to combat inequality.

The European Commission continued to support countries in the fight against poverty, and to encourage their efforts to foster peace, security and democracy, as well as to promote the rule of law, good governance and the respect of Human Rights, all of which are key factors for development.

The European Commission took steps in 2004 to promote human security, which relies both on strategic security and political stability on the one hand and on good governance and Human Rights on the other hand. This innovative people-centred approach is about turning formal rights into concrete access possibilities: on top of the traditional focus on protecting or defending assets, it places a specific emphasis on meeting basic needs and achieving well-being.

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b) Achievement of the MDGs

In November, 2000 the Community adopted a single overall framework to guide its development co-operation policy with developing countries³. Its objective is the reduction and eventual eradication of poverty. Since 2000, this focus has been strengthened and underpinned by a number of detailed policy statements on specific areas and sectors of co-operation, particularly education and health, transport and institution-building.

Moreover, in order to establish an explicit link between development policy and the internationally-recognised goals for fighting poverty (the Millennium Development Goals, or MDGs) the Commission identified - in close co-operation with the EU Member States and international organisations such as the World Bank, the UN and the OECD - a core set of ten key indicators related to income, child malnutrition, enrolment in primary education, immunisation and other health indicators (including HIV prevalence). In 2003, the Commission started to use these indicators to assess the performance of the countries and regions where it provides development assistance. However, it should be noted that:

- Firstly, the different indicators are closely interrelated – for instance, lack of access to clean water and sanitation has not only a major impact on health, but lack of sanitation in school buildings is a strong disincentive among others for girls to go to school.
- Secondly, support may be crucial in other areas for creating the right framework for making progress in the indicators – for instance, the effective delivery of basic social services depends heavily on factors such as an adequate road infrastructure, and an effective system for public finance management.
- Thirdly, objectives cannot be achieved in conditions of chronic insecurity, and so conflict prevention has been made a key cross-cutting issue for Community external relations.
- Fourthly, further progress needs to be made, particularly among the least developed countries, to enhance statistics governance with a view to ensuring that data required can be adequately provided on a sustainable basis.

Work in this area continued in 2004. In October 2004, the Commission furthermore presented a comprehensive report on Millennium Development Goals 2000-2004⁴. The report provided information on how the EC contributed to progress towards the MDGs, with a specific focus on MDG8 (Develop a Global Partnership for Development). The report concluded that in order to strengthen the basis for real progress, generic donor action is needed on three accounts: (1) more and better finance for development, (2) enhanced policy coherence for development; (3) a specific focus on (sub-Saharan) Africa.

³ Declaration by the Council and the Commission on the European Community's development policy, 13458/00, of 16 November 2000

⁴ http://europa.eu.int/comm/development/body/communications/communications_en.htm

c) A partnership approach

Wherever possible, the Commission-funded programmes of development assistance are based on the country's own strategy to reduce poverty, set out in a Poverty Reduction Strategy Paper. These strategies should be used to co-ordinate all the support from development partners and should ensure a coherent and effective programme.

The Commission's experience in the field of external assistance confirmed that ownership by EU partners is pivotal for the efficiency and sustainability of all initiatives. By granting the beneficiary countries more responsibility, this approach contributes to enhancing their strategic and management experience, and fosters the spread of tailor-made best practices.

Actions taken to achieve these objectives

a) The political dimension

2004 saw both the consolidation and deepening of the traditional links with Africa, Caribbean and Pacific countries and the launch and promotion of an innovative partnership framework with the EU neighbouring countries.

In May 2004, the negotiations on the revision of the Cotonou Agreement were launched at the joint ACP-EU Council of Ministers in Gaborone. The overarching objective in the revision process was, while reaffirming the fundamental acquis of the Cotonou Agreement, to enhance the effectiveness and quality of the EU-ACP partnership. Steady progress in the negotiations was made throughout the year, culminating in a conference in December 2004 where Ministers reiterated their common objective to conclude the discussions by February 2005.

On 12 May 2004, the Council approved the European Neighbourhood Policy (ENP)⁵, which aims to share the benefits of the EU's enlargement with the neighbouring countries, notably by offering them a stake in the Internal Market. By strengthening stability, security and well-being for all partners involved, the ENP prevents the emergence of new dividing lines between the enlarged EU and its neighbours. The ENP stands as a realistic co-operation framework based on a common set of core values yet adapted to each partner's specific needs on a bilateral basis, through Action Plans (the first seven of which, concerning Israel, Jordan, Morocco, Moldova, the Palestinian Authority, Tunisia and Ukraine, were presented in 2004). Its ultimate objective is to create a "ring of friends" for the EU.

Conflict prevention and crisis management remained at the top of the Commission's agenda. In December 2004, a call for proposals for the creation of a conflict prevention network was launched, and a pool of experts has been created for deployment in future crisis management missions led by the EU – lessons from the EU intervention in tsunami-hit areas in late 2004 will also be drawn upon to further improve crisis management co-ordination mechanisms.

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Moreover, in 2004, African-led attempts to restore peace, funded substantially by the EC, began to yield results. The African Union (AU) inaugurated a Peace and Security Council to deploy troops to prevent genocide and crimes against humanity and to keep the peace. Peacekeepers were promptly sent to Burundi and ceasefire monitors to Darfur in the Sudan. At an extraordinary AU summit in Libya, outgoing European Commission President Prodi praised the dynamism of the AU and its impressive pace of progress to date.

In 2004, the Commission allocated a total of € 217.5 million to reconstruction in Iraq, making the Commission one of the most important donors. Funding was primarily channelled through the International Reconstruction Fund Facility for Iraq, which seeks to combat the day-to-day challenges facing Iraqis, for instance in the fields of education, health, water and sanitation.

Commitments to support the return to stability in Afghanistan amounted to € 216.5 million, and are financing both the reconstruction of roads, and the strengthening of the country's democracy through support for voter registration and the administration of elections. The EU was also engaged in activities such as border monitoring and the fight against drug trafficking, in particular providing decisive support to Afghanistan's National Drug Control Strategy.

EU support for Human Rights and democracy was strong in 2004. Election observation missions were one of the most direct and visible tools; the Commission deployed 632 election observers in Indonesia, Sri Lanka, Malawi, Mozambique, West Bank and Gaza, and Afghanistan, as well as prepared for the elections in Iraq. Financial support from the EC also allowed many African countries to continue their efforts to improve the way they are governed. Free and fair elections, partly supported by the Commission, were held in Ghana, Guinea-Bissau and Niger, while voters in the Central African Republic approved a new constitution.

In the area of international justice, targeted initiatives to strengthen the functioning of the international Tribunals for Rwanda, the former Yugoslavia, and the International Criminal Court were launched in 2004. Co-operation with the Council of Europe was the basis for actions to consolidate the rule of law and democratisation in the Balkans, Central Asia, and the Russian Federation.

The first version of a Commission handbook on Good Governance, which has been developed in consultation with Member States and partners in civil society, was field-tested in 2004. The Commission is also working with OECD donors to develop indicators in the area of governance.

Steps were taken to mainstream the rights of indigenous peoples into the programming process, with the development of a practical guide, and a contract was signed with the UN to support a project in this area in Guatemala and in Mexico. Efforts to reinforce the mainstreaming of children's rights included the launch of a training programme with UNICEF, and the establishment of an inter-institutional group. EU Heads of Mission in countries affected by armed conflict are now required to report on the impact on children, covering not only the recruitment of child soldiers, but also the effects on schools and hospitals.

b) MDGs-related initiatives

In the framework of follow-up to the WSSD, the Commission launched an innovative ACP-EU Water Facility⁶ of a total budget of € 500 million (first tranche of € 250 million agreed in 2004), which will fund proposals from community groups, private companies and other non-state actors, as well as governments. A facility on similar lines for energy projects was being prepared in 2004.

Increased trade is one of the most important instruments for moving towards the MDGs. During 2004, the Commission continued its efforts to achieve a development-friendly outcome of the Doha Development Agenda. By emphasising the development dimension, WTO General Council's decision of 1 August 2004 is a good basis to continue the negotiations, which should ultimately lead to a more level playing field for all, in particular developing countries striving to integrate into the world economy. The Commission is keen to ensure that all developing countries, especially the Least Developed Countries (LDCs) and other vulnerable and small economies, derive sizeable benefits from the Doha Round.

The mid-term reviews of the Country Strategy Papers for ACP countries, which were held in 2004, provided a timely opportunity to assess implementation of the Cotonou Agreement to date and to strengthen the focus of the strategies on co-ordination and coherence in support of the achievement of the MDGs. The quality of the planning and design of individual projects and other operations, to ensure that the lessons of the past are taken into account and that issues such as gender or sustainable development are adequately covered, has been the focus of much attention. An internal survey in 2004 largely confirmed a gradual improvement in the design of operations. Efforts are under way to reinforce the system and to develop and implement a more comprehensive quality support system. Practical steps were taken in 2004 to improve country strategies from a gender equality point of view and create awareness of the importance of gender-disaggregated data as a necessary basis for country analysis. Efforts were also made to work with Member States at field level by pooling expertise, analytical tools and best practice. Projects and programmes for more than € 770 million had promotion of gender equality as a principal or significant objective, indicating that mainstreaming is working. Support for environmental aspects of co-operation also registered well – € 700 million was the equivalent figure. In addition, the Commission played a leading role in other international initiatives such as the Global Fund for Aids, tuberculosis and malaria, and the Global Polio Eradication Initiative. The Commission adopted on 26 October 2004 the Communication on “A coherent European Policy Framework for external action to confront HIV/Aids, Malaria and Tuberculosis”⁷.

c) A partnership approach

Through the €250 million Africa Peace Facility, launched in May 2004, the EC funds peace-keeping by the African Union and sub-regional entities. This flagship partnership enabled the European Union to fulfil immediately the African Union's request for help to send a ceasefire monitoring mission to Darfur in western Sudan.

⁶ http://europa.eu.int/comm/europeaid/projects/water/index_en.htm
⁷ COM(2004) 726 final

In mid-August, the UN's Food and Agriculture Organisation (FAO) appealed to the EC to help tackle a locust invasion in West Africa. Within 35 days, the EC had transferred €24 million. It also issued a detailed plan to respond better to the needs of National Authorising Officers (NAOs), the recipient government officials who disburse the EC funds.

In March 2004, the AENEAS Programme (2004-2008)⁸, with an overall indicative budget of € 250 million, was adopted to provide financial and technical assistance to third countries in support of their efforts to ensure more effective management of all aspects of migration flows. In November 2004, the Council launched a new programme (the Hague programme) to develop the integration of security, migration and asylum issues into relations with third countries.

Management issues

a) Context: devolution process fully operational in 2004

Alongside the emphasis on a better policy focus, the Commission launched in 2000 a management reform package to improve radically the speed and quality of the delivery of its external assistance programmes. The wide-ranging reform included both the creation as from January 2001 of a single organisation to manage the external development assistance programmes (EuropeAid), and the devolution in 2001-2004 of responsibilities and resources to the Commission's offices in the field (Delegations). Devolution increased the role of the Delegations in matters such as the policy dialogue with the authorities on complex public service and governance-related reforms, and in co-ordination with other donors.

The devolution process was completed in 2004 (with a very few exceptions). The European Court of Auditors carried out in 2004 an audit of the Commission's management of the devolution exercise. It will take time for the full impact of devolution to be seen, but the Court reports that in the majority of Delegations visited, there are signs that the speed and quality of project management are benefiting from the increased capacity in the operational units. This leads to a better problem-solving capacity within the Delegation, to increased contacts with beneficiaries and to a better understanding of local conditions. The Court's recommendations match well with initiatives currently under way by the Commission.

b) Delivery of assistance

Providing aid as direct budget support wherever the conditions allow has become a priority in this context. It has many advantages over traditional forms of aid, which tend to set up parallel administrative structures with expatriate advisers and with their own procedures for monitoring, procurement and financial control. However it does require a careful assessment of the beneficiary's existing budgetary systems and plans for reform. The Commission has been working closely with other leading donors, in particular the World Bank, in the framework of the initiative on Public Expenditure and Financial Accountability (PEFA), developing ways to improve

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http://europa.eu.int/comm/europeaid/projects/eidhr/pdf/themes-migration-reglement_en.pdf

transparency and efficiency in the public financial management of beneficiary countries, and participated in 2004 in an assessment of the testing of performance indicators.

Most of the Community's assistance goes to individual partner countries, and a key part of improving the speed and quality of this assistance lies in improving the design of the country programmes. The purpose is not only to adopt the strategy which will be most effective for the country concerned, taking into account its resources and policies, but also to ensure the coherence of all the EU's policies in relation to the country strategy, and the co-ordination of EU actions with those of other donors.

The need to ensure proper co-ordination of emergency aid, rehabilitation and development aid was taken into account and is the subject of special study in eight countries and two regions.

The European Union has been at the forefront of international efforts to harmonise donor practices. In over 60 developing countries, donors are beginning to use harmonised and simplified procedures, joint analytical work, enhanced focus on delivery of development results, common implementation procedures and common arrangements for support through the partner country's budget. The EU pilot initiative launched in 2002 in order to promote harmonisation in Morocco, Mozambique, Nicaragua and Vietnam was successfully completed in 2004 as those countries have proven to become international references on the matter. The work carried out in the context of the OECD/DAC in 2004 where the Commission and the Member States played an active role, was instrumental in defining the framework, first operational targets and indicators later adopted in the High Level Forum on Aid Effectiveness in Paris, February 2005.

In order to contribute and implement those engagements the EU adopted a work plan in the General Affairs and External Relations Council of November 2004. Based on the report of an ad hoc group gathering Commission and Member State experts, this work plan, open to all donors, gives a central role to the partner country and is based on pragmatic field approach. This plan foresees four axes of work for the years to come:

- The establishment of EU road maps in every country around a menu of actions supporting local harmonisation processes
- The definition of a joint EU programming framework targeting improved complementarity
- The establishment of a Joint Financial Agreement favouring the harmonisation of procedures around the country systems
- The development of a real operational strategy on complementarity

In parallel, co-operation with the World Bank and with UN organisations has intensified, roughly doubling in financial terms between 2002 and 2004.

Since 2000, every effort has been made to ensure much wider consultation in the preparation of these strategies, and further improvements in the quality and extent of

this participation will be sought in future exercises, targeting i.a. the civil society. In 2004, the Commission continued implementing the policy guidelines based on the 2002 Communication on the participation of non-state actors (NSAs) in development policy, through regular dialogues both on general issues and sectoral ones; financial support to implement their own initiatives and to act as ‘implementing partners’ in EC co-operation programmes; or awareness raising in the ten new EU Member States. Moreover, last year the Guidelines on principles and good practices for the participation of NSAs in dialogues and consultations on development were published⁹.

The Commission seeks to improve the efficiency and impact of its programmes by increasing the focus on a limited number of areas of intervention, and by avoiding the dissipation of its aid in a large number of small unrelated projects. Special attention is paid to maintaining a balance between commitments and payments (the “Reste à Liquider”, or “RAL”) and to monitoring the average time taken to complete a project or programme. Projects which appear not to be progressing smoothly, either because no transactions have taken place for some time, or because the accounts have not been closed after five years, are examined individually.

c) Future prospects: rationalisation of legal instruments

Our external assistance programmes have developed over nearly fifty years. They are based on more than 30 different legal instruments, some thematic (such as food security and Human Rights), some geographical (with aid to ACP countries separate from the main Union budget). There are also some specific instruments which cover the external impact of internal policies. Managing these various programmes in an efficient and co-ordinated way has become increasingly difficult and has made our aid activities needlessly complicated, not least for the beneficiaries. In September 2004, the Commission therefore proposed a significant simplification of the instruments in order to achieve better results with the available resources.

Results obtained and lessons learnt

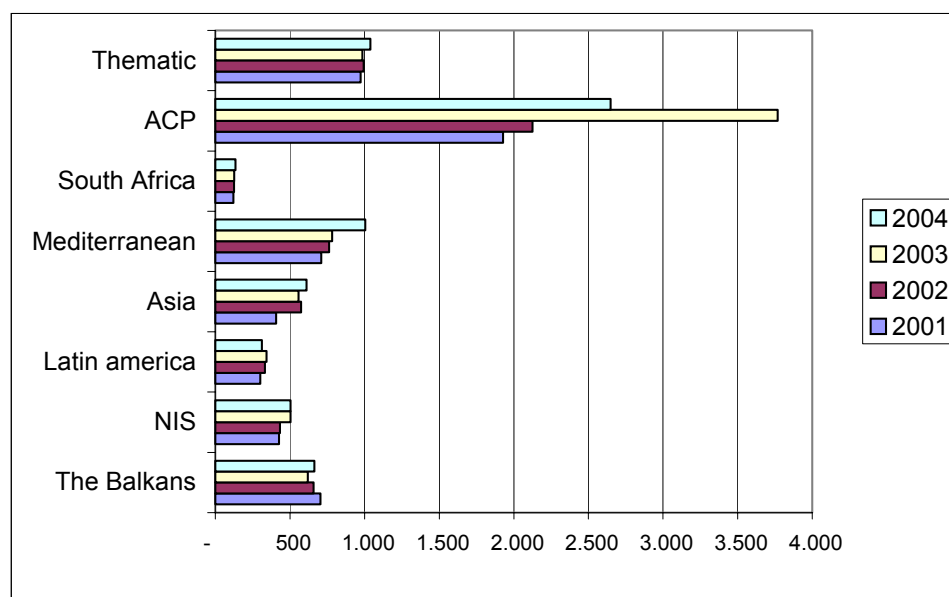
a) Budget implementation and new commitments

The overall level of budget implementation remains high, and the steady improvement in financial performance over the last few years continued in 2004. While total commitments (€ 6.916 billion) were lower than in 2003, the difference is explained by the very high level of commitments of the European Development Funds (EDF) in 2003 (which resulted from the late ratification of the 9th EDF, and an unusually large number of actions which were delayed until the new finance became available). In 2004, commitments from the budget (€ 4.268 billion) once again reached record levels. Payments reached €6.211 billion, a substantial increase on the previous year and almost a billion euros higher than in 2002, reflecting better performances both for the budget and for the EDF.

⁹ http://europa.eu.int/comm/development/body/tmp_docs/guidelines_principles_good_practices.en.pdf

Resources managed by EuropeAid: Official Development Aid (ODA), Official Aid (OA) and other¹⁰.

EuropeAid - Evolution of Regional breakdown 2001-2004. Commitment - € Million)

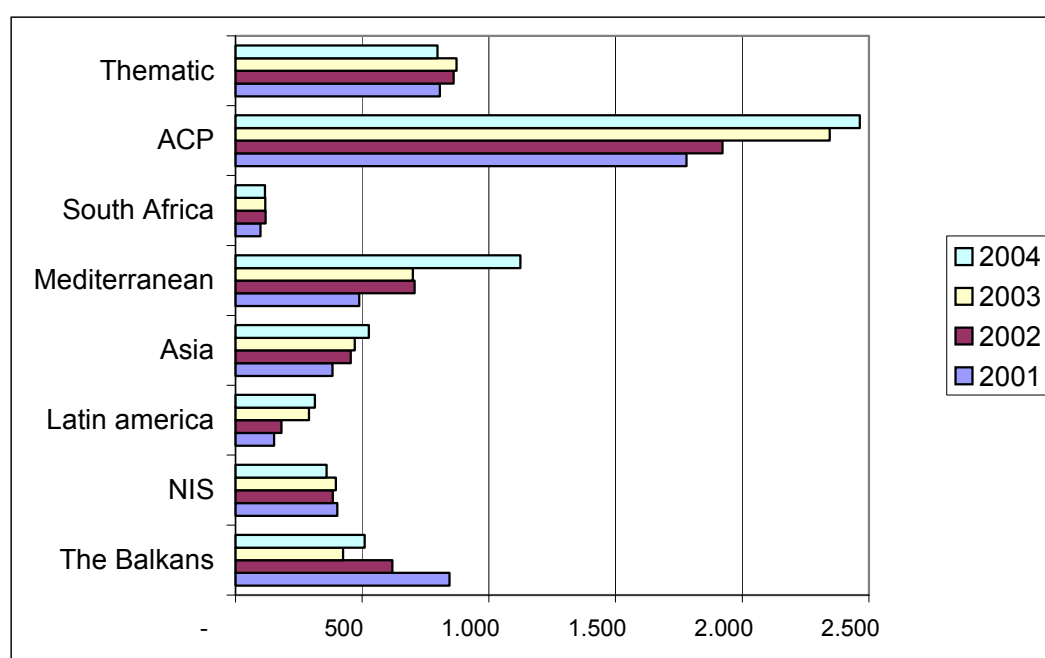


	The Balkans	NIS	Latin America	Asia	Mediterranean	South Africa	ACP	Thematic	Total
2001	705	426	301	407	709	121	1.927	972	5.568
2002	658	432	333	575	762	124	2.125	993	6.002
2003	620	504	342	558	782	127	3.769	985	7.687
2004	663	504	312	611	1.003	135	2.648	1.039	6.916

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These figures do not include resources managed by other DGs, such as ECHO, ECFIN, FISH, etc.

EuropeAid - Evolution of Regional breakdown 2001-2004. (Payments - € Million)



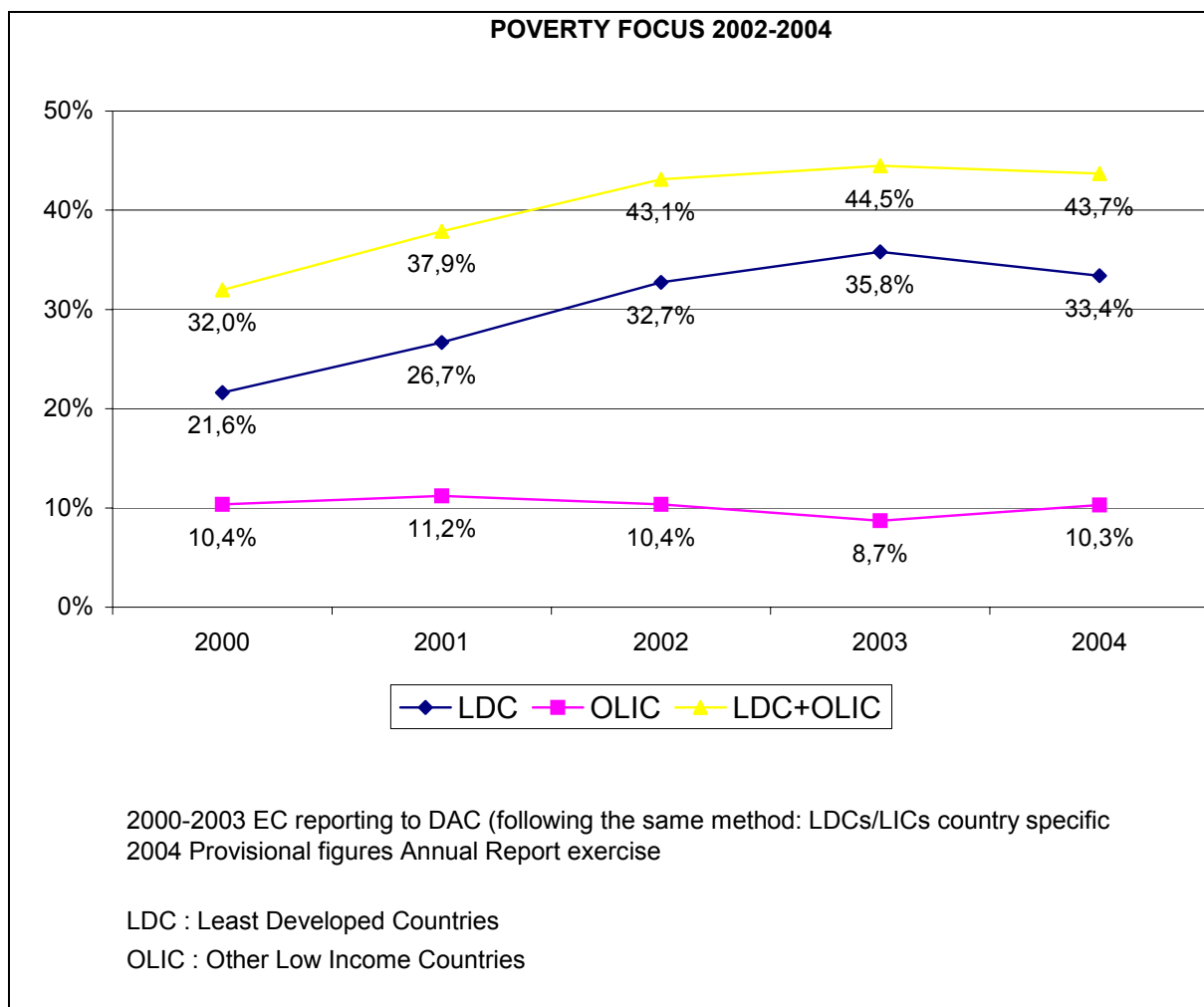
	The Balkans	NIS	Latin America	Asia	Mediterranean	South Africa	ACP	Thematic	Total
2001	845	402	152	383	488	99	1.779	806	4.954
2002	619	384	182	455	707	119	1.922	861	5.249
2003	425	396	290	470	700	118	2.345	872	5.616
2004	510	359	314	526	1.125	116	2.464	797	6.211

What conclusions can we draw from these figures?

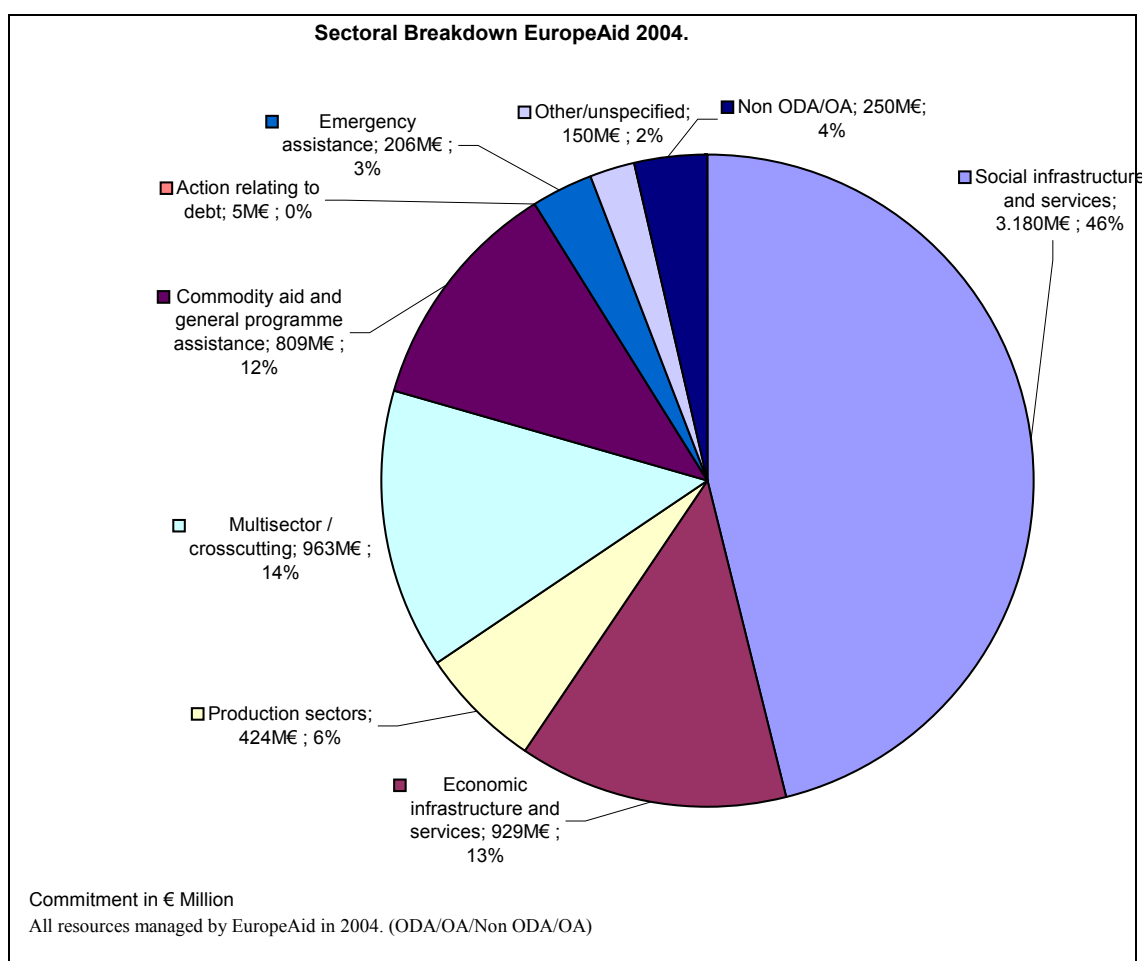
- Firstly, the improved overall performance has been achieved while the process of devolution was taking place – the management of aid in the field has contributed considerably to speeding up commitments and disbursements;
- Secondly, the speed of delivery is still improving – the ratio of payments to commitments shows that the Commission is increasingly able to turn commitments into action in the field, in a shorter time;
- Thirdly, our flexibility for responding to unexpected crises and unforeseen needs is diminishing – no longer can unused resources in one area of the Union's budget heading for external actions be used to meet needs in another, because all the funds available are being used.

In Africa, Caribbean and Pacific (ACP) countries, commitments just missed their target in 2004 because conditions in two countries were not sufficient for the commitments to be approved. However, forecasts suggest that all the available allocations in the European Development Fund for ACP countries will be committed by 2007. Payments from the EDF again reached record levels in 2004. In the

Mediterranean programme (MEDA), progress was impressive, with a 22% increase in commitments and a 60% increase in payments. Commitments and payments also rose (6% and 20%) in the CARDS programme for the Balkans and in the Asia programme (9% and 12%). In the Eastern Europe and central Asian countries covered by the TACIS programme, while the commitments maintained the high level reached in 2003, payments fell due to the late signature of financing agreements by several partner countries. In Latin America, payments improved again, but commitments declined slightly.



Spending on the low-income and least developed countries went up again, to about €2.9 billion. As a percentage of total payments, it fell slightly, but remains at about 45%.



A high proportion of the new commitments (over one third) went to specific projects giving support for social infrastructure and services, including basic health and education. Nevertheless, sound economic policies are probably the most powerful engine for the reduction of poverty, and the increasing focus on assistance in the form of budget support is set clearly within this framework, often linked to sectoral reforms to support the social services.

In relation to achieving the MDGs, Africa has been referred to as “the epicentre of the crisis”. While there were grounds for optimism during 2004 – poverty rates are falling in several countries, and access to healthcare and education is widening – severe problems of poverty, conflict and instability remain, and the Commission continued in 2004 to seek new ways to increase the impact of its co-operation, consolidating African-led solutions to the continent’s problems by funding the Africa Peace Facility and the Water Facility, and continuing to take the lead on budget support.

In Asian countries, 11 projects with a total value of € 180 million committed during 2004 will support the fight against poverty, for instance the Economic and Social Relaunch project in Cambodia (€ 25 million), the Poverty Reduction Support Credit in Vietnam (€ 20 million), and sector support for basic education in Indonesia (€ 20 million). In fact, the Commission is contributing to improving access to education in eight Asian countries, particularly for girls and disadvantaged groups of children such as those from minority groups, those with disabilities, and street children. Concerning universal access to quality health care, which is a key aspect of the

MDGs, projects worth over € 100 million are helping countries either to develop sector reforms to improve health care delivery, or (in countries emerging from conflict such as Afghanistan and Timor Leste) to ensure basic health services to poorer sections of the population.

In regions such as the Mediterranean and Latin America, where the majority of countries are considered as being in the middle-income category, it is nevertheless the case that their present level of development, sometimes combined with weak economic growth, demographic pressures, economic reforms and controversial governance require interventions which focus on the fight against poverty and improving governance. In this context, support is provided for instance to primary education in Nicaragua and primary health systems in Bolivia. Several projects aim at empowering the poor and specific disadvantaged groups. The MEDA programme aims to promote sustainable economic and social development by eradicating poverty in the region. Prospects for better regional co-operation and improved economic growth increased in 2004 with continuous progress in the trade negotiations towards creation of the free trade zone with the Mediterranean region, and new and promising poverty alleviation initiatives focused on decentralised local development have been launched. Similarly, new initiatives in favour of the strengthening of democracy, Human Rights and a major involvement of civil society are also being developed. A good example of such projects in Latin America is the ongoing reform of the Justice System in Peru or region-wide introduction of food security programme, which contributes to the reinforcement of gender equality through giving land tenure to women, as well as improving the functioning of the regional institutions.

b) Results, effectiveness and impact

A results-oriented monitoring (ROM) system is operated by the Commission, based on regular visits by independent experts to ongoing projects and programmes. In 2004, the system covered 117 countries, and reports were produced on 1100 projects with a total value of approximately € 7.6 billion. Projects and programmes are given scores against internationally agreed criteria. The findings show that projects and programmes monitored in 2004 performed on average 'according to plan' or better, for all criteria. In fact, the results indicate that about 90% of projects are delivering the results intended, notwithstanding timely adjustments which may be needed for a minority of projects. The emphasis on quality in the preparation of projects and programmes should ensure that the improvements in scores against all criteria are sustainable.

The best results are achieved in relation to effectiveness and impact. The first, tentative signs of efficiency gains due to devolution have been confirmed, and the fact that reports from ACP countries score less highly than other regions may be due in part to the fact that devolution has only just been completed in many of these countries, in addition to the generally difficult conditions in many of these countries. Further work is under way on the methodology of the system to derive more comparable and precise conclusions.

The results by sector indicate that relevance, effectiveness and impact are strong in relation to projects in the macro-economic and social sectors, and although food security projects did not score as highly overall, the scores against these three key

criteria were also good. This has implications for an assessment of the contribution of these projects towards achieving the MDGs.

While routine evaluations of completed projects and programmes are managed by the geographical services, a central Evaluation Unit, accountable to the Commissioner responsible for External Relations, issues guidelines to improve evaluation methodology and conducts evaluations related to strategies, sectors and themes. The texts of completed evaluation reports are made public on the evaluation section of the EuropeAid website¹¹. In 2004, 12 evaluations were completed and 13 were ongoing; in addition, two joint evaluations (the first on co-ordination, complementarity and coherence, the second on budget support) were also under way.

c) Long-term perspective

While too much emphasis cannot be put on the results of a single year, the evidence so far is that the reforms launched in the year 2000 are having a strongly positive effect. Five years on, it is time to assess the results. At the end of 2004, the Commission started a process of reflection on the implementation and impact of the Development Policy Statement (DPS) and its relevance in the light of substantial changes that have taken place both within the Union - primarily the latest enlargement - and outside its borders, including the emergence of an enhanced relationship with the neighbouring countries through the European Neighbourhood Policy, the acceleration and broadening of globalisation beyond purely trade and economic issues, the increasing international consensus on the Millennium Development Goals and the rising of security concerns. It was thus decided that a public debate was due in order to clarify the role of development policy in the wider context of the EU external action and to fully deploy its potential as the privileged policy instrument for addressing the root causes of poverty and inequality.

Secondly, the programming process can be improved in the light of the mid-term reviews. As with other donors, there is a constant and continuing need to develop our capacity to improve complementarity and integrate cross-cutting issues such as the roles of gender equality, conflict prevention and the environment in development, in addition to newer themes like security, migration and asylum. The reviews were an important opportunity to fine-tune the programmes, and noted the following areas in which improvements should be made:

- strengthening the assessment of performance against indicators (although indicator frameworks have been improved, the basis often remains weak);
- developing closer links with the initial strategy documents; and
- improving complementarity with other donors.

¹¹

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

Thirdly, the EU will need to continue to play an active part in the drive to harmonise procedures internationally, and to maintain the momentum of efforts to translate this into action at the country level. The indicators and targets developed in 2004 and adopted by the November 2004 Council are useful, but a greater effort is needed by all donors to make sure that they are actually applied.