

<b>Guidelines for the 10<sup>th</sup> EDF Mid Term Review of ACP Country Strategy Papers</b>
--

Contents	i
List of acronyms	iii
I. PRESENTATION OF THE 10 <sup>TH</sup> EDF MID TERM REVIEW	
I.1 Introduction	1
I.2 General objectives of the MTR	2
I.3 Lessons learned from previous reviews	3
I.4 Key documents	3
I.5 Main features of the JAR 2009 and the MTR	4
I.5.1 Assessment of progress in the MTR	5
I.5.2 Special considerations	6
I.5.3 Aid effectiveness in the MTR process	6
I.6 The in-country review process	8
I.7 The MTR calendar	9
II. THE JOINT ANNUAL REPORT	
II.1 JAR executive summary and conclusions	10
II.1.1 The executive summary	10
II.1.2 Conclusions and recommendations regarding the relevance of the response strategy	11
II.2 Country analysis	11
II.2.1 Update on the political situation and political governance	11
II.2.2 Update on the economic situation and economic governance	12
II.2.3 Update on the poverty and social situation	14
II.2.4 Update on the environmental situation and climate change	15
II.2.5 Update on other cross cutting issues	16
II.2.6 Joint Africa-EU Strategy	16
II.3 Overview of past and on-going cooperation	17
II.3.1 Reporting on financial performance of EDF resources	17
II.3.2 Reporting on General/Sector Budget Support	17
II.3.3 Projects and Programmes in the focal and non-focal areas	18
II.3.4 Other actions	20
II.3.5 Policy Coherence for Development	21
II.3.6 The in-country dialogue	21
II.3.7 Aid effectiveness and joint programming	21
III. THE MTR PERFORMANCE ASSESSMENT OF THE A-ENVELOPE	
III.1 General Methodology	22
III.2 Consolidated MTR assessment grid	25
IV. THE MTR ASSESSMENT OF THE B-ENVELOPE	
IV.1 Risk assessment	26
IV.2 Conclusions and recommendations	27
V. THE MTR CONCLUSIONS	28

## ANNEXES

OVERVIEW	A1
A-I GUIDANCE FOR ANNEXES TO THE JAR	
A-I.1 Template for "Country at a glance" - tables A and B	A2
A-I.2 Checklist on NSA and LA participation in the MTR process	A4
A-I.3 Models for Donor matrices (financial support + donor roles)	A6
A-II MTR ASSESSMENT FICHES (TEMPLATES)	
A-II.1 MTR assessment fiche (template) on the governance situation	A8
A-II.2 MTR assessment fiche (template) on the economic situation	A11
A-II.3 MTR assessment fiche (template) on poverty and the social situation	A14
A-II.4 MTR assessment fiche (template) on the implementation of EC Cooperation	A17

## LIST OF ACRONYMS

AAA	Accra Agenda for Action
ACP	African Caribbean Pacific
APRM	African Peer Review Mechanism
AOR	Annual Operational Review
AU	African Union
AUC	African Union Committee
BS	Budget Support
CA	Cotonou Agreement
CAB	Cabinet
CEP	Country Environmental Profile
COM	European Commission
CPIA	Country Policy and Institutional Assessment
CSP	Country Strategy Paper
CTM	Country Team Meeting
DCI	Development Cooperation Instrument
DDR	Demobilisation, Demilitarisation and Rehabilitation
DEL	EC Delegation
DG-DEV	Directorate General Development
EAMR	External Aid Management Report
ECHO	EC DG Humanitarian Aid
EDF	European Development Fund
EIB	European Investment Bank
EITI	Extractive Industries Transparency Initiative
EIU	Economist Intelligence Unit
ENPI	European Neighbourhood Policy Instrument
EPA	Economic Partnership Agreement
FLEGT	Forestry Law Enforcement, Governance and Trade
FLEX	Mechanism for short term Fluctuations in Exports earnings
FTI	Education for All Fast Track Initiative
GAP	Governance Action Plan
GBS	General Budget Support
GFATM	Global Fund against Aids, Tuberculosis and Malaria
HPI	Human Performance Index
HQ	Commission Head quarters
IMF	International Monetary Fund
IQSG	Inter-service Quality Support Group
IRAI	IDA Resource Allocation Index
JAES	Joint Africa-EU Strategy
JAR	Joint Annual Report
KKM	Kaufmann, Kraay and Mastruzzi governance index
LA	Local Authority
LDC	Least Developed Country
LIC	Low Income Country
LRRD	Linking Relief, Rehabilitation and Development
MDG	Millennium Development Goal
MS	EU Member States
MTR	Mid Term Review
NAO	National Authorising Officer
NAPA	National Adaptation Programme of Action (climate change)
NDP	National Development Plan
NIP	National Indicative Programme

*Guidelines for the 10th EDF Mid Term Review of ACP Country Strategy Papers*

NSA	Non State Actors
ODA	Official Development Aid
PALOP/TL	Portuguese speaking African countries and Timor Leste
PCD	Policy Coherence for Development
PEFA	Public Expenditure and Financial Accountability
PRS(P)	Poverty Reduction Strategy (Paper)
RAC	Reste à Contracter
RAL	Reste à Liquider
REP	Regional Environmental Profile
RIP	Regional Indicative Programme
ROM	Results Oriented Monitoring
RSP	Regional Strategy Paper
SAWL	Small Arms and Light Weapons
SBS	Sectoral Budget Support
SFA	Special Framework of Assistance for banana exporting ACP
SMART	Specific, Measurable, Achievable, Relevant, Time-bound
SSR	Security Sector Reform
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Fund
UNFCCC	United Nations Framework Convention on Climate Change
TCF	Technical Cooperation Facility
WB	World Bank
WEF	World Economic Forum
WTO	World Trade Organisation

## I. PRESENTATION OF THE MID TERM REVIEW 2010

### I.1 Introduction

The Cotonou Agreement (CA) states<sup>1</sup> that "*financial cooperation between the ACP State and the Community shall be sufficiently flexible to ensure that operations are kept constantly in line with the objectives of this Agreement and to take account of any changes occurring in the economic situation, priorities and objectives of the ACP State concerned*". In this context, the CA foresees a Mid Term Review (MTR) of the Country Strategy Paper (CSP) and the National Indicative Programme (NIP), undertaken by the partner country, represented by the National Authorising Officer (NAO), and the Commission "*in the light of current needs and performance*" and which may lead to the adaptation of the CSP "*(a) where operational reviews indicate specific problems; and/or (b) in the light of changed circumstances*". The Commission may also revise the resource allocation.

The preparation of the 10<sup>th</sup> EDF MTR coincides with the most severe, worldwide, economic and financial crisis since the 1930's. The Commission crisis response will be in two ways<sup>2</sup>:

- *Short term:*
  - The countries hardest hit by the crisis and with limited domestic response capacity will benefit from additional resources which can be mobilised and disbursed in 2009 and 2010, primarily as budget support, through an "ad hoc vulnerability FLEX" mechanism which will lead to a topping up of their B-envelope allocation. The additional allocations will be needs-driven, based on vulnerability criteria (measuring impact of and lack of resilience to the crisis) and complementarity with other sources of funding.
  - Some highly vulnerable countries with capacity for increased budget support or other quick disbursement measures in their NIPs in the short term, have also the possibility to change their strategy on the basis of an ad hoc review justified by the exceptional circumstances referred to in the provisions on humanitarian and emergency assistance<sup>3</sup>.
- *Medium/long term:* in order to ensure a continuum between these short term, needs-driven measures and more structural answers to the present crisis, the MTR has been brought forward as much as realistically feasible without compromising on the quality of the exercise (see point I.7). This will allow any possible (further) adjustments in the country strategy and allocation to be submitted for opinion to the EDF Committee in early spring 2010 and to be frontloaded to the extent possible in the commitments pipeline for 2010<sup>4</sup>. In this way the MTR remains a programmatic tool, independent of the short term concerns addressed through the vulnerability FLEX mechanism, but contributing to address the medium or long term impact of the crisis on the development priorities of the country, where appropriate adjusting the EC's response strategy, and seeking more effective ways to improve progress towards achieving the MDGs.

---

<sup>1</sup> Cotonou Agreement, Annex IV, Article 5.

<sup>2</sup> COM (2009) 160 of 8.4.2009 and note DEV(2009)2466 of 8.4.2009 on *Supporting developing countries in coping with the crisis and follow up*.

<sup>3</sup> Cotonou Agreement, Annex IV, Article 5.2.

<sup>4</sup> Article 7(1) of the 10<sup>th</sup> EDF Implementing Regulation (EC)No 617/2007 foresees the possibility in exceptional circumstances to adopt measures not provided for in the annual action programmes.

As far as African countries are concerned, the Joint Africa-EU Strategy (JAES) contains the commitment to "*work together to gradually adapting relevant policies and legal and financial frameworks, as well as relevant cooperation instruments and mechanisms, to the needs and objectives of this Partnership*". The Strategy is to be considered as a political framework to guide the EC (and Member States') programming at the continental, regional and national levels, as well as the utilisation of available financial envelopes. The current MTR is the first major opportunity to follow through this commitment by adapting the national programming to the requirements of the JAES.

The MTR offers the opportunity to mainstream in the EC and in Member State bilateral programmes the aid effectiveness principles agreed in the Paris Declaration (2005), the EU Code of Conduct on Complementarity and Division of Labour (2007) and the Accra Agenda for Action (2008). While the EU has a responsibility in delivering on the whole of the aid effectiveness agenda, it agreed in 2008 on four key priorities where it can especially make a difference: division of labour, use of country systems, predictability and management for development results.

This document does not cover the Regional Strategy Papers (RSP) and Indicative Programmes (RIP). The regional MTR will be conducted in 2010 as originally foreseen, building on the national MTR findings. Separate guidelines will be issued at a later stage. However, the national MTR will already make a first assessment of the interaction between the national and regional programmes.

## **I.2 General objectives of the MTR**

The MTR has the following main objectives:

### ➤ **Adapt, where appropriate, the strategies**

- to reflect developments in the country brought about by internal, regional or external events and the possible resulting change in priorities, notably in light of
  - i. the present economic crisis,
  - ii. the impact of soaring food and energy prices, climate change and the need to better articulate short term humanitarian aid, natural disaster risk mitigation and long term development aid,
  - iii. the state of progress towards achieving the MDGs,
  - iv. the ongoing or concluded trade negotiations at multilateral or EPA level and subsequent implementation issues, and the need for an enhanced interaction between the national and regional levels of EC cooperation,
  - v. the state-building priorities brought about by situations of fragility, and the need to address the root causes of insecurity and conflict<sup>5</sup>,
  - vi. the increasing concerns regarding the link between migration and development, the management of legal migration and the fight against illegal migration,
  - vii. the need, in Africa, to take into account and operationalise the JAES and the 8 thematic partnerships of the first Action Plan (2008-2010)<sup>6</sup> and, in the Caribbean

---

<sup>5</sup> Council Conclusions of 19.5.2009 on *Support to democratic governance, towards an enhanced EU framework* ([http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/gena/107930.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/gena/107930.pdf)).

and Pacific regions, to take into account the changes resulting from the implementation of the respective regional strategies.

- to enhance the implementation of the Accra Agenda for Action (AAA) and joint programming with the EU Member States.

Any possible reprogramming of the strategy will take into account the remaining uncommitted balances and be based on the country's own policy agenda, respecting principles of ownership and concentration of aid and drawing on experience and lessons learned since the drafting of the initial CSP.

- **Adjust, where appropriate, the A-envelope allocation**, based on measurable results and performance and special considerations, including those deriving from points i to vii above.

### **I.3 Lessons learned from previous reviews**

The lessons learned from the 9<sup>th</sup> EDF Mid-Term and End-of-Term Reviews and previous Annual Operational Reviews (AORs) as well as from the 10<sup>th</sup> EDF programming exercise have been integrated into the present guidelines. These lessons can be summarised as follows:

- ✓ *Further enhance the analytical content, keeping descriptions to a minimum, and focus on development results.* The MTR is a management tool, supporting the political and policy dialogue between the EC and the partner country, reviewing the whole range of issues addressed in the CSP.
- ✓ *Involve more systematically the relevant stakeholders in addition to the partner country government.* Joint programming with Member States and possibly other donors has to be promoted. The involvement of the Non State Actors (NSAs) and Local Authorities (LAs) should not be limited to an occasional information session but implies that their inputs and contribution are actively sought from an early stage throughout the process. The consultation process should, to the extent possible, be partner country led. Partner country governments should be encouraged to involve their Parliament in the exercise.
- ✓ *Ensure transparency in assessing performance and decision-making.* The guidelines will be presented in a consolidated way and made available to all relevant stakeholders, MTR financial reallocations will be based on standard, objective and transparent indicators and adjustments to the response strategy will be consistent with the principle of respect for local ownership and partner country policy priorities and needs.

### **I.4 Key documents**

- **The Joint Annual Report (JAR)**, agreed with the partner country, is the starting point of each review. Normally it focuses on the main events of the past year. In the context of the MTR, the focus should shift towards the main developments since the drafting of the CSP, in order to be able to assess the remaining relevance of the EC's response strategy in light of a changing environment. The JAR 2008 can be taken as a starting point, bringing it up to date on the main issues until 30.9.2009 (where relevant) and bringing in this medium term perspective, looking at the main evolutions since the drafting of the CSP.

---

<sup>6</sup> Those action plans cover: (i) peace and security; (ii) democratic governance and human rights; (iii) trade and regional integration; (iv) the millennium development goals; (v) energy; (vi) climate change; (vii) migration, mobility and employment; and (viii) science, information society and space. For further information, including the last joint progress report and implementation roadmaps, see [www.africa-eu-partnership.org](http://www.africa-eu-partnership.org).

- Other documents which are not part of the JAR but the conclusions of which should be integrated as far as possible in the JAR and which shall be assessed by the Country Team Meeting (CTM):
  - **The updated governance profile, where appropriate.** If the governance profile prepared in the context of the CSP is still relevant and does not need to be updated, this has to be explicitly mentioned. Where the partner country so wishes, it may also prepare an update of the governance action plan (GAP). The updated GAP shall be integrated as an annex to the JAR and to the MTR conclusions in a similar way as the original GAP was part of the CSP.
  - **The MTR performance assessment and the MTR conclusions.**
  - **The Head of Delegation cover note** that accompanies the above documents.

### I.5 Main features of the JAR 2009 and the MTR

The JAR 2009 will briefly cover the most relevant recent events, as in a normal AOR exercise, as well as the key trends since drafting the CSP, with a view to prepare the MTR conclusions on a possible adaptation of the response strategy/areas of intervention and of the financial envelope. The JAR should contain all the necessary elements to answer the key questions and underlying questions for the MTR performance assessment, as formulated in the MTR assessment fiches.

Year of exercise	Type of review	Year covered by JAR	Comments
2009	AOR	JAR 2008	The start of implementation of 10 <sup>th</sup> EDF
2010	MTR	JAR 2009	2 <sup>nd</sup> year of implementation of 10 <sup>th</sup> EDF – Mid Term Review assessing relevance and performance, with possible adjustment of allocations and/or strategies
2011	AOR	JAR 2010	3 <sup>rd</sup> year of implementation of 10 <sup>th</sup> EDF
2012	ETR	JAR 2011	4 <sup>th</sup> year of implementation of 10 <sup>th</sup> EDF – End of Term Review (ETR) assessing performance and absorption capacity with possible adjustment of allocations and/or /strategies in light of the sunset clause (31.12.2013)
2013	AOR	JAR 2012	5 <sup>th</sup> year of implementation of 10 <sup>th</sup> EDF
2014	AOR	JAR 2013	The start of implementation of post 10 <sup>th</sup> EDF; covers the end of 10 <sup>th</sup> EDF in terms of commitments

The following key features should be addressed: (i) what has been the trajectory of the country since the drafting of the CSP in implementing its development and poverty reduction strategy and in progressing towards the MDGs, and to what extent has the EC contributed to these results; (ii) the vulnerability of the country to the present economic crisis and of the actions undertaken by the country to mitigate its impact; (iii) progress in implementing the aid effectiveness agenda and its impact on the (relevance of the) EC's response strategy/areas of intervention.

In addition, the JAR should discuss how the regional integration agenda has been integrated in national development planning and how the CSP/NIP can contribute to the implementation of the RSP/RIP; in African countries, the JAR should also assess their involvement in the implementation of the JAES and ways to increase their ownership of, and contributions to, this process.

A possible change in the country strategy and allocation in the framework of the MTR will be based on the CSP and its amendments, therefore including any outcomes of earlier ad hoc reviews. Unless the review process leads to a complete change in analysis, response strategy and NIP, requiring the submission of an updated CSP, the MTR conclusions (see point V of the guidelines) will be self-contained and adopted as an amendment to the existing CSP.

### **I.5.1 Assessment of progress in the MTR**

The MTR may lead to a recommendation regarding changes in the size of the A-envelope, based on needs and progress made. While the JAR will cover a wide range of issues, a limited number of key dimensions of progress important in all ACP, have been selected as a basis for recommendations on A-envelope reallocations.

#### **a. The key dimensions of the assessment retained for the A-envelope reallocation decision**

The possible reallocation of funds will be based on an assessment of progress on four key development dimensions:

1. *The governance situation*
2. *The economic situation*
3. *The poverty and social situation*
4. *Performance in the implementation of EC cooperation*

The assessment will primarily focus on changes which occurred since the drafting of the CSP and will be structured around a set of questions covering the main issues (see point III.1). The answer to those questions will be assessed against a set of benchmarks, where feasible. Where appropriate, "special considerations" can be evoked to adjust the initial assessment and/or to explain any major difference with the benchmarks (see point I.5.2).

The assessment of each dimension is summarised and aggregated in a "Consolidated MTR Assessment Grid" (see point III.2) that shall be part of the MTR conclusions and underpin the recommendation by the Delegation (DEL) regarding a possible change of A-envelope allocation.

#### **b. Essential features of the assessment**

To allow a simplified financial reallocation exercise, some basic principles must be respected:

1. *Focus on key development results achieved (as used in results based management, with focus on output, outcome and impact)* referring to the core MDGs and specific PRSP or equivalent National Development Plan (NDP) targets.
2. *Concentrate on the underlying trends (trajectory)* in the key areas for development rather than on the absolute levels of the state of play.
3. *Use standard, objective and transparent indicators* to measure progress, and to analyse the expected impact of the economic and financial crisis.
4. *Compare with benchmarks* for transparency and objectivity of the assessment.
5. *Take into account duly justified "special considerations"*, qualifying the results where exogenous or internal constraints have a significant impact on progress.
6. *Ensure the transparent and participatory nature of the process:* the assessment criteria and methodology should be shared with the Member States and the other relevant stakeholders, and they should be involved in the local MTR process.
7. *Align*, where possible, the MTR assessment with existing (multi-)donor assessments.

### **I.5.2 Special considerations**

Long term trends in development may be jeopardised by exogenous shocks such as natural disasters, exceptional impact of the recent volatility in food and energy prices or the impact of the present economic and financial crisis. More structural factors may also hamper progress, such as situations of (risk of falling back into) fragility which, despite political commitment to reform, may delay progress towards poverty reduction and the achievement of the key MDGs, because of weak institutional capacity and an unfavourable environment.

Regarding implementation of Community aid, performance may also have been limited by specific problems on the side of the EC, notably exceptionally lengthy procedures and/or lack of capacity in Delegation, or by special measures taken on the basis of Article 96 of the Cotonou Agreement (CA) in the framework of the CA article 8 political dialogue.

For each dimension under assessment, the focus should therefore be on the structural trends (trajectories) and the nature of the deviations around these trends, taking into account, when needed, special considerations which can explain these deviations.

A very specific special consideration originates from the *current economic and financial crisis*. A partner country may have been making good progress in its political, economic and social and poverty situation, only to find that its progress in any or all of these dimensions is negatively affected by consequences of the current crisis that are outside the control of the partner country government. The assessment will look at the progress made independently of the current crisis. Once the complete assessment has been done, an analysis will be made of the impact of the crisis on the partner country needs, which may lead to a possible adjustment of the financial (re)allocation proposal resulting from the assessment (see point III).

### **I.5.3 Aid effectiveness in the MTR process**

The MTR addresses aid effectiveness in the way the MTR is set up (focusing on development results and the active participation of the local stakeholders), as a subject for reporting and as a result of the review. Two issues in particular stand out: progress towards (a) joint programming, leading to more concentration, enhanced complementarity and division of labour, without leaving donor gaps (notably in the social sectors and in linking short term relief, rehabilitation and long term development - LRRD) when responding to the partner countries' needs and priorities, and (b) an increased use of country systems (including through more budget support where feasible and appropriate).

#### **a. Concentration**

The EU Code of Conduct on complementarity and division of labour<sup>7</sup>, underlines that more progress can be made in maximising the impact of assistance by further division of labour. Division of labour is also an EU-priority in the follow up of the "Accra Agenda for Action" (AAA)<sup>8</sup>. The NIP should be concentrated on a maximum of three sectors, excluding general budget support (GBS) and delegated cooperation arrangements where the EC becomes a silent partner<sup>9</sup>. The scope of the non-focal areas should be limited to the strict minimum and may

<sup>7</sup> Council Conclusions of 15.5.2007 and letter from Commissioners Michel and Ferrero-Waldner to Heads of Delegations, 4.7.2007.

<sup>8</sup> Ministerial Declaration at the 3rd High Level Forum on Aid Effectiveness, held in Accra 2-4 September 2008.

include notably support to non-State actors (NSA), support expenditures such as a technical cooperation facility (TCF) or support to the NAO, and, where it is not a focal area, support to regional integration and the Economic Partnership Agreements (EPA).

The existing level of concentration and division of labour reflects the (lack of) joint programming between the EC and the EU Member States at the start of the 10<sup>th</sup> EDF. Where the initial CSP may have been based on a joint analysis, shared not only with the partner country, but also with the EU Member States locally represented and possibly also other donors, the EU did not design a joint response strategy and the subsequent NIP did not derive from such a joint strategy. The MTR offers an opportunity to move towards more effective joint programming and further aid concentration and division of labour, e.g. through phasing out of a sector or limiting the scope of a sector intervention. If this is not possible, co-financing/delegated cooperation arrangements in which the Commission or EU Member States manage funds for another donor or withdraw from a lead donor or active donor role should be considered<sup>10</sup>. Donor matrixes on donor roles and on donor financial support (to be annexed to the MTR report, see models in annex A-I.3) will be used to illustrate the present levels of concentration of EU aid and the prospects over the next few years. Where more concentration is not feasible, the reasons (donor orphans...) should be duly explained in the MTR conclusions.

In that context reference should also be made to intra-ACP facilities, thematic programmes and continental or global initiatives funded through the Community budget or the intra-ACP envelope of the EDF and their complementarity with the NIP-funded interventions.

While the RSP/RIPs remain the primary instrument of EC support to ACP regional integration, the NIPs have to give the necessary attention to regional issues as well, reflecting the importance of the national level for effective regional integration<sup>11</sup>. The adequacy of the interaction and complementarity between the national and the regional level of intervention will also have to be assessed.

#### **b. Use of country systems**

In line with the AAA, the use of country systems for government to government assistance is another EU-priority. Country systems cover four main features: (i) national budget execution procedures, (ii) national financial reporting procedures, (iii) national auditing procedures, and (iv) national procurement systems. Budget support (BS) applies all four features, and on top of that is also aligned with the partner country's priorities as stated in its poverty reduction strategy or similar development plan. Other modalities such as pooled funds, sector wide-approaches and projects/programmes do sometimes apply some but not all of these features (they are partially aligned) or do not apply them at all (not-aligned).

The MTR offers an opportunity to reassess the use of BS as preferred implementation modality:

---

<sup>9</sup> In situations of fragility or where a country is a donor orphan, there could be valid reasons for a wider spread of activities in order to avoid gaps or orphan sectors in external aid. Inversely, in small countries or countries with a small NIP, the full exploitation of economies of scale may require a concentration on a more limited number of sectors: in line with the initial programming guidelines for the 10<sup>th</sup> EDF, there should only be one sector of concentration (excluding GBS) when the NIP amounts to less than 40 million Euros.

<sup>10</sup> See note D (2009) 358 of 27.1.2009 on the *EU Toolkit on complementarity and division of labour*.

<sup>11</sup> COM(2008)604 of 1.10.2008 on *Regional integration for development in the ACP countries*.

- For *countries that have programmed BS*, the MTR will reassess BS eligibility and the possibility of maintaining or, where relevant, increasing general and/or sector budget support (GBS/SBS) as share of the NIP, taking into account the quality of the accompanying policy dialogue.
- For *countries that have not programmed BS* so far, the MTR will update the assessment of the eligibility criteria. Where BS eligibility criteria are met, a reallocation of funds from the focal sectors towards GBS or from projects and programmes towards SBS should be considered. Where progress is insufficient and prospective eligibility remains weak for the remaining period of the 10<sup>th</sup> EDF, the problems should be identified and ways to support capacity building aiming at creating the conditions for the establishment of eligibility should be examined.

Where feasible, project implementation units and technical cooperation should also be integrated into country systems<sup>12</sup>.

## **I.6 The in-country review process**

The in-country part of the review will take place **between the end of June and mid October 2009**. Taking into account the holiday period, this will require a very tight and well organised local consultation process adapted to the situation in the partner country. These consultations should start at an early stage of the MTR process. Upon receipt, the MTR guidelines should be shared with the relevant stakeholders (the Government and, to the extent possible, the national Parliament of the partner country, notably in cases where EC aid is channelled by way of budget support, the EIB, the EU Member States locally represented and other donors, representative (umbrella organisations of) NSAs, including the private sector, and Local Authorities), exploring who will participate in or contribute to which part of the exercise, and determining a detailed calendar for the in-country review process that should be made public as soon as possible. The Government should facilitate the participation of the Parliament.

Whenever other country monitoring systems involving EU Member States and other donors are in place, it may be possible to build on joint partner country/donor reviews of the performance of the Poverty Reduction Strategy (or similar development strategy and/or relevant sector strategies). Where the consultations foreseen by these joint reviews have taken place after the last AOR or in the same period as the MTR, only an eventual update of these joint reviews, and brief separate EC-Partner Country consultations may be needed on specific issues of concern for the EC not covered during those consultations or on the progress of specific EC projects. Duplication of wider relevant consultation processes should be avoided.

The JAR is a joint document, fully owned, by the Government, represented by the national authorising officer (NAO), who should as much as possible contribute to its preparation. Any changes in the JAR suggested by Commission headquarters during the screening process (see point I.7) should be discussed and agreed with the NAO, after consultation, where appropriate, with the Member States locally represented and other relevant stakeholders. At the end of the review process, the final JAR will be transmitted to the EDF Committee for information, as well as to the European Investment Bank (EIB), the ACP Secretariat and the Joint Parliamentary Assembly. The JAR will subsequently be published on the Europa website. At that stage, a dissemination/information event for the wider public and stakeholders could inform on the main findings of the MTR, at the same time increasing visibility of our cooperation.

---

<sup>12</sup> See note AIDCO/KR D(2009) of 7.4.2009 on the *Backbone Strategy for Project Implementation Units and Technical Cooperation and Guidelines* and EAMR reports.

## I.7 The MTR Calendar

The deadline for sending in the key MTR documents produced in-country is **15 October 2009**.

For the accelerated MTR to have any significant impact on the commitment level in 2010, it is of crucial importance that during the whole process all deadlines are strictly adhered to.

The MTR conclusions, and in particular the possible financial reallocations have to be submitted to the EDF Committee on the basis of a consolidated overview table showing all proposed changes and the overall coherence of the exercise, including in terms of financial equilibrium.

Action/document	Service involved	Deadline
<b>In-country MTR exercise:</b>	<i>DEL in the lead</i>	<b><i>06-10/2009</i></b>
- dissemination MTR guidelines	C1 + DEL	15/06/2009
- in-country consultations		15/06-15/10/2009
- JAR	NAO / DEL + MS /appropriate stakeholders	
- update governance profile	DEL + MS other stakeholders (NAO +	
- MTR assessment fiches	DEL + MS NSA), where appropriate	
- MTR conclusions	DEL + MS	
- transmission draft MTR documents:		<b>15/10/09</b>
- HoD cover-note to DG DG-DEV	DEL	
<b>Headquarter screening:</b>	<i>DEV geographic services in the lead</i>	<b><i>10/2009-02/2010</i></b>
- Country Team Meetings*	DEV geo + relevant services	11-12/2009
- assessment preliminary trends	DG DG-DEV + MAN	feedback NAO + ...
- iQSG	iQSG + DEV geo	12/2009-02/2010
<b>Decision making:</b>		<b><i>02-05/2010</i></b>
- consolidation recommendations	DEV geo / thematic services + C1 coordination	01-02/2010
- decision	DG DG-DEV	
- COM inter-service consultation		02-03/2010
- reallocation decision	C1	
- MTR conclusions	DEV geo	
- opinion of EDF Committee	DEV geo + MS + C1 coordination	03-04/2010
- Commission decisions		04-05/2010
- reallocation decision	C1	
- CSP amendments	DEV geo	
- Signature CSP amendments	DEV geo + DEL + NAO	04-06/2010

(\*) For countries with a small NIP ( $\leq 40$  M€) and only one focal area in addition to GBS, the CTM can be organised by means of an e-mail consultation.

## **II. THE JOINT ANNUAL REPORT**

The JAR is drafted either in EN or in FR<sup>13</sup>; it will not exceed 20 pages, including 3 pages maximum for the JAR executive summary and conclusions, but excluding the annexes<sup>14</sup>. By keeping the JAR short and sharp, it becomes a more effective communication tool, informing relevant stakeholders and the public on the actions undertaken by the EC and on the results of the review exercise. The programming fiches on the iQSG website have been updated and can provide assistance in preparing the JAR.

### **II.1 JAR executive summary and conclusions (max 3 pages)**

The JAR executive summary and conclusions should be drafted in such a way that they can be used as a stand alone document which can be integrated without further changes in the MTR conclusions to be submitted to the EDF Committee for opinion (see point V). The summary should include all main events and developments explaining why the EC's response strategy may have to be adjusted.

#### **II.1.1 The executive summary**

The executive summary covers:

- a synthesis of the key political, economic, poverty-related, social and environmental evolutions and progress since the elaboration of the CSP, including migration issues and evolutions in the security situation, the possible impact of climate change, of recent food and energy price evolutions and of the present financial and economic crisis, situations of fragility, regional/continental integration issues and, in Africa, the country specific impact of the JAES and its Action Plans, and major policy coherence and cross cutting issues,
- a summary of progress on the respective EPA (where no final EPA has been signed, the position of the partner country and significant stakeholders) and of measures adopted to prepare for, adapt to and implement the EPA,
- a summary of the progress in the governance situation and in the implementation of the Governance Action Plan,
- a summary of the overall assessment of the political dialogue (CA, article 8) between the EU and the partner country,
- a summary of major achievements and challenges in past and on-going EC programmes, including an assessment of the way cross-cutting issues have been taken into account and of developments regarding BS eligibility criteria or prospects and constraints for enhanced BS,
- a short description of the participation of Member States, other donors, Non State Actors, Local Authorities and Parliament in the review process,
- any key steps undertaken in 2009 or envisaged in the framework of the MTR with regard to aid effectiveness, notably on further concentration of aid (division of labour).

---

<sup>13</sup> If the working language in Delegation is different, the Delegation / Geographic services will be responsible for a timely translation in either EN or FR; this translation process should not delay the deadline of 15 October 2009 for submission of the documents in EN or FR.

<sup>14</sup> For countries with a small NIP ( $\leq 40$  M€) and only one focal area in addition to GBS, a simplified procedure can be applied for the JAR. For countries with a small NIP (and more than one focal area in addition to GBS the normal procedure applies. For the simplified procedure the minimum requirements are an executive summary as described under II.1, and an overview of past and ongoing cooperation as described under point II.3, the total document not exceeding 10 pages, excluding annexes. As regards annexes, efforts should concentrate on annex A-I.1 (although not all data may be available) and A-I.2.

## **II.1.2 Conclusions and recommendations regarding the relevance of the response strategy**

In conclusion, an assessment should be made of the relevance of the initial response strategy of the Community in the CSP (as possibly updated in the meantime on the basis of an ad hoc review) and recommendations formulated regarding a possible update and its impact on the NIP allocations among the existing (or updated) focal and non-focal areas<sup>15</sup>. Any update should

- be aligned and coordinated with the other donors so as to avoid creating any gap in priority sectors of the national poverty reduction or other development plans, in particular explaining the cases where the EC does not intervene in the social sectors, notably health and education, directly (through projects and programmes or SBS) or indirectly (through GBS linked to the social sectors, and/or delegated cooperation arrangements);
- lead, based on considerations of comparative advantage of the Commission in the partner country and complementarity with other (EU) donors, to a higher degree of concentration in cases where the principles set out in the EU Code of Conduct on complementarity and division of labour were not yet fully applied, unless justified by special considerations ;
- increase the coherence and synergies with the respective regional integration programmes; and,
- to the extent possible, increase reliance on in-country systems (e.g. through budget support, when eligibility requirements are satisfied); the main obstacles to the use of in-country systems should be mentioned.

## **II.2 Country analysis (max 10 pages)**

### **II.2.1 Update on the political situation and political governance**

a. *At national level*, the assessment should be guided by the following key question: *to what extent has the Governance Action Plan (GAP) been implemented and the governance situation improved since the adoption of the CSP?*

The analysis will give particular attention to the impact of the financial and economic crisis on political and social situation and on the governance reforms undertaken, to the main setbacks and obstacles encountered, to the measures taken/proposed, and to the way these developments are affecting the EU relations with the partner country.

For the MTR, the evolution in the governance situation since the drafting of the CSP is one of the key dimensions of the assessment. A detailed assessment will be made of the implementation of the initial Governance Action Plan (GAP) and of its remaining relevance in light of the governance profile that shall be updated where appropriate. The assessment fiche in (annex A-II.1) will provide a structured way to address these points. Its main conclusions should be integrated in the JAR. Where appropriate, reference should be made to measures taken or envisaged to improve fiscal governance.

If, in the course of the dialogue on the evolution in the governance situation the partner country expresses the wish to update and strengthen its GAP, this updated GAP should be annexed to the JAR (and to the MTR conclusions) and the major changes commented upon in the JAR.

---

<sup>15</sup> Countries which still manage STABEX funds from previous EDFs that will be decommitted and transferred to the A-envelope of the 10<sup>th</sup> EDF, should specify the estimated amount of the funds to be transferred and the proposed 10<sup>th</sup> EDF sectors of intervention.

In addition, a brief description should be provided of the article 8 political dialogue between the EU and the partner country, including the main achievements and further perspectives. In African partner countries, the MTR dialogue should be used to encourage them achieving significant progress in the African Peer Review Mechanism (APRM) process and in the implementation of the most important components of the Pan-African Governance and Human Right instruments.

In line with article 13 of the CA, a short analysis should also be made of migration related issues (migration flows, existence and implementation of a migration policy, migration and development related issues such as brain drain and dependency on remittances), and of the state of the dialogue on these issues with the EU Member States and the Commission, taking into account the impact of the crisis of human resources for sectors that need appropriately trained workers, such as health and education but also productive sectors. Where the migration profile has been updated in the course of 2009, its main findings and conclusions should be integrated here.

b. *In its regional/continental context*, the following issues should be addressed:

- the country position (commitment) vis à vis regional integration processes, including, where appropriate, progress made in translating the regional integration roadmaps in national legislation and implementing actions.
- a review of security-related developments at regional levels, including any activities related to crises/conflicts prevention and management; exit from conflicts; recovery and stabilisation; illicit spread, availability and trafficking of Small Arms and Light Weapons (SAWL); Security Sector Reform (SSR); peacekeeping; mines; Demobilisation, Demilitarisation and Rehabilitation (DDR), notably in the context of the JAES' partnership on peace and security.

## **II.2.2 Update on the economic situation and economic governance**

The assessment of the economic situation and economic governance should be guided by the following key question: *have sound economic policies been put in place to support sustainable economic growth?*

a. *At national level*, this assessment should be made on the basis of the key data which are summarised in annex A-I.1-A and the additional development and employment indicators in annex A-I.1-B ("Country at a glance") and highlight and comment on the main trends and on major reforms undertaken. In this context it is important to make a distinction between the assessment of the situation and structural trends before the current economic and financial crisis (and of other relevant recent events and developments not related to the crises), and the impact of the successive recent crises, notably the soaring primary commodity and energy prices in 2007 and early 2008 and the present economic and financial crisis, and the measures taken in response to these crises<sup>16</sup>.

---

<sup>16</sup> Regarding the response to the recent crises, an assessment should be made of the policy adjustments taken/envisaged to address the food crisis (including the role of rural development in the country's economy and the recent trends in agriculture); of the vulnerability of the economy to the current economic and financial crisis, and of the soundness of the economic policies taken/envisaged to face this crisis (including counter-cyclical, employment creating investment measures in areas such as agriculture and infrastructure). The assessments can be based on the analysis made in the JAR 2008 and in response to notes DEV (2009)536 of 3.2. 2009 and DEV(2009)2466 of 8.4.2009, updated where appropriate.

For the MTR, the progress in the economic situation in the period since the elaboration of the CSP up to the present crisis (and more recent events and developments not related to the crisis) is one of the key dimensions of the assessment. The assessment fiche in annex A-II.2 will assist in addressing this dimension in a structured and standardised way across all ACP-countries. It includes:

- (i) the soundness of the macro-economic policies pre-crisis (budgetary policy, fiscal reform and tax revenue; monetary policy and balance of payment situation) and the quality of the related policy dialogue (based on sound indicators, involving all stakeholders),
- (ii) trends in the business and investment climate<sup>17</sup> (and the resulting capacity to attract domestic and foreign investment), assessed in consultation with the relevant stakeholders, notably from the private sector.

In addition the JAR will provide an analysis of:

- (i) the sustainability of growth: cyclical factors having an impact on growth performance should be identified and their contribution to growth assessed. These cyclical factors can be split up in three types: (a) expansive macro-economic policies leading to an unsustainable increase in domestic / external debt and inflation; and (b) exogenous shocks such as terms of trade shocks (such as those resulting from the primary commodity price boom in 2007 and early 2008 and from the present crisis); and (c) environmentally non-sustainable policies such as the overexploitation of natural resources (deforestation, overfishing, etc, loss of biodiversity, too extensive or too water intensive agriculture on marginal and eroding land resulting in decreasing productivity per unit of land, and other factors leading to the degradation of land, air and water quality)<sup>18</sup>. Where relevant the partner country's position in relation to the extractive industry transparency initiative (EITI) and comparable initiatives such as the Action Plan for Forest Law Enforcement, Governance and Trade (FLEGT) and the Kimberley process on trade in diamonds should be discussed.
- (ii) the trade dimension: the existence of coherent trade and regional integration policies / strategies and their mainstreaming in the PRSP/NDP, with particular attention to the state of infrastructure, key productive sectors, relevant rules and regulations, including those linked to implementation of WTO related commitments, and poverty/trade linkages and specific challenges (such as preference erosion) that need to be addressed to improve integration into the regional and international trading system<sup>19</sup>. The dependency on remittances and foreign direct investments should also be reported, as well as the level of aid dependency of the country and of the EC/EU share in aid inflows. Donor support to private sector development, aid for trade and regional integration should be identified (see donor matrix in annex A-I.3) and assessed<sup>20</sup>.

---

<sup>17</sup> Including the legal and regulatory framework and other reforms related to the business environment, financial sector reforms and credit available for private sector development (including microfinance), infrastructure, availability of skills and knowledge, capacity to attract foreign and domestic investment, gross capital formation in oil and non-oil sectors, as well as export of goods and services, and diversification of the exports structure. The World Bank "doing business report" ([www.doingbusiness.org](http://www.doingbusiness.org)) or, for the ACP countries that are covered, the World Economic Forum's Global Competitiveness Report ([www.weforum.org/pdf/GCR08/GCR08.pdf](http://www.weforum.org/pdf/GCR08/GCR08.pdf)) can provide useful information for the analysis.

<sup>18</sup> Trends in natural resource use should be matched with up to date figures from national statistics or from other sources such as UN Statistics ([http://unstats.un.org/unsd/environment/Questionnaires/country\\_snapshots.htm](http://unstats.un.org/unsd/environment/Questionnaires/country_snapshots.htm)), UNEP (<http://countryprofiles.unep.org/>), and possibly others.

<sup>19</sup> The WTO prepared "Trade at a glance" country fact sheets in the context of the global Aid for Trade review. They will be available from early July 2009 on the WTO website and could usefully support the analysis.

<sup>20</sup> Where possible, aid for trade should be categorised along following typology: (i) Trade Related Assistance (Trade policy and regulations, Trade development), and (ii) the wider Aid for Trade agenda (Trade-related

Aspects of economic governance addressed in the (updated) Governance profile, the main conclusions of the economic assessment fiche and the quality of the policy dialogue should be integrated in the JAR. IMF reviews and consultations and possible updates of the country's arrangements with the IMF can be used as sources of information and analysis, and should be referred to in the JAR.

b. *In its regional/continental context*, the update of the economic situation and economic governance should report on articulation between the national development strategy, and the regional strategy as established in the 10<sup>th</sup> EDF RSPs. One of the objectives of the 10<sup>th</sup> EDF programming was to reinforce support to regional integration including through the national strategies and NIPs. Given the recent adoption of the RIPs, an update on how national priorities are also supportive of the regional integration agenda is necessary, with particular attention to the following aspects:

- The level of effective implementation of key regional integration processes, notably in terms of free circulation of goods, services and people (measured notably by the reduction in tariff and non-tariff barriers to trade (e.g. time / informal costs required for customs clearance, frequency of road blocks,...), and the level of government / private sector / civil society ownership of the integration process (and, in Africa, of the JAES, and in particular the partnership on trade, regional integration and infrastructure).
- Economic Partnership Agreement (EPA) <sup>21</sup>: awareness of the challenges ahead, of the required policy changes and reforms and of the capacity to implement them. Where no final EPA has been signed as yet, the position of the partner country on the EPA negotiations should be reported on, the actions taken and measures adopted to prepare for, adapt to and implement the EPA since the drafting of the CSP should be assessed, and major perceived obstacles identified. Where EPA or interim EPA have been signed, preparations undertaken to start addressing key implementation issues, and support needed to address the required policy changes, reforms and investments should be reported on. Collaboration with other EU donors, as well as other donors, should be a key element here.

### **II.2.3 Update on the poverty and social situation**

The assessment of the social situation will be guided by the following key question: *are sector policies in place and implemented to make progress in reducing poverty and achieving the MDGs?*

This assessment should be made on the basis of the core MDG indicators which are summarised in annex A-I.1-B ("Country at a glance", indicators 1-10). The purpose is not to duplicate or describe these data but to comment on the main trends and on major reforms undertaken. Comment on the country-specific intermediate national MDG-targets, if any. An active involvement of key NSA in the assessment may provide a useful contribution to the exercise.

For the MTR, one of the key dimensions of the assessment is the progress in the social situation over the recent past. The assessment fiche in MTR annex A-II.3 will assist in addressing this

---

infrastructure, building productive capacity, trade-related adjustment and other trade-related needs). NIP support programmes contributing to regional integration as well as RIP or other programmes contributing to the translation of the regional agenda at national level and possible remaining gaps should be identified.

<sup>21</sup> Where they exist, reference should be made to the EPA impact studies conducted, including through the intra-ACP EPA support programme.

dimension in a structured and standardised way. Two dimensions of social governance should be assessed: (i) the presence and the quality of pro-poor policies (including the quality of the social policy dialogue in the framework of the PRSP or equivalent development strategies and of sector specific policies, including in the health and education sectors) and the government commitment towards effective pro-poor implementation of those policies as reflected in public expenditure and monitoring of policy implementation (involving all stakeholders, based on clear prioritisation of objectives and as much as possible SMART (Specific, Measurable, Achievable, Relevant and Time-bound) result-oriented indicators at general and sector level); and (ii) to what extent have these policies resulted in improved service delivery to the poor and the most vulnerable groups (women, children, indigenous people, the disabled) and progress towards achieving the MDGs, notably in health, education and gender equality.

The JAR should also include

- an analysis of the prospects of attaining the core MDG-targets by 2015, and where relevant, 2010 intermediate MDG forecasts, and the needs and priorities of the Partner Country for addressing the MDGs for the coming years, including considerations on equity, an analysis of critical constraints beyond financial resources such as the human resource crisis for health and education, and improvements in data collection and analysis.
- an analysis of the impact of climate change, of the soaring food and energy prices in 2007 and of the global economic crisis on the social and poverty situation and of the adequacy of the measures take by the partner country to mitigate their social impact (including through natural disaster risk reduction measures, the establishment of social protection policies and various types of safety nets such as food or cash for work programmes)<sup>22</sup>.
- in Africa, an analysis of the impact of the JAES, including of the partnerships on the MDGs and migration, mobility and employment.
- an analysis of the donor response to the partner country needs in the social sectors, looking at donor complementarity, notably in countries without EC budget support linked to or direct support to the social sectors, in order to identify potential major donor gaps, in particular in health and education.
- an assessment of the opportunities to encourage greater alignment of EC cooperation with PRS/NDPs and social sector policies through processes such as the International Health Partnership and the education for all Fast Track Initiative (FTI) or the Global Fund against AIDS, Tuberculosis and Malaria (GFATM).

#### **II.2.4 Update on the environmental situation and climate change**

The environmental sustainability of economic growth has been assessed in broad lines under the assessment of the economic situation. In this paragraph more detailed reporting is required on environmental concerns that are of importance to the country, including biodiversity, deforestation, desertification, bio fuels, renewable energy, sustainable agriculture and rural development, sustainable levels of logging, fisheries, condition of arable land, erosion, and impact of extractive industries<sup>23</sup>.

The likely impact of climate change (and increased risk of natural disasters) should be assessed and the measures taken or envisaged by the government to adapt discussed, in particular the

---

<sup>22</sup> ECHO field staff and desks should be consulted to ensure full coverage of the EC response measures.

<sup>23</sup> The main trends in environmental data can be consulted online (see footnote 18). The relevant dimensions to look at are the change in agricultural land area and in forest area since 1990, the number of threatened species, the proportion of surface area protected for biodiversity, the quota of energy consumed derived from renewable energy sources, etc.

extent that it is preparing climate resilient and low carbon development plans and integrating climate change and development rather than treating climate change as a solely environmental challenge. Low-carbon development strategies (such as renewable energy and reducing deforestation) should also be assessed. The existence and follow-up for the Least Developed Countries (LDCs) of National Adaptation Programmes of Action (NAPAs) should be reported<sup>24</sup>. The initiatives in the areas of biodiversity, combating deforestation or desertification and natural disaster risk reduction should also be reported. Relevant indicators should be included where possible.

With respect to environmental integration, instruments of key importance are the Country/Regional Environmental Profile (CEP/REP), Environmental Impact Assessments, and Strategic Environmental Assessments. The JAR should report whether the CEP/REP has been updated, and how recommendations have been taken into account in the MTR. It should also report on environmental assessments that have been undertaken, including possible follow up.

### **II.2.5 Update on other cross-cutting issues**

The governance assessment contained in the CSP is the basis of the MTR's analysis of progress in the field of gender equality and the situation of children in the country. This includes items on the status of women and on gender equality (including political representation, legislation on property rights, etc.), progress against targets set in the International Conventions concerning Gender Equality and the promotion and protection of children<sup>25</sup>. The analysis will highlight the gender equality situation in the focal and non-focal areas of EC cooperation, identify possible obstacles and opportunities to maximise progress in this area, particularly regarding women's access to education and health services as well as equal opportunities in political and economic life.

While the HIV/AIDS situation and response should be analysed in the section on human and social development (section II.2.3), this section should briefly describe how HIV/AIDS is impacting other sectors, such as education or agriculture, steps taken by the government to coordinate its response and to mitigate the impact, and how sectors other than health contributes and are engaged in the country response to HIV/AIDS, including through EC's interventions.

This section should also analyse the potential for culture as a productive sector<sup>26</sup>; in case there is such a potential, it should be verified whether a sector policy is in place and whether and how the cultural dimension can be taken into account and integrated in the EC's interventions, considering the principles of concentration and complementarity of aid.

### **II.2.6 Joint Africa-EU Strategy (JAES): ownership and involvement of the partner country**

In Africa, the Delegations should bring the Panafrican governance architecture (the African Peer Review Mechanism – APRM, the 'African Charter on Democracy, Elections and Governance' and the range of Panafrican governance and human rights related instruments and conventions) to the MTR dialogue, encourage ratification/implementation and discuss support measures.

---

<sup>24</sup> All NAPAs can be downloaded from the UNFCCC website ([www.unfccc.int](http://www.unfccc.int)).

<sup>25</sup> Where relevant, the political, economic, social and cultural status of indigenous peoples should also be addressed here, including their participation in the political dialogue.

<sup>26</sup> See the website of the international colloquium on "Culture and Creativity as Vectors for Development" organised by the Commission (2009) and the resulting Brussels Declaration: <http://www.culture-dev.eu>.

The level of ownership of the JAES and the country involvement in the implementation of the 8 thematic partnerships of the first Action Plan (2008-2010) should be assessed. The current MTR is the first major opportunity to follow through the Lisbon commitments of December 2007 by adapting the national programming to the requirements of the JAES. The analysis will therefore give particular attention to:

- the overall ownership of the JAES by relevant actors (government, Parliaments, but also non-State actors such as the private sector and civil society);
- the countries' current involvement in the implementation of the 8 thematic Partnerships, including their delivery on their own policy commitments and the necessary financial/human resources;
- the countries' potential to enhance their active involvement (given the generally low level of sub-Saharan countries' participation);
- the potential for the EC and Member States to reflect the aims of the JAES in their strategy documents and to accompany the African countries in this regard, including through an adaptation of existing development cooperation programmes and possible alignment of focal sectors in line with the JAES.

### **II.3 Overview of past and on-going cooperation (max 7 pages)**

For the MTR, the level of implementation of Community aid will be assessed, both in terms of financial absorption as in terms of contribution to development results at the level of output, outcome and impact that have been achieved. The period covered will be from the drafting of the CSP (~2006) until September 2009, and will cover the 10<sup>th</sup> EDF as well as disbursements done in 2006 – September 2009 under previous EDFs and through the Community budget.

#### **II.3.1 Reporting on financial performance of EDF resources**

The underlying question is: *is the absorption capacity of the partner country adequate in light of the present aid allocations?*

The EAMR provides a detailed description of the state of implementation of the EDF and of the project pipeline. The JAR should not repeat this detailed operational information but comment instead on the overall absorption capacity, i.e. the *aggregate* commitments and disbursements, and specifically the major delays, setbacks and obstacles met or anticipated and measures taken. This may include a short assessment of key financial absorption indicators (outstanding, not yet committed, allocations, 'RAC'<sup>27</sup> and 'RAP'<sup>28</sup>) and of the risks of losing funds resulting from delayed implementation of previous EDFs<sup>29</sup>.

#### **II.3.2 Reporting on General/Sector Budget Support**

##### *a. budget support implementing countries (including MDG-contracts)*

The assessment will be guided by the following underlying question: *to what extent is General Budget Support (GBS)/Sector Budget Support (SBS) still on track and how does it contribute to the general and sector specific objectives of the country?*

---

<sup>27</sup> 'Reste à contracter': outstanding global commitments without an individual commitment (contract).

<sup>28</sup> 'Reste à payer': unpaid part of outstanding contracts.

<sup>29</sup> The purpose is to check the capacity to absorb the Community aid in an effective way within the time limits imposed by the financial regulation (contracting within three years of global commitment) and the 10<sup>th</sup> EDF "internal agreement" (funds can no longer be committed after 31 December 2013).

In this context a double verification has to be made: (i) how has the country evolved in terms of compliance with the general eligibility criteria for GBS/SBS: existence of a well-defined national/sectoral policy and strategy, a stability-oriented macroeconomic policy framework, and a credible and relevant programme to improve Public Finance Management (PFM) (reference can be made to the latest public expenditure and financial accountability (PEFA) if available); and (ii) how has the GBS/SBS linked policy dialogue contributed to achieving general or sector specific targets as expressed in results-oriented performance indicators (for the release of the variable tranches).

The analysis should give particular attention to the link with the sector dialogue and monitoring in the social sectors (in particular through indicators on social sector outcomes), and, where appropriate, to risk management including the specific concerns that apply in fragile situations. In this light the main findings of the last joint GBS review(s) and its main recommendations should be discussed as well as possible changes/main events in the budget support donor group (signature of memorandum, adoption of new performance assessment framework, etc.). The Joint Annual Review report ("Aide-Mémoire") including the set of indicators (Performance Assessment Framework) used at the outset, and any updates may be added in annex to the JAR.

Funds actually disbursed in 2008-2009 (with mention of fixed and variable component) should be compared with funds committed (and period foreseen for disbursement).

*b. countries not yet implementing budget support*

An assessment of progress made towards meeting the general eligibility criteria for budget support, related to the existence of a PRSP (or equivalent documents), the macro-economic situation and PFM reforms, with a reference to the main results of the latest PEFA (or equivalent) report. This assessment should guide the possible MTR recommendations to start or extend the application of budget support, SBS as well as GBS linked to the social sectors, in the second half of the 10<sup>th</sup> EDF and/or to enhance capacity building in order to help the partner country meet the eligibility criteria in the future.

### **II.3.3 Projects and programmes in the focal and non-focal areas**

The key question is: *how effectively have the EC projects and programmes still ongoing or closed in 2009 contributed to the development results of that sector (or even beyond)?*

As most significant information at project level is already contained in the EAMR report (and its key tables annexed to the JAR), there is no need to provide procedural information about projects (contracts signed, tender procedures started, disbursements made, etc.). This chapter should focus on the results chain at an aggregate level, linking inputs to output, outcome and impact, against identified targets and sector policy commitments, making clear how the EC cooperation has (directly or indirectly) contributed to development results at sector level, and where applicable, at country level. Identify major obstacles and remedial actions where required. Special attention should also be given to the way cross-cutting issues have been mainstreamed.

The assessment should be made primarily on the basis of measurable output, outcome (results) and impact indicators. The MTR provides the opportunity to improve the set of NIP indicators and to complete them where appropriate with (new) initial baselines and final end-of-project targets, to facilitate reporting in the next years as well as the assessment of performance at the

ETR. Where the initial logical framework did not provide for SMART indicators, it should be updated as far as possible and more relevant indicators developed, making use of the indicators developed in the meantime by the joint evaluation unit and/or of examples of indicators in the updated sectoral Programming Fiches or Programming/monitoring Guidelines<sup>30</sup>. In addition, where available, findings of (joint) donor reviews of sectors and programmes can be used, as well as information obtained from the ROM (results-oriented monitoring) system on effectiveness, impact prospects and potential sustainability.

This heading should be structured along the following lines:

**a. The contribution of projects and programmes in the focal sector(s)**

Assess the contribution of projects and programmes in the focal sector(s) of the CSP to the country performance answering the underlying question: *is the performance of the projects/programmes on track, i.e. is it on schedule to achieve the development results (output, outcome, and impact) formulated at the outset (or later) in the objectives and/or benchmarks of the project/programme? Were/are there any important delays or constraints? If any, which remedial actions have been taken / envisaged?*

Where the focal areas of the 10<sup>th</sup> EDF are different from the focal sectors under the 9<sup>th</sup> (or previous) EDF(s), start with the projects/programmes in the focal sectors from the previous EDFs and assess the prospects in those sectors after the phasing out of the Commission support (*inter alia* in terms of sustainability and division of labour).

The main conclusions from the focal area implementation assessment fiche (see annex A-II.4) should be integrated here, including an assessment on the remaining relevance of the project/programme and /or of the EC intervention in this focal area taking into account progress made in the division of labour and the changed environment.

**b. The contribution of projects and programmes in the non-focal area**

Comment on the development results achieved by projects and programmes in the non-focal area, measured against their identified project/ programme/sector targets. Where the non-focal sector consists of a variety of project/programmes spread across various (sub) sectors, indicate how rationalisation (further concentration) of the area will be achieved, such as through phasing out or delegated cooperation agreements.

**c. Support to Non-State Actors**

Report on how EC financial support to NSAs has helped to build NSA capacity: NSA mapping; support to coordination and networking of NSAs in a multi-actor environment (including to identify and transmit the needs of their constituencies to policy makers); capacity building for policy research; involvement in policy dialogue and monitoring of Government policy implementation; mobilisation of the NSAs in delivering services, including support for full and free participation of indigenous peoples in all aspects of society and for strengthening the appropriate cultural dimension of the country's development strategy.

**II.3.4 Other actions**

---

<sup>30</sup> See Europeaid/activities/evaluation and iQSG intranet websites.

Focus on alignment with national strategies, complementarity and coordination, subsidiarity with national programming and on development results. Activities to take into consideration include those funded through:

- a) EDF RSP/RIPs, notably projects improving the governance of regional integration, building regional integrated markets, supporting business development, connecting regional infrastructure networks or developing regional policies for sustainable development;
- b) EDF intra-ACP programmes, Development Cooperation Instrument (DCI) (South Africa, sugar protocol and thematic programmes<sup>31</sup>), and ENPI (notably in the JAES framework), including national activities funded from intra-ACP facilities (notably water, energy, infrastructure), initiatives funded under the Special Framework of Assistance (SFA) for banana exporting ACP countries, the Africa envelope of the intra-ACP programmes or global initiatives to which the Community is a major contributor (such as the GFATM or the education for all FTI);

For sugar accompanying measures, a synthesis should be made of the (provisional) conclusions of the MTR conducted under the DCI on the progress made in implementing the multi-annual indicative programme 2007-2010. For PALOP/TL countries: report on specific activities funded as part of PALOP/TL functional cooperation. Countries which still have STABEX funds under management should also assess those programmes and, if the contracting deadlines will not be met, specify the amounts which are expected to be decommitted and transferred to the 10<sup>th</sup> EDF A-envelope and their proposed allocation.

- c) EIB interventions, assessing how they take into account the economic objectives of the partner country and are part of / coordinated with the PRSP/NDP and how complementarity is ensured with the NIP.
- d) Unforeseen needs:
  - Humanitarian or emergency assistance (funded from the EDF B-envelope and/or ECHO): the causes of the emergency, response measures taken at national level and impact/results of this assistance should be reported.
  - Other unforeseen needs funded from the B-envelope, notably debt relief, actions funded under the soaring food price programme (and the Food Facility adopted in 2008) and under FLEX.

Where appropriate, taking into account situations of fragility and of increasing risk of natural disasters as a result of climate change, special attention should be given to food security and LRRD situations, including preventive disaster risk reduction measures taken or envisaged, the articulation between short term relief, medium term rehabilitation and long term development interventions and the prospects for future funding, knowing that ECHO has no mandate to maintain its presence beyond the relief and early rehabilitation phases.

- e) Other Community interventions (European Instrument for Democratic and Human Rights, Instrument for Stability, fishery agreements, etc.), assessing how they interact with the EC's geographic cooperation and the other (political and trade) dimensions of the bilateral relations.

### **II.3.5 Policy Coherence for development (PCD)**

---

<sup>31</sup> Environment and sustainable management of natural resources, including energy; Non-State Actors and Local Authorities in Development; Food Security; Migration and Asylum; Investing in People.

Policies other than aid policy contribute or affect developing countries in their efforts to achieve the Millennium Development Goals. Where these issues have not yet been addressed above, identify, where relevant, concrete examples whereby EU policies or specific measures in various policy areas<sup>32</sup>, excluding EU development policies and programmes, can be (non-)supportive of development efforts and of progress toward the MDGs in the country. Concrete and verified example(s) of coherence issues and positive synergies should be highlighted (for example: the effect of brain circulation in key social or economic sectors; trade opportunities; the implementation of copyright rules; the benefit of EU funded research programmes in the country; the development of local fisheries supported through Fisheries Partnership Agreement etc.). Possibly existing links with the aid response strategy should be highlighted.

As far as African countries are concerned, PCD should also be considered in the framework of the JAES. By moving Africa-EU relations beyond the traditional development cooperation, the JAES also seeks to promote greater coherence and efficiency in the EU's relations with African partner countries in new strategic areas such as peace and security, climate change or energy access and security.

### **II.3.6 The in-country dialogue**

Based on the questionnaire in annex A-I.2, provide a brief overview of the involvement of the LA and NSAs in the review process and the progress made in terms of their participation and role in democratic scrutiny and accountability of the Community aid. Specify how the national parliaments have been involved.

Assess also the level of joint programming with the Member States (and possibly other donors), notably in updating the analysis and, where appropriate, the response strategy and the NIP.

### **II.3.7 Aid effectiveness and joint programming**

Only the main developments should be summarised here and specific issues highlighted<sup>33</sup>:

- Specific mention should be made of key steps taken on alignment, (EU) donor coordination, harmonisation among donors (and ownership and role of partner country government in this process), managing for development results and mutual accountability, commenting also on present and prospective donor matrixes (see annex A-I.3 A and B). As specific efforts are underway to develop regional aid for trade packages, efforts to collaborate with EU donors to this effect should be reported upon specifically.
- Specific information should be provided on the follow up given or envisaged to the fast track initiative on division of labour and delegated co-operation (co-financing) with Member States (and other donors). Specific information on the consequences of proposed division of labour initiatives on the sector concentration of the CSP and the NIP and on donor complementarity, notably in the social sectors, should be mentioned in the JAR executive summary and the MTR Conclusions and Recommendations.
- Comment on the role of EC Delegation, Member States, and other donors - including emerging donors - in donor coordination and division of labour. Provide information on (possible) cases of triangular cooperation with an emerging donor.
- Identify gaps or orphan sectors, as well as progress on improved complementarity of (EU-) instruments and donor actions, notably in situations of fragility.

---

<sup>32</sup> Trade, environment, climate change, security, agriculture, fisheries, the social dimension of globalisation, employment and decent work, migration, research, information society, transport and energy.

<sup>33</sup> AIDCO monitors the Paris indicators, including, through the EAMR, the four additional EU commitments.

### III. THE MTR PERFORMANCE ASSESSMENT OF THE A-ENVELOPE

#### III.1 General Methodology

The European Consensus requires that aid (re)allocations are decided in a standard, objective and transparent way. For the MTR, a flexible but rigorous system is proposed based on qualitative ratings of progress made on different development dimensions, primarily since the drafting of the CSP, where appropriate, corrected by special considerations and benchmarked where feasible<sup>34</sup>.

##### *The assessment*

For each of the four dimensions of development retained for assessment during the MTR, one key question will be answered that summarises the assessment of the topic. The answer to this key question in turn is based on the reply to a number of underlying questions on the various aspects of the dimension which will be assessed.

The assessment should be done against criteria that are known to the partner country (see the Accra Agenda for Action). Internationally applied criteria (such as MDG-indicators) should be used where possible, combined with indicators that are part of locally agreed monitoring frameworks between the government and the Commission (such as the governance action plan or any other indicators agreed at the outset in the CSP, notably in the logical frameworks for projects/programmes), as well as joint (PRSP-NDP/ GBS/ sector/ thematic) performance assessment frameworks agreed between the partner country and a group of donors and in which the Commission participates.

The assessment of each dimension is detailed in “Assessment Fiches” (see annexes A-II.1-4). These fiches can be used as templates by the Delegation and are then summarised and aggregated in the template “Consolidated MTR Assessment Grid” (see point III.2) that shall be part of the MTR conclusions and underpin the recommendation regarding a possible change of allocation.

For a standard and structured assessment that is homogeneous across the different dimensions and across countries, a rating system is proposed for the aggregation of the results of the review. The answer to each underlying question will be summarised in a qualitative rating, dividing the results in 4 categories:

	rating
The top category refers to significant and consistent progress or consistently high or exceptional performance	a
The 2 <sup>nd</sup> category refers to good progress on a majority of issues	b
The 3 <sup>rd</sup> category refers to little average progress	c
The 4 <sup>th</sup> category refers to absence of progress	d

<sup>34</sup> For the countries with a small NIP ( $\leq 40$  M€) and only one focal area in addition to GBS, a simplified procedure can be applied for the MTR performance assessment. The minimum requirements are an assessment of the level of implementation of the governance action plan (annex A-II.1, 1<sup>st</sup> question) which can serve as basis for the overall rating of the governance dimension (taking into account, where appropriate, special considerations) and of the implementation performance (annex A-II.4). For the economic and social dimensions, a more generic assessment of the key question can be made directly on the basis notably of the data in annex A-I.1.

Where the description of the rating for an underlying question does not completely fit the outcome of the assessment, Delegations should apply the rating that comes closest to the outcome of the assessment.

For each dimension, the way to consolidate the assessment of the underlying questions in one single rating for the key question follows the following pattern, but will be further explained in the individual assessment fiches:

All a's and maximum one third b's	A
All a's and b's and maximum one third c's	B
Maximum one third d's	C
More than one third d's	D

The overall consolidation of the ratings of progress per dimension (see point III.2) will lead to a recommendation either to increase the allocation, to leave the allocation unchanged or to decrease the allocation. The exact size of the reallocation categories will have to be decided in the end in light of the distribution profile of the recommendations (in order to be able to balance the accounts).

The Delegation, in consultation with the EU Member States locally represented will make a preliminary assessment of the key dimensions of development. Where appropriate, the NAO, other donors and relevant NSAs may be involved as well in the preparatory stage, notably to collect relevant information and to check factual data, but without entering in a negotiation process. These assessments will be compared with benchmarks in order to ensure a standard, objective and transparent assessment across countries. Any major difference in assessment from the benchmarks will be explained, notably on the basis of "special considerations". External benchmarks are taken from international sources which will be specified for each assessment fiche.

### *Special considerations*

The environment in which a partner country operates may not be entirely under its control but may nevertheless have a significant positive or negative impact on progress. When those constraints are of an exceptional nature, they can be integrated in the progress assessment through the introduction of "special considerations". For each underlying question of each dimension or for the dimension as a whole, such possible limiting factors may be identified, documented and their impact on progress analysed in order to correct the initial assessment.

These special considerations may include natural disasters, regional instability with spill over effects on the national economy, or situations of fragility, where the state is not willing or unable to deal with its basic functions and the social contract is broken<sup>35</sup>. In these circumstances, countries may have very limited institutional capacity to implement reforms, even when they show commitment to reform, and/or the impact of these reforms may only translate very slowly and with long time lags into progress on its key development indicators. When assessing EC

<sup>35</sup> Note AIDCO D(2009)1049 of 21.1.2009 identifies countries in situations of fragility where more flexible crisis procedures can be applied. For countries in that list, fragility should not be evoked automatically as a special consideration, applicable to all dimensions; should fragility be used as a special consideration in the assessment of one of the performance dimensions or for one of their underlying questions, its impact on this assessment still needs to be explained. Similarly, situations of fragility may also occur outside the list of countries identified for flexible procedures, but again, these cases will have to be carefully argued.

cooperation, account has also to be taken of situations where the Commission has faced constraints, notably as a result of exceptionally lengthy procedures and/or lack of capacity in Delegation.

For the sake of transparency, first the technical progress assessment will be made. Possible special considerations will be analysed separately for each question, to verify whether they could qualify the outcome of the progress assessment of the MTR. These special considerations may lead to changing up to a certain degree the rating of the assessment:

Technical assessment	initial rating	special considerations	updated rating
Significant and consistent progress	a/A		a/A
Good progress on a majority of issues	b/B		≤ a/A
Little average progress	c/C		≤ a/A
Absence of progress	d/D		≤ b/B

*The link between the MTR allocation decisions and the present economic and financial crisis*

A very specific special consideration is the impact of the current economic and financial crisis on progress achieved so far on the key development indicators assessed during the MTR. The MTR assessment fiches look at progress made before the possible impact of the crisis became visible. Therefore, the possible impact of the present economic and financial crisis shall not be used as a special consideration for each of the four specific dimensions of the MTR assessment, but can be invoked as a transversal special consideration on the consolidated MTR assessment grid when presenting the proposed (adapted) allocation (see point III.2).

*Recommendations on a change in the size of the A-envelope allocations*

The Delegation, in consultation with the EU Member States locally represented, shall propose and transmit to HQ the MTR assessment fiches with the proposed initial rating and, where relevant, the possible rating proposed after taking into consideration special considerations which shall be explained on the fiche, and the draft consolidated MTR assessment grid. The consolidated assessment grid shall include a reference to the special considerations which will have affected the rating at the level of each dimension. HQ will check the MTR assessment grid for consistency (involving the respective geographic and thematic services) before a decision by the Director General of DG-DEV is made, and the decision-making procedures, including the opinion of the EDF-Committee, are launched.

**III.2 THE CONSOLIDATED MTR ASSESSMENT GRID**

The consolidated assessment which will be integrated in the MTR conclusions for submission to the EDF Committee (see table on next page), results provisionally in five levels of recommendations: two leading to an increase in the size of the A-allocation, two leading to a decrease in the size of the A-allocation, and one proposing a status quo. The final categorisation and the relative size of the reallocations per category will be determined at the time the HQ screening process is concluded, in function of the reserves effectively available at that moment and of the ACPs' performance profile resulting from that screening.

MTR ASSESSMENT GRID PROPOSAL BY DELEGATION			
COUNTRY NAME: _____			
Current 10th EDF Allocation for the A-envelope (in Euros): _____			
<b>MTR ASSESSMENT OF PROGRESS:</b>			
	Rating: A, B, C, D	Any special considerations evoked in preparation of the assessment fiches and used as a basis for a possible correction of rating	rating after correction
1. evolution of governance situation			
2. evolution of economic situation			
3. evolution of poverty and social situation			
4. EC aid – performance in implementation			
<b>INTERMEDIATE CONCLUSION AND RECOMMENDATION</b>			
tick applicable box		A-envelope	Overall special considerations, incl. impact of the crisis
<input type="checkbox"/>	Significant and consistent progress: all A's and maximum one B	increase	++ (%)
<input type="checkbox"/>	Good progress on a majority of issues assessed: at least one A, maximum one C and no D's	increase	+ (%)
<input type="checkbox"/>	Average progress made: maximum two C's and no D's	no change	= (%)
<input type="checkbox"/>	Little or no progress made on most issues assessed: more than two C's and maximum one D	decrease	- (%)
<input type="checkbox"/>	No progress or even deterioration of situation on several issues: more than one D	decrease	-- (%)
<b>FINAL RECOMMENDATION</b>			In M€
after taking into account overall special considerations, tick applicable box:			<input type="checkbox"/> ++ (%)
			<input type="checkbox"/> + (%)
			<input type="checkbox"/> = (%)
			<input type="checkbox"/> - (%)
			<input type="checkbox"/> -- (%)

## **IV. THE MTR ASSESSMENT OF THE B-ENVELOPE**

### **IV.1 RISK ASSESSMENT**

The B-envelope aims at providing partner countries with a flexible means to respond to *"unforeseen needs such as emergency assistance where such support cannot be financed from the EU budget, contributions to internationally agreed debt relief initiatives and support to mitigate adverse effects of instability in export earnings"*<sup>36</sup>. Although part of the NIP, the B-envelope should not be considered as a "drawing right" but rather as an "insurance policy". The link between the B-envelope and the national allocation has been further reduced with the first revision of Cotonou which introduced the possibility to replenish the A- or B-envelopes at any moment on the basis of special needs<sup>37</sup>, defined in a related declaration IV as needs *"resulting from exceptional or unforeseen circumstances, such as post-crisis situations"*.

On the basis of this new replenishment clause, it was decided at the start of the 10<sup>th</sup> EDF to allocate only one third of the B-envelope reserve to individual countries<sup>38</sup>, out of which ECHO was given a 25% share (or a consolidated envelope of 150 M€), allowing it to access directly funds complementary to the assistance financed from the Community's budget for life-saving short-term humanitarian actions and their follow-up, thereby contributing to the link between short term relief, rehabilitation and development. Up to another third was earmarked for individual country replenishments in the framework of FLEX and the final third was maintained as a non-earmarked prudential reserve for other types of ad hoc replenishments. However, one limitation of the 9<sup>th</sup> EDF remains, although at a smaller scale, namely the impossibility to reduce excess B-allocations outside the MTR or the ETR.

The 10<sup>th</sup> EDF MTR has therefore to be seized as an opportunity to reassess country-risks and B-envelope allocations, knowing that maximum flexibility should be preserved (i) to allow ECHO to keep direct access to its share of the B-envelopes for short term humanitarian aid in the most disaster prone countries (the uncommitted balance of its 150 M€ initial allocation), and (ii) to respond to other unforeseen crisis-situations wherever they occur thanks to a maximal global B-envelope reserve from which to replenish the individual country B-envelopes. Country level B-envelope allocations should only be preserved for humanitarian and emergency assistance (Articles 72-73 of the CA) which requires a swift response. For all other unforeseen needs, the B-envelopes can be replenished on an ad hoc basis, knowing that the time required to come to a replenishment decision does not undermine the efficiency and effectiveness of the response given in such circumstances<sup>39</sup>.

---

<sup>36</sup> Cotonou Agreement, Annexe IV, Article 3.2.b.

<sup>37</sup> Cotonou Agreement, Annexe IV, Article 3.5

<sup>38</sup> The size of the initial B-envelope allocation was based on the record of 9<sup>th</sup> EDF B-envelope uses and the size of the initial 10<sup>th</sup> EDF A-envelope.

<sup>39</sup> According to the B-envelope replenishment guidelines (see note D(2008)5059 of 20.8.2008) the normal procedure for the adoption of a Commission decision regarding the replenishment of the B-envelope takes 50 to 60 working days; however, through accelerated procedures at each step of the process, this procedure can considerably be cut, but will nevertheless probably take a minimum of 4 weeks, taking into account also the necessary opinion of the EDF Committee.

The Delegations are therefore requested to inform of specific circumstances that would justify keeping a B-envelope allocation at country level in addition to ECHO's share<sup>40</sup>. The assessment made at Delegation level will be completed in HQ by a consultation of ECHO which shall be asked to indicate whether and if so, for which amount they need to preserve an earmarked amount at country level (knowing that ECHO's cumulative total is limited to 150M€ for the entire period of the 10<sup>th</sup> EDF).

## **IV.2 CONCLUSIONS AND RECOMMENDATIONS**

Based on the risk assessment made, a recommendation should be formulated on the B-envelope allocation and on the ECHO-share in this envelope (see point V). Where no humanitarian or emergency aid is expected in the near future (the country has no track record of important humanitarian crises requiring humanitarian or emergency aid and the Delegation does not perceive any tangible immediate risks), the B-envelope will be reduced to the updated ECHO share if direct access to the B-envelope by ECHO is deemed necessary. Excess B-envelope allocations will be transferred to the general B-envelope reserve, from where the B-envelopes of countries confronted with new unforeseen needs can be replenished.

Based on the individual country recommendations and the historic record of B-envelope uses for humanitarian and emergency assistance, a consolidated B-envelope reallocation proposal will be prepared by DEV-C1 in consultation with ECHO.

---

<sup>40</sup> Specific circumstances refer to "serious economic and social difficulties of an exceptional nature resulting from natural disasters, man made crises such as wars and other conflicts or extraordinary circumstances having comparable effects" (CA, Article 72.1) which may require humanitarian and emergency assistance as specified in Articles 72-73 of the CA. This risk assessment should not take into account the impact of the present economic and financial crisis which will be taken care of through the FLEX and ad hoc Vulnerability FLEX mechanisms.

## V. THE MTR CONCLUSIONS

The MTR Conclusions shall be submitted to the EDF Committee for opinion. They should therefore be presented as a stand alone document which includes all relevant information for the EDF Committee members to form an opinion on the need and justification of possible changes in strategy, on the performance assessment made and on possible changes to the A- and/or B-envelope allocations.

The MTR Conclusions shall consist of:

- a) The executive summary and conclusions of the JAR (point II.1 of the guidelines)<sup>41</sup> and its non-optional annexes A-I, providing a duly documented recommendation confirming the validity of the original response strategy (or of any earlier ad hoc revision of the strategy, notably in response to the economic and financial crisis) and of the initial NIP, or, where applicable, proposing a review in its strategic focus and/or allocations as justified by the outcome of the MTR-review;
- b) The MTR assessment grid (point III.2 of the guidelines), including an overall, substantiated recommendation regarding a possible change in the overall A-envelope allocation, taking into account possible special considerations, and the possible transfer of decommitted STABEX funds;
- c) The conclusions of the B-envelope assessment (point IV.2 of the guidelines), regarding the possible need to maintain a B-envelope reserve for humanitarian and emergency assistance until the time of the end-of-term review;
- d) A synthesis of above recommendations in the form of the following standardised table:

NIP	Initial NIP			Current NIP*			MTR proposal		
	Amount (in M€)	of which SBS (in M€)	amount as % sub-total	Amount (in M€)	Of which SBS (in M€)	amount as % A-env	Amount (in M€)	of which SBS (in M€)	amount as % A-env
<b>A envelope</b>			<b>100%</b>	<b>(a)</b>		<b>100%</b>	<b>(a')</b>		<b>100%</b>
- GBS									
- focal area 1 <specify sector>									
- focal area 2 <specify sector>									
- (...)									
- non-focal areas:									
- <specify intervention 1>									
- <specify intervention 2>									
- (...)									
<b>B envelope</b>			<b>100%</b>	<b>(b)</b>		<b>100%</b>	<b>(b')</b>		<b>100%</b>
- AIDCO implementation			75%						
- ECHO implementation			25%						
<b>Total</b>			<b>100%</b>			<b>100%</b>			<b>100%</b>
<b>Change in country allocation</b>									
- <b>A-envelope</b>							<b>(a')-(a)</b>		
- <b>B-envelope</b>							<b>(b')-(b)</b>		

\* After taking into account adjustments resulting from ad hoc reviews

<sup>41</sup> As updated after taking into account the comments made during the HQ screening exercise and agreed with the NAO.

## **ANNEXES - OVERVIEW**

### **A-I. Annexes to the JAR**

1. Country at a glance:
  - A. Key macro-economic indicators (template in annex A-I.1-A)
  - B. Key MDG and development indicators (template in annex A-I.1-B)
2. Checklist on the role of NSAs and LA participation in the programming process (template in annex A-I.2)
3. Aid effectiveness: donor matrices (examples of templates in annex A-I.3)
  - A. Current and future financial disbursements
  - B. Current and future donor roles
4. Financial annexes<sup>42</sup>
  - a) EDF NIP portfolio (use summary table for EAMR)
  - b) additional synthetic list of (use as much as possible the table from the EAMR)
    - regional and intra-ACP projects still ongoing at the end of 2009 or closed during 2009 with an impact on the country;
    - projects implemented in the country and funded from various budget lines still ongoing at the end of 2009 or closed during 2009
  - c) EIB projects as per closure of the financial year 2009

Optional:

5. An updated Governance Action Plan (GAP)
6. Any other annexes that Delegations consider relevant (such as a summary of an (updated) migration profile (notably when a political dialogue mission on migration took place, where migration is a sector of EC cooperation or when the migration situation has drastically evolved since the drafting of the CSP), or of an (updated) environmental profile, vulnerability questionnaires, or executive summaries of evaluations, ROM results, individual project fiches).

### **A-II MTR assessment fiches** (templates) (not part of the JAR):

1. MTR assessment fiche on the governance situation
2. MTR assessment fiche on the economic situation
3. MTR assessment fiche on poverty and the social situation
4. MTR assessment fiche on the implementation of EC cooperation

### **A-III Complementary documents** (not part of the JAR)

- the updated governance profile, or an explanatory note stating that the current governance profile is still relevant
- the Head of Delegation cover note to the Director General of DG-DEV

---

<sup>42</sup> Based on latest available data. Unless tables can be drawn directly from CRIS/ABAC by the time of reporting (the standard reports foreseen after migration from OLAS to CRIS/ABAC are still under development), use the end of June 2009 tables prepared for the 2009 mid-year EAMR.

## A-I.1 COUNTRY AT A GLANCE

### A-I.1-A TABLE OF MACRO-ECONOMIC AND TRADE CAPACITY INDICATORS

		2005	2006	2007	2008 <sup>e</sup>	2009 <sup>f</sup>	2010 <sup>f</sup>
<b>Basic data</b>							
1	Population (in 1000)						
	- annual change in %						
2a	Nominal GDP (in millions €)						
2b	Nominal GDP per capita (in millions €)						
2c	- annual change in %						
3	Real GDP (annual change in %)						
4	Gross fixed capital formation (in % of GDP)						
<b>Balance of payments</b>							
5	Exports of goods (in % of GDP)						
	- of which the most important: ... (in % of exports)						
	- of which share of regional trade (in % of exports) <sup>43</sup>						
5a	Trade balance (in % of GDP)						
	- of which share of EU imports (in % of imports)						
6	Export of services (in % of GDP)						
	- of which the most important: ... (in % of exports)						
6a	Current account balance (in % of GDP)						
7	Net inflow of remittances (in % of GDP)						
8	Net inflows of foreign direct investment (in % of GDP)						
9	External debt (in % of GDP)						
10	Service of external debt (in % exports goods+services)						
11	Foreign exchange reserves (in months of imports of goods and non-factor services)						
<b>Trade capacity</b>							
12	Average cost to export <sup>44</sup>						
13	Global competitiveness index <sup>45</sup>						
<b>Government budget</b>							
14	Revenues (in % of GDP)						
	- of which: grants (in % of GDP)						
	- of which: external tariff income (in % of GDP)						
15	Expenditure (in % of GDP)						
	- of which: capital expenditure (in % of GDP)						
16a	Deficit (in % of GDP) including grants						
16b	Deficit (in % of GDP) excluding grants						
17	Total (domestic+external) debt (in % of GDP)						
<b>Monetary policy</b>							
18	Consumer price inflation (annual average rate in %)						
19	Interest rate (for money, annual average rate in %)						
20	Exchange rate: annual average national currency / 1€						

Data source(s):

<sup>43</sup> Possible sources of information: WTO Trade policy reviews; UNCTAD Handbook of statistics 2008, chapter II. 2.1 (<http://stats.unctad.org/handbook/ReportFolders/ReportFolders.aspx> ).

<sup>44</sup> Part of the of the WB Doing Business Report, chapter on 'trading across borders ([www.doingbusiness.org](http://www.doingbusiness.org)).

<sup>45</sup> If available: WEF's Global Competitiveness Report ([www.weforum.org/pdf/GCR08/GCR08.pdf](http://www.weforum.org/pdf/GCR08/GCR08.pdf) ).

### A-I.1-B. KEY MDG AND DEVELOPMENT INDICATORS

These indicators are harmonised between the EC, The WB and the AfDB for measuring performance at the country level<sup>46</sup>. Indicators 1-10 are core MDG indicators, indicators 11-16 provide additional information on the development and economic growth process, indicators 17-18 refer to the employment situation.

Key indicators	1990	2000	2005	2006	2007	2008	Inter-mediate target*	2015 Goals
1. % population below 1\$/day in PPP <sup>47</sup>								50% 1990
2. Prevalence of underweight children								
3. Under 5 child mortality								1/3 1990
4. % HIV prevalence in population aged 15-24								≤
5. % births attended by skilled health personnel								100%
6. % 1 year old children immunised against measles								100%
7. Net enrolment ratio in primary education								100%
8. Ratio girls/boys - in primary education - in secondary education - in tertiary education								1:1
9. Primary school completion rate								
10. % population with sustainable access to improved water source								½*(100% -1990)
11. Fixed lines and mobile telephone per 1000 inhabitants <sup>48</sup>								
12. Formal cost required for business start up <sup>49</sup>								
13. Time required for business start up								
14. Real GDP per capita (in purchasing power parity, in USD)								
15. Access of rural population to an all season road <sup>50</sup>								
16. Household electrification rate <sup>51</sup>								
17. Unemployment (in % of labour force, ILO def.)								
18. Employment in agriculture (in % of total employment)								

\* specify year of intermediate target.

Quality of data should be assessed both in terms of frequency and reliability of collected data. Where time series are not entirely comparable over time, this should be pointed out. Where data are not available state n/a. Where data are not entirely satisfactory, please specify which measures have been taken or are considered to improve statistical capacity (including possible source of funding and amounts earmarked).

<sup>46</sup> Data may be collected from various sources such as UN for MDG monitoring data (<http://mdgs.un.org>), in-country PRSP performance assessment frameworks or sector reviews, IMF (macro-economic data) etc.

<sup>47</sup> This indicator may be replaced by an equivalent indicator based on national poverty thresholds, in which case a comment will be required to permit consistent interpretation of data over time.

<sup>48</sup> Data on telephone lines and cellular subscribers can probably be collected from the national agencies, but are consolidated by the International Telecommunication Union (ITU).

<sup>49</sup> Indicators 12-13 are considered as key variables of the WB Doing Business Report ([www.doingbusiness.org](http://www.doingbusiness.org)).

<sup>50</sup> Data collected through (a) household surveys that include information about access to transport; or (b) mapping data to determine how many people live within the specified catchments of the road network. The WB may have some information as well, notably on the IDA countries.

<sup>51</sup> Data collected through national household surveys and Core Welfare Indicators Questionnaire (CWIQ) surveys. The WB may also have some information for a number of countries.

## A-I.2 CHECKLIST ON NSA / LA PARTICIPATION IN THE MTR PROCESS (max 3 pages)

### 1. General Country Context

- a. *Type of country (see footnote)*<sup>52</sup>
- b. *NSA/LA Mapping?*
  - i. Study planned or underway: timing?
  - ii. Study available: main conclusions (strength and effectiveness of NSA organisations) and recommendations?
- c. *Amount reserved for NSA/LA capacity building (NIP)*
  - i. Situation at end of 9<sup>th</sup> EDF (amount / share of NIP A-envelope)?
  - ii. Situation at start 10<sup>th</sup> EDF (amount / share of NIP A-envelope)?
  - iii. Any changes proposed for the MTR? If yes explain.
- d. *NSA/LA involvement in implementation? If yes,*
  - i. 9<sup>th</sup> EDF/10<sup>th</sup> EDF: which sectors?
  - ii. EC budget lines: which budget lines?
- e. *NSA/LA involvement in policy dialogue? If yes,*
  - i. Frequency of dialogue
  - ii. Topics/ sectors discussed
  - iii. Nature (trade unions, economic and social interests, private sector, academia, local and/or international NGOs...), number, representativeness of organisations consulted
  - iv. Following the Report elaborated by DG DEV on the consultation of NSA and LA in the 10<sup>th</sup> EDF programming process<sup>53</sup>, has a roadmap been developed and shared with the stakeholders? If yes, outcomes? Is it available from the EC Delegation website?
- f. *Civil society focal point in delegation*
  - i. Contact details: available on delegation website (provide link)?

### 2. 10<sup>th</sup> EDF MTR consultation process

- a. *Initiative for the consultation?*
  - i. Government (NAO or other), Parliament, EC Delegation, NSA/ LAs, other (specify)?

---

<sup>52</sup> **Country type 1:** country with culture of NSA participation in the development process, and an organised civil society, including national level federations and networks; non state actors and local authorities participate in the formulation and implementation of national development plans, PRSP, government policies (e.g. at sectoral level) and cooperation programmes;

**Country type 2:** country with rather limited tradition of dialogue and participation with somewhat poorly organised civil society; some organised non- state actors exist and local authorities are at the beginning of decentralisation processes; participation tends to be limited to focused sectors (e.g. reconstruction programmes) and/or implementing some government cooperation programmes, yet involvement in government processes is limited;

**Country type 3:** country where there is limited political space for participation or very weakly organised civil society and little space for local authorities; very limited types of NSAs exist - mainly government controlled and sponsored organisations; a decentralisation process is lacking while there is some participation of government sponsored actors.

<sup>53</sup> [http://ec.europa.eu/development/center/repository/Consultation-non-state-Actor-and-local-Authorities-Public%20report\\_en.pdf](http://ec.europa.eu/development/center/repository/Consultation-non-state-Actor-and-local-Authorities-Public%20report_en.pdf)

- b. *Meeting(s) organised? If yes, specify*
  - i. Topics (general MTR processes/ sector oriented...)
  - ii. Participation (LAs; number and type of NSA, including trade unions, economic and social interest groups, private sector, academia, local and/or international NGOs...)
  - iii. Type of meetings organised (national, regional, local, sectoral, thematic level; web-based)
  
- c. *NSA/LA input*
  - i. Type, quality and timing of stakeholder input
  - ii. Feedback provided to stakeholders?
  - iii. CSP modified following consultation?

**3. Assessment of NSA /LAs / Parliament involvement in the MTR process**

- a. *General awareness of Cotonou Agreement provisions on NSA and local authorities, including assessment of progress 9<sup>th</sup> EDF → 10<sup>th</sup> EDF?*
  
- b. *Local stakeholder involvement?*
  - i. Government attitude?
  - ii. NSA attitude + capacity?
  - iii. Local authority attitude + capacity?
  - iv. Level of involvement of other government bodies such as Parliaments?

**4. Conclusions: overall value/impact of NSA/LA participation in the MTR process and next steps** (these conclusions can be integrated as such in the JAR, point II.3.6)

**A-I.3-A : Donor matrix - template for planned donor disbursements in (country) in (year)**

- one donor matrix per year (planned disbursements in 2009; expected disbursements in 2010 and possibly even 2011)
- the planned or expected disbursements are indicative figures and their entry into this table does not constitute an entitlement
- this template is proposed as an example, in case no template locally developed by donors / partner country already exists

in Euro x 1 million

donor	sector 1	sector 2	sector 3	etc								GBS	multi-sector	food aid	human. aid
EC															
member state 1															
member state 2															
etc															
etc															
<b>total EU</b>															
other bilateral 1															
other bilateral 2															
etc															
IMF															
UN systems															
WB															
others															
<b>total others</b>															
<b>total all donors</b>															

Note: Sectors may vary locally according to sectors defined in the country poverty strategy or similar strategy. The example may be adapted for local use or a similar locally devised matrix may be used

**A-I.3-B: Donor matrix - template for perspectives of donor presence in sectors in (country) in (year)**

- one donor matrix per year (planned donor roles in 2009; expected roles in 2010 and possibly even 2011, including phasing ins/outs)
- this template is proposed as an example, in case no template locally developed by donors / partner country already exists

donor	sector 1	sector 2	sector 3	etc								GBS	multi-sector	food aid	human. aid
<b>EC (excl EIB)</b>															
member state 1															
member state 2															
etc															
etc															
<b>total EU</b>															
<b>other bilateral 1</b>															
<b>other bilateral 2</b>															
etc															
IMF															
UN systems															
WB															
others															
<b>total others</b>															
<b>total all donors</b>															

Note: Sector definitions may vary locally according to sectors retained in the country poverty strategy or similar strategy. The example may be adapted for local use or a similar locally devised matrix may be used

**The matrix is used to present donor roles per sector and per donor as follows:**

- Lead donor**
- Active donor**
- Passive (silent) donor**
- Exit strategy for this donor in this sector**

For an explanation of donor roles see the EU Code of Conduct (Council Conclusions, May 2007, 9558/07)  
Footnotes may be used to further specify any co-financing/delegated cooperation partnerships between donors

## A-II MTR ASSESSMENT FICHES (TEMPLATES)

### A-II.1 MTR ASSESSMENT FICHE (TEMPLATE) ON THE GOVERNANCE SITUATION

#### Specific methodology

Governance has been given a preeminent role in the 10th EDF programming process. The initial aid allocation has been increased on the basis of the quality of a 'governance action plan' (GAP) established by the partner countries and annexed to the CSPs<sup>54</sup>. The Commission wants to give governance the same importance in the 10<sup>th</sup> EDF MTR, by identifying governance as a key dimension of its assessment<sup>55</sup>.

The starting point for the assessment of progress made in governance in the context of the MTR is the level and timeliness of implementation of the GAP and its impact on the governance situation. The GAP can be seen as a contractual commitment from the partner country that should be monitored. However, since the initial GAP was of variable quality and the governance situation may have changed, the level of implementation should be qualified, taking into account the qualitative assessment made to determine the governance incentive tranche during the 10<sup>th</sup> EDF programming process and its remaining relevance considering the evolving governance situation. The partner country's may also wish to update and strengthen its governance commitments.

#### *Key question:*

*To what extent has the Governance Action Plan been implemented and the governance situation improved since the adoption of the CSP?*

#### *Underlying questions:*

##### *1. To what extent has the GAP been implemented, taking into account its initial quality?*

#### Assessment:

The level of implementation of the GAP has to be monitored taking into account:

- the relevance of its different components already implemented, as assessed in light of the main weaknesses identified in the governance profile when drafting the CSP;
- the overall quality of the GAP as assessed when drafting the CSP<sup>56</sup>.

---

<sup>54</sup> The assessment of the quality of the GAPs was based on 3 criteria: (i) relevance: do the proposed reforms address the principal weaknesses identified within the framework of the governance profile; (ii) ambition: are the various dimensions of the identified problems addressed, reflecting political willingness to tackle the root causes of the problem; (iii) credibility: are there intermediate and final, objectively measurable, results-oriented indicators and is there a precise timetable for the implementation of the reforms which makes it possible to monitor progress achieved. Recent trends in governance and, in Africa, the involvement in an APRM exercise, were also taken into account to assess credibility and overall quality of the GAPs.

<sup>55</sup> Council Conclusions of 18.5.2009 on *Support to Democratic Governance, Towards an Enhanced EU Framework*.

<sup>56</sup> When allocating the 'governance incentive tranche' of the initial CSPs, the quality of the GAP was defined in four categories: (i) GAPs of exceptional quality on all criteria (as defined in footnote 53); (ii) GAPs of high or exceptional quality, on all criteria; (iii) GAPs of high or exceptional quality on at least one criterion; (iv) GAPs of

Rating:

The GAP was considered of high quality for all criteria and its implementation is on schedule or ahead of schedule.	a
The GAP was considered of high quality for all criteria and its implementation is more or less on schedule, at least on its most relevant issues; or the GAP was of high quality on at least one criterion and its implementation is on schedule or ahead of schedule.	b
The GAP was considered of high quality for all criteria but its implementation is significantly behind schedule on its most relevant issues; the GAP was of high quality on at least one criterion and its implementation is more or less on schedule, at least on its most relevant issues; or the GAP was of poor quality on all criteria and its implementation is on schedule.	c
The GAP was considered of high quality for all criteria but its implementation is poor or non-existent; the GAP was of high quality on at least one criterion but its implementation is significantly behind schedule on its most relevant issues; the GAP was only of poor quality on all criteria and its implementation is behind schedule, at least on its most relevant issues; or there is no GAP.	d

**2. Based on the (where appropriate updated) governance profile, to what extent has the governance situation improved?**

The assessment:

The update of the governance profile will be decided by the Delegation in consultation with the locally represented EU Member States. The focus of a possibly update should be on the trends over recent years. While the template of the governance profile has not changed, there might be a need to better take into account "*broader political and economic factors including the relations between the State and society, which underpin governance weaknesses*" and "*situations of fragility and where the security-development nexus is of utmost importance*" throughout the different areas of governance identified in the governance profile<sup>57</sup>.

When updating the governance profile and assessing trends, all available data, relevant indicators and external resources (KKM, Bertelsmann, Mo Ibrahim index, UN reports etc) can be used as inputs in the analysis, as a complement to or benchmark for the EU assessment. Relevant special considerations, notably situations of crisis, post-crisis or fragility, should be explained and analysed in the updated profiles as they will serve to assess (positive or negative) trends and qualify the overall rating of the evolution of the governance situation.

Rating:

The governance situation has significantly improved; significant progress has been made in the areas with the main weaknesses, and new weaknesses have been adequately addressed	a
The governance situation has only slightly improved, improving in some areas but deteriorating in	b

poor quality but which confirmed the willingness of the partner country to enter into a dialogue with the EC on governance issues.

<sup>57</sup> Council Conclusions, 18.5.2009.

others; the main weaknesses have only partially been addressed, but without deteriorating	
The average governance situation has slightly deteriorated, and the main weaknesses have not substantially changed	c
The average governance situation has significantly deteriorated, including in the areas where the main weaknesses had been identified, and/or new major weaknesses have appeared without being addressed	d

**Benchmark:**

The KKM composite governance index elaborated by World Bank researchers and covering 6 out of the 9 areas of governance was used as a reference when assessing the quality of the initial governance profiles<sup>58</sup>. The evolution of the KKM index between 2005- 2008 can now be used as a useful reference for the evolution of the governance situation, particularly in areas where specific weaknesses have been identified.

See [http://info.worldbank.org/governance/wgi/sc\\_chart.asp](http://info.worldbank.org/governance/wgi/sc_chart.asp)

**3. Consolidation:**

The two dimensions of governance are considered of equal weighting. The approach privileges consistency:

All a's in underlying questions	A
All a's and b's in underlying questions	B
No d's in underlying questions	C
At least one d in underlying questions	D

In light of the changing political and/or governance situation since the drafting of the CSP, the partner country may have taken new governance commitments<sup>59</sup>, or express the wish during the MTR dialogue to update and strengthen the not yet implemented part of its GAP. Such new commitments can be taken into account as an overall special consideration regarding the governance situation (see point III.1). Where the additional commitments are translated in an updated GAP, this new GAP will be annexed to the MTR conclusions and, after their adoption, constitute the new contractual CSP commitments that shall underpin the political dialogue with that country.

<sup>58</sup> The KKM (Kaufmann, Kraay and Mastruzzi) index covers following areas of governance: (i) political/democratic governance; (ii) political governance and the rule of law; (iii) control of corruption; (iv) effectiveness of the government (including public finance management); (v) economic governance (including investment climate and management of natural resources); and (vi) internal and external safety. The EU governance profile added three additional areas of governance: (vii) social governance; (viii) international and regional governance; and (ix) the quality of the partnership. Those last three dimensions of governance may (partially) explain the deviation between the EU assessment of the evolution in the governance situation from the evolution in the KKM index, but other factors may come in as well. Data for 2008 will be available by end of June 2009.

<sup>59</sup> Including in the framework of international initiatives such as the APRM and the Panafrican governance and human rights architecture, regional integration initiatives or functional cooperation arrangements in the area of governance (such as the PALOP/TL governance initiatives).

## A-II.2 MTR ASSESSMENT FICHE (TEMPLATE) ON THE ECONOMIC SITUATION

### Specific Methodology for all questions:

A stable economic framework and policies conducive to sustainable growth are preconditions for successful development and for effective development aid. The assessment of the economic situation is based on the harmonised indicators included in the annex 'Country at a glance' (JAR annex A-I.1).

The assessment takes into consideration the evolution over time of the main indicators in the period up to the present financial and economic crisis (therefore looking at trends over the period 2004-2008). Where available, estimates of indicators for 2009 can be included to illustrate the continuation of the trend for elements not related to the crisis or the effect of the crisis for some or all elements.

Detailed elements of the analysis developed under point II.2.2 can be of help in the assessment. The assessment can be based on already available information and analysis, notably from IMF consultations and/or Article IV reports, EIU Reports and sources referred to in annex A-I.1.

### ***Key question:***

<b><i>Have sound economic policies been put in place to support sustainable economic growth ?</i></b>
---

### ***Underlying questions:***

- 1. Have effective macro-economic policies been put in place to ensure stability and to deal with the impact of the economic crisis and is there an effective policy dialogue on macro-economic policies?***

### The assessment:

Sound macro-economic policies are built around three pillars: (i) sustainable budgetary policies (taking into account predictable aid flows, assuring effective national tax systems and making a distinction between current and capital expenditures) ; (ii) a monetary policy which guarantees a minimum level of price stability; and (iii) balanced external accounts (trade in goods and services and the capital account, including foreign direct investment, remittances and ODA, are such that the foreign exchange reserves ensure the import of minimal 3 to 6 months of imports) with sustainable external debt charges. The stronger the macroeconomic starting position, the more resilient a country is to the impact of the present crisis. Effective policy dialogue implies (i) an inclusive dialogue on accountable macro-economic policies, including the possibility for a public debate involving relevant stakeholders (see PEFA assessment, part C.i), (ii) a credible and published budget (see PEFA assessment, part A), (iii) parliamentary scrutiny.

### Rating:

Very sound macro-economic policies in place or very strong progress in all three (budgetary, monetary and balance of payment) areas of macroeconomic policy, providing a strong starting position to cope with the possible impact of the crisis, and effective macro-economic policy dialogue in place, including structured public debate, credible and timely published budgets and parliamentary scrutiny	a
---	---

Good progress in at least two out of the three areas of macroeconomic policy, which was overall considered sustainable before the start of the present crisis, and sector policy dialogue in place despite some weaknesses	b
Little progress in macroeconomic situation, with unsustainable imbalances in at least one of the three areas of macroeconomic policy even before the start of the present crisis, and limited policy dialogue in place with some significant weaknesses hampering a timely public debate	c
No significant progress in macroeconomic situation with macroeconomic policies which were unsustainable in most areas, even before the present crisis, and absence of policy dialogue	d

**Benchmark:** for low income countries (LICs) with access to IDA, the concessional arm of the WB, some of the IRAI sub-ratings can be used (see point A-II.2.4). For other countries, the IMF article IV or similar reports can be used as reference.

**2. *Has the business climate become structurally more conducive for private enterprise and sustainable growth over recent years and, independently of the present crisis, how has this translated in capacity to promote domestic and attract foreign direct investments?***

**Assessment:**

The objective of achieving sustainable growth has to be built on policies to improve the regulatory framework, cutting red tape imposed by the legislative and administrative framework in which business operate, facilitating access to credit, providing support services and training for start ups, and promoting both domestic and foreign investment. The World Bank has developed a composite "doing business" indicator of which two key indicators (the number of days and the formal average cost required to start up a business) have been selected in " a country at a glance" (JAR annex A-I.1.B, lines 12-13) to capture the quality of the business environment.

**Rating:**

Measures to improve business climate and to enhance the attractiveness of the economy have been implemented and are effective, leading to a significant and consistent increase in gross capital formation	a
Measures to improve business climate and to enhance the attractiveness of the economy are foreseen and some reforms have already been initiated, with gross capital formation	b
Some but insufficient measures to improve business climate and to enhance the attractiveness of the economy, reforms too limited/not moving fast enough, limited gross capital formation	c
Measures to improve business climate and to enhance the attractiveness of the economy have not been initiated or even foreseen, no or limited gross capital formation	d

**Benchmark:** for LICs with access to IDA, one of the IRAI sub-ratings can be used (see point A-II.2.4). The relevant IRAI sub-rating makes extensively use of the WB “doing business” reports already referred to earlier. For non-LICs, the evolution over recent years of the specific “doing business” ratings can be used as a substitute benchmark.

**3. *Consolidation:***

The two dimensions of the assessment of the economic situation are considered of equal weighting. The approach privileges consistency:

All a's in underlying questions	A
All a's and b's in underlying questions	B
No d's in underlying questions	C
At least one d in underlying questions	D

#### 4. *Benchmarks:*

The assessment given by the Delegation should, where possible (LICs), be compared to an international benchmark: The World Bank publishes an annual performance rating of IDA-countries using the Country Policy and Institutional Assessment (CPIA) instrument. The CPIA forms the basis for the IDA Resource Allocation Index (IRAI)<sup>60</sup>.

The IRAI consists of four categories of scores:

- A. Economic management
- B. Structural policies
- C. Policies for social inclusion/equity
- D. Public sector management and institutions

The performances in these categories are rated from 1 to 6 (6 for the best performance).

For macro-economic performance – macro management, fiscal policy and debt policy (underlying question 1, first part), the reference is IRAI category A.

For macro-economic performance - public finance management (underlying question 1, second part), the reference is IRAI category D.

For micro-economic performance - trade and investment performance (underlying question 2), the reference is IRAI category B.

When making the comparison between the assessment and the IRAI rating, the IRAI rating should be used in a dynamic way.

IRAI rating 4.0 - 6.0 is considered to be at the level of MTR score a

IRAI rating 3.1 - 3.9 is considered to be at the level of MTR score b

IRAI rating 2.5 - 3.0 is considered to be at the level of MTR score c

IRAI rating 1.0 - 2.4 is considered to be at the level of MTR score d

---

<sup>60</sup> Details are available on <http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/IDA/0,,contentMDK:20052347~menuPK:2607525~pagePK:51236175~piPK:437394~theSitePK:73154.00.html> under IRAI scores.

### A-II.3 MTR ASSESSMENT (TEMPLATE) FICHE ON POVERTY AND THE SOCIAL SITUATION

#### Specific Methodology:

The evolution in social performance is a key performance assessment dimension. Three facets of social governance are assessed: (i) the presence and the quality of pro-poor policies, both the general and sector development policies, most specifically health and education; (ii) are those policies reflected in public expenditure and is their implementation monitored; and (iii) as a result of those policies, what has been the progress over time related to social development.

#### **The key overall question to be answered is:**

*Are sector policies in place and implemented to make progress in reducing poverty and in achieving the MDGs ?*

#### *Underlying questions:*

***1. What is the quality of the social sector policies of the partner country: does it have a national poverty reduction strategy (PRS) or equivalent national development plan (NDP) with a clear prioritisation, with good quality sector policies (notably for health and education) and with a monitoring system involving all relevant stakeholders?***

#### Assessment:

Key elements of a high quality national development plan and social sector policies include at least adequate key stakeholder (e.g. Parliament, NSAs) involvement throughout the elaboration and decision-making process, and clear priority setting and coherence between the general or sector development strategies.

A good monitoring system implies a set of SMART (Specific, Measurable, Achievable, Relevant and Time bound) result-oriented indicators at general and sector level. This requires the availability of a set of quality data obtained from country data sources, notably for the indicators identified in the PRS/NDP and the key MDG indicators that are reported on in the JAR (Annex A-I.1.B 'Country at a glance').

#### Rating:

High quality PRS/NDP and social sector policies in place, based on broad stakeholder involvement, with clear prioritisation and SMART indicators. High quality monitoring systems in place, involving key stakeholders and with key data widely disseminated and effectively used to underpin key national development policy making and monitoring.	A
Good quality PRS/NDP and social sector policies in place, based on some stakeholder involvement, but not always clearly prioritised. Good quality monitoring systems in place, with some key stakeholder involvement and with most key data accessible and regularly useful for and used to underpin key national development policy making and monitoring.	B
Medium to low quality PRS/NDP and social sector policies in place, rarely based on stakeholder involvement, and almost no prioritisation. Some monitoring in place, but with key stakeholders rarely involved, with only some key MDG/poverty data available, but rarely useful for and used to underpin key national development policy making and monitoring.	C
No clear PRS/NDP and social sector policies in place, no real stakeholder involvement in	D

development policy making, and no prioritisation. Very low quality or no monitoring systems in place, without stakeholder involvement, and without timely key MDG/poverty data available, and without use of data to underpin key national development policy making and monitoring.	
--	--

**2. Is public expenditure consistent with and supporting the defined poverty reduction strategy, and in line with possible international commitments on sector allocations from partner country budgets? What is the quality of the social sector policy dialogue?**

Assessment:

For the highest rating to be obtained, public expenditure should not only be consistent with international commitments and supporting the PRS at the aggregate level<sup>61</sup> but there should be interventions directed at assisting specifically identified groups (e.g. the poor; vulnerable groups; those lacking certain services); that there is a breakdown of spending by program, category, regions; and that benefit incidence analysis is carried out for major programs.

Where no GBS is provided to the country nor direct support to the social sectors (and more particularly to the health and education sectors), the quality of the policy dialogue should be assessed with the help of the lead donors in those sectors<sup>62</sup>.

Rating:

Public expenditure fully aligned with the poverty reduction strategy and in line with possible international commitments on sector allocations. Inclusive and regular sector policy dialogue in the social sectors, notably health and education.	a
Public expenditure is mostly aligned with the poverty reduction strategy and progressing towards possible international commitments <sup>63</sup> . Regular sector policy dialogue in place in the social sectors, notably health and education.	b
Public expenditure only partially aligned with the poverty reduction strategy and little or no progress made towards possible international commitments <sup>64</sup> . Some sector policy dialogue takes place.	c
No or very limited public expenditure alignment with the poverty reduction strategy. No or very irregular sector policy dialogue.	d

Benchmark:

The IRAI indicator 8 'equity of public resource use' in category C can be used as benchmark (see A-II.2.4 for more detailed information on the way to use IRAI scores as benchmark) in LICs.

<sup>61</sup> In 2003, in Maputo, Members of the African Union committed to increasing health budgets to 15% of their national budgets and to allocating within 5 years at least 10% of national budgetary resources to sound policies for agriculture and rural development. In the so-called "Abuja Commitment" African countries also committed themselves to raise budget allocations for Health to 15% of national budgets. For education, the FTI indicative framework recommends to allocate 20% of the national budget to education, of which 40-60% to primary education.

<sup>62</sup> For BS eligible countries, see annex A-II.4, underlying questions 2-3.

<sup>63</sup> Some interventions are directed at assisting specifically identified groups (e.g. the poor; vulnerable groups; those lacking certain services) and there is a breakdown of spending by program, category, regions.

<sup>64</sup> Few interventions directed at assisting specifically identified vulnerable groups; there is a breakdown of spending at least by program.

### 3. What has been the progress over time in achieving the MDGs?

#### Assessment:

A list of key MDG indicators in the area of nutrition, health and education are monitored in the JAR (annex A-I.1). UNDP provides a summary of the overall trend in its 'human poverty index' (HPI)<sup>65</sup>. The evolution of a country's ranking on the HPI also allows comparing the relative performance among countries.

The assessment of trends should focus primarily on the period since the 9<sup>th</sup> EDF MTR (2003/2004), while also comparing progress made in comparison to the reference period 1990-2003/2004. Relative performance is assessed as a change in ranking in the HPI over the most recent period.

#### Rating:

Improvement in all key MDG indicators, accelerating over recent years, and substantial improvement in HPI ranking <sup>66</sup>	a
Improvement in most key MDG indicators, without significant acceleration over recent years, and at least some improvement in HPI ranking	b
Progress only observed on some key MDG indicators, and no substantial deterioration in HPI ranking	c
Regression on most key MDG indicators, and substantial deterioration in HPI ranking	d

### 4. Consolidation:

For the overall rating of the poverty and social dimension the result of the underlying questions are considered of equal weighting.

All a's and maximum one b	A
All a's and b's and maximum one c	B
No d's or maximum one d in combination with at least one a or one b	C
Two c's and one d; or two or more d's	D

<sup>65</sup> HPI is a composite index of the probability not to survive beyond 40, the adult illiteracy rate, the percentage of people without access to improved water sources and the share of underweighted children under 5 years old. (web source UNDP: <http://hdr.undp.org/en/statistics/indices/hpi> ).

<sup>66</sup> 'Substantial' is considered a gain or loss of 5 or more places and a gain or loss of at least 2 points in the absolute score of the country. Where countries cannot fall back "substantially" in ranking, the difference in HPI score compared with the countries immediately preceding the country concerned should be considered.

## **A-II.4 MTR ASSESSMENT FICHE (TEMPLATE) ON THE IMPLEMENTATION OF EC COOPERATION**

### Specific methodology

This assessment will look at three aspects of EC Cooperation: the financial absorption, the focal sectors (projects/programmes and SBS) and GBS. The focus is on the whole portfolio, so including both the 9<sup>th</sup> and 10<sup>th</sup> EDF since the drafting of the CSP, therefore primarily from 2006 onwards. For BS the focus is on 2008-2009.

### ***Key question for EC cooperation:***

***Did the EC projects, programmes contribute sufficiently to the development results of that sector (or even beyond)?***

### ***1. Financial performance – financial absorption capacity***

#### Methodology

The aim is to assess to what extent non-BS funds can be absorbed within a reasonable time frame through the implementation of projects and programmes. This will be done by looking at

- the 10<sup>th</sup> EDF non-BS allocations not yet contracted (signed and introduced in CRIS/ABAC) at 30.9.2009 in relation to the average amount contracted yearly over the last 3 years<sup>67</sup> ("ratio i", measuring the average time required to contract the 10<sup>th</sup> EDF, based on a linear extrapolation of contracting performance over the past three years), and
- the non-BS RAL<sup>68</sup> for all EDFs at 30.9.2009 in relation to the average amount paid yearly over the last 3 years ("ratio ii", measuring the average time required to liquidate the commitments made under the EDF, based on a linear extrapolation of payment performance over the past three years).

With the migration from the OLAS to the CRIS/ABAC accounting system, some new standard reports will be developed. However, those are not yet all available. In principle, HQ will provide the data required for the calculation of the financial performance criteria, but further instructions may follow, asking the Delegations to assist HQ in case the data quality obtained from CRIS/ABAC by the time of the start of the HQ screening of the MTR assessments is deemed unsatisfactory or in case the only available data would be those from OLAS (at the end of 2008).

### ***Underlying question:***

- 1. Is the absorption capacity of the partner country adequate in light of the present aid allocations?***

---

<sup>67</sup> The idea of taking an average over three years aims to counter potential bias as a result of the fact that at the start of an EDF global commitments go up quickly, while the increase in individual commitments (contracts) and payments follow with a certain time lag.

<sup>68</sup> RAL ("reste à liquider") are the global commitment amounts for which either no contracts are signed yet, or amounts for which contracts are signed but not yet paid, i.e. the unpaid global commitments.

## Rating

Both ratio's <3	A
One of both ratio's <3 and the other between [3 - 5]	B
At least one ratio between [3 - 5] and average of both ratio's $\leq 6$	C
Both ratio's >5 or average of both ratio's > 6	D

## **2. Projects and programmes/SBS in the focal sectors**

### Methodology

The Delegation will prepare an initial rating per focal sector and SBS programme. Subsequently, the Delegation will consolidate those assessments (see final paragraph under this point on the next page for the consolidation methodology) and send the aggregated assessment fiche to HQ.

- *Projects and programmes:*

For each focal sector, a performance assessment should be done of the contribution of projects and programmes to the sector and, where applicable, to country performance, as measured against their identified targets. At the formulation stage of a project/programme a logical framework may have been used to present the objectives, targets and a timeframe. The logical framework may subsequently have been improved or, where still weak, should be improved during the MTR. Qualify your assessment for the quality of the logical framework (of the indicators used, and the ambition level of the objectives).

For details on the information required as well as on the use of indicators, please refer to the MTR Guidelines point II 3.3.

Where the focal areas of the 10<sup>th</sup> EDF are different from the focal sectors under the 9<sup>th</sup> or previous EDF(s), start with the still ongoing projects/programmes/SBS in the focal sectors from the previous EDFs and assess the prospects in those sectors after the phasing out of the Commission support (*inter alia* in terms of sustainability and division of labour)<sup>69</sup>.

- *Sector Budget Support:*

Where SBS is used, its contribution to development results in the sector (and beyond, where appropriate) should be assessed for the period 2008-2009. For SBS this would mean conditions have been met and commitments and disbursements of both fixed and variable tranche are sufficiently on schedule.

Assess whether SBS is on track or not (for the definition of on track/off track refer to GBS rating under point 3). Comment on the outcome of the most recent (joint) review, its recommendations, and the actions taken to implement those recommendations and the amounts disbursed. Mention briefly the main specific reasons for delays in payments and/or payments lower than scheduled disbursements. Assess the effectiveness of the link with policy dialogue in the sectors (and beyond).

### ***Underlying question:***

---

<sup>69</sup> Where the 10<sup>th</sup> EDF focal areas are different from what has been done in the past, it is possible that progress made so far in the start up of the new 10<sup>th</sup> EDF focal areas is insufficient to allow for a proper assessment of performance. In this case, it is important to make an analysis of the start up phase of the new focal area in the JAR. This assessment should include an evaluation of the progress made in operationalising the initial logical framework, notably the existence of baseline data and of intermediate and end-of-project objectives and outcome / results indicators.

- 2 *In the focal area(s), is the performance of the projects/programmes/SBS on track, i.e. is it on schedule to achieve the development results (output, outcome, and impact) formulated at the outset (or later)? Were/are there any important constraints or conditions (not) met? Were/are adequate measures (mention measures) taken where projects/programmes/SBS were (threatening to) get behind schedule?*

Rating:

Projects/programmes/SBS on track, i.e. almost all of the project / SBS indicators have been globally achieved according to calendar and no major constraints foreseen	a
Projects/programmes/SBS mostly on track, i.e. the majority of the project / SBS indicators has been globally achieved without too much delays compared to the initial implementation calendar, in most cases adequate measures taken where (threatening to go) off track	b
Projects/programmes/SBS mostly off track, i.e. only a minority of the project / SBS indicators have been globally achieved, many of them are behind schedule, and only in minority of cases adequate measures taken where (threatening to go) off track	c
Projects/programmes/SBS off track, hardly any of the project / SBS indicators have been achieved-not even globally, implementation significantly behind schedule, in hardly any of the cases adequate measures taken where (threatening to go) off track	d

The consolidation of the initial ratings given per sector and SBS programme will be done following the same methodology as for the overall consolidation per MTR assessment dimension:

All a's and maximum one third b's	a
All a's and b's and maximum one third c's	b
Maximum one third d's	c
More than one third d's	d

### **3. For countries where General Budget Support is provided**

The focus of the assessment is on results achieved against the identified targets, impact and policy commitments, the identification of major obstacles and the assessment of remedial actions, where required.

#### Methodology

The disbursement share and possible delays in payments over the last two years should be assessed. Clear reference should be made to the contribution to development results (as assessed under macro-economic, and poverty and social situation), the main findings of the last joint GBS reviews and their main recommendations, and actions taken to implement those recommendations. The effectiveness of the macro-economic policy dialogue and of the policy dialogue linked to the social sectors monitored through the GBS should be explicitly assessed as well.

#### *Underlying question:*

3. *Does the GBS contribute effectively to the country performance – as assessed under the dimensions governance, macro-economic and poverty reduction and social sectors - on*

*development?* (This would mean conditions have been met and commitments and disbursements of both fixed and variable tranche are sufficiently on schedule).

Performance is assessed by analysing expected and actual disbursements in 2008 and 2009<sup>70</sup>. Variable tranche disbursements cover aggregate disbursements over the two years (recognising that many countries may not have a variable tranche in 2008). For the purpose of this exercise, MDG Contract base component and annual performance tranche (APT) disbursements in 2009 are assimilated to respectively the fixed and variable tranches of GBS.

Rating:

GBS performing very well: fixed tranches for both 2008 and 2009 have been paid, and have been paid on time*; at least 75 % of the amounts foreseen for the variable tranche(s) has been paid	a
GBS on schedule: fixed tranches for both 2008 and 2009 have been paid, and have been paid more or less on time**; and/or less than 75% of the amounts foreseen for the variable tranche(s) has been paid	b
GBS partly schedule: only one of the fixed tranches for 2008 and 2009 has been paid more or less on time;	c
GBS completely off schedule: no GBS has been paid	d

\* on time = within the expected quarter

\*\* more or less on time = within the expected budgetary year

#### 4. Consolidation

On the basis of the average of the ratings for each of absorption capacity, projects/programmes/SBS in focal area(s)/GBS, give the consolidated rating. The two (or three, in case of GBS) parts of the assessment of the implementation situation are considered of equal weighting.

All a's (and maximum one b in case the assessment has three constitutive parts)	A
All a's and b's (and maximum one c in case the assessment has three constitutive parts)	B
No d's	C
At least one d	D

<sup>70</sup> If not yet disbursement for 2009, should be based on a reasonable assessment of the chances of disbursement (share) before the end of the year.