

<p style="text-align: center;"><b>Guidelines for 2004</b> <b>Mid-Term Reviews</b> <b>under the ACP-EC Partnership Agreement</b></p>
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## Chapter 1: Mid-term review key features

### 1.A. The scope of mid-term reviews

The Cotonou review process foresees annual operational reviews, mid-term and end-of-term reviews, and ad-hoc reviews (article 5 of annex IV). To date, two rounds of annual operational reviews have been organised during 2002 and 2003. These were based on an annual report jointly prepared by the HoD and the NAO; were discussed by Commission services in the framework of a country team; were submitted to the EDF Committee (after the entry into force of the Cotonou and the Internal agreement); and were finally formalised in the review meeting in country. Operational reviews have concentrated on a limited number of priorities, mostly related to the preparation of 2004 mid-term reviews:

- The speeding up of the use of old EDF resources;
- The refinement of indicators in the intervention framework (9<sup>th</sup> EDF) to measure results in focal sectors and the integration of indicators for measuring poverty reduction;
- The ongoing dialogue in country between the HoD and the NAO, including non-State actors, and proposals for further strengthening;
- An assessment of the CSP programming process.

In principle, mid-term reviews should be undertaken for all ACP countries in 2004. While annual operational reviews are essentially a review of the national indicative programme (NIP), MTRs concern the whole CSP. MTRs should provide an assessment of all elements covered in operational reviews. However, the scope of mid-term reviews goes beyond that of operational reviews, in at least two ways (article 5.6-7 of annex IV):

- 1) In the context of MTRs, the NAO and the HoD may (*article 5.6 of annex IV*) "review and adapt the CSS<sup>1</sup>: (a) where operational reviews indicate specific problems; and/or (b) in the light of changed circumstances of an ACP State".
- 2) Following the completion of a MTR, (*article 5.7 of annex IV*) "the Community may revise the resource allocation in the light of current needs and performance of the ACP State concerned".

In addition,

- 3) MTRs should take into account and operationalise, as appropriate, EC/EU policy initiatives and commitments taken at the international level, while respecting the principles of ownership and concentration of aid.

In other words, the Cotonou agreement foresees that in some countries mid-term reviews may lead to a change of the strategy (change in the CSP focal sector(s)), and/or to a revision in the country allocation (upwards or downwards). In addition, reviews need to take into account new policy initiatives and commitments. Any of such decisions will be coordinated at headquarters level and the concerned Commission services will be involved through participation in country team meetings.

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<sup>1</sup> "Country Support Strategy" corresponds to the terminology used in the Cotonou Agreement. It is equivalent to "Country Strategy Paper" which is used in the Common framework, adopted by the Commission and the Member States.

### *1. A. 1) Review and adaptation of the CSP: what does it mean?*

In tackling this important feature of the MTR, we need to draw a clear distinction between:

- ✓ Updates to the CSP analysis which could lead to adjustments in and between focal and non-focal sectors, and
- ✓ A change in the orientation of the CSP strategy leading to a new choice of the focal sectors.

Updates to the CSP analysis are performed yearly in operational reviews. Further updates can be expected in many countries at the MTR to ensure flexibility in rolling programming. However, a review and adaptation of the CSP, in the context of the MTR, goes further and should be interpreted as leading to a change in the choice of the focal sectors. In such exceptional cases, MTRs will need to be submitted to a Commission decision, as in the case of the initial CSP.

In practice, all MTRs should lead to updates and fine-tuning of the strategy, which do not necessarily lead to a change in strategy (i.e., change in the choice of the focal sectors). These could include:

- ✓ update of the country agenda (chapter 2 of the joint annual report);
- ✓ update of the political, economic and social situation (chapter 3 of the joint annual report);
- ✓ update of the analysis of focal sectors and macroeconomic support (chapters 3 and 4 of the joint annual report), notably ensuring that cross-cutting issues are properly taken into account, i.e., gender issues, environment<sup>2</sup> and natural resources, and institutional development and capacity building;
- ✓ update of the coordination and complementarity with Member States and other donors, i.e., update of the donor matrix (chapter 5 of the joint annual report and annex);
- ✓ update of the analysis on the coherence with other Community policies (chapter 5 of the joint annual report);
- ✓ the above mentioned updates may also lead to updated programming perspectives translated in an updated chronogramme of activities and indicative timetable for commitments and disbursements (chapter 5 of the joint annual report);
- ✓ in this context, new initiatives and commitments (see point 1. A. 3 below) can in some cases be included as priority activities outside the focal sectors, e.g., education for all fast track initiative (chapter 5 of the joint annual report);
- ✓ in special cases and in accordance with the country's needs and performance, shifts between financial envelopes (A and B) may be envisaged (chapter 5 of the joint annual report)<sup>3</sup>.

For further information on the contents of the 2003 joint annual report, please see chapter 2 of these guidelines.

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<sup>2</sup> The commitment to mainstream environmental resources into cooperation involves the preparation of country environmental profiles (CEP). In addition, strategic environmental assessments (SEA) should be considered at the level of the focal sectors and environmental impact assessments (EIA) at the level of projects. Finally, the obligations of ACP countries derived from multilateral environment agreement (MEAs) should also be considered. For further information, please contact DG DEV B/4 or consult the following internet addresses:

[http://www.cc.cec/home/dgdev/dev/body/theme/B4\\_env.cfm](http://www.cc.cec/home/dgdev/dev/body/theme/B4_env.cfm)

[http://europa.eu.int/comm/development/development\\_old/sector/environment/index.htm](http://europa.eu.int/comm/development/development_old/sector/environment/index.htm)

<sup>3</sup> Although a shift between 9<sup>th</sup> EDF envelopes (A and B) does not constitute a change of strategy, it is subject to a Commission decision.

**A review and adaptation of the CSP, in the context of a MTR, should therefore be interpreted as a change in the focal sectors.** However, with the large majority of CSPs having been signed during 2002 after an important programming exercise carried out in partnership, it is expected that 2004 MTRs will for most countries emphasise the continuity of the main elements of the strategy, i.e., confirm the choice of the focal sector(s).

In justified cases, where a change of strategy is proposed (i.e., change in the choice of the focal sectors), the following aspects should be taken into account:

- any change of strategy should be done in agreement between the concerned Government and the Commission. As in the case of the CSP preparation, non-State actors should be actively involved.
- a change of strategy may be undertaken where operational reviews indicate specific problems and/or in the light of changed circumstances of an ACP State (chapters 2 and 3 of the joint annual report);
- a change of strategy should take the existing CSP, with its analysis and response strategy, as the starting point. The new choice of the focal sectors should flow logically from any changes having occurred between the initial programming and the timing of the MTR, on the key elements leading to the response strategy (chapters 2, 3, 4 and 5);
- the need and benefits of a change of strategy should be clearly demonstrated against the cost (e.g., delays in implementation) that such a change would entail (chapter 5);
- the objective of concentration of aid in a limited number of sectors, should be maintained (chapter 5 of the joint annual report).

#### ***1. A. 2) Revision of country resource allocations: what does it entail?***

The Cotonou agreement foresees the possibility for the Community to increase/reduce the country allocations at the time of the mid-term and end-of-term reviews, based on an assessment of current needs and performance (article 5.7 of annex IV of the Cotonou agreement).

In this context, methodological work has been developed in two steps:

- (a) The first addressed the issue of needs and performance, i.e., what specific aspects should be included in the definition of needs and performance and how are they to be assessed at MTRs.
- (b) The second addressed the criteria for decision-making, i.e., how to operationalise the definition and assessment of needs and performance and translate them into objective criteria which can effectively be used to measure country's needs and performance.

This overall process is further described in annex 1.

The proposed approach is based on two overarching criteria, assessed within the framework of 'special considerations', which capture the key elements that will determine a Community decision on the revision of country allocations. Criteria are fully anchored on the Cotonou agreement itself and have been discussed and endorsed by Commission services (both in Brussels and in Delegations) and were subject to an exchange of views with the group of ACP countries:

- I. Assessment of the country's performance in implementation - Financial criteria*
  - II. Assessment of the country's performance in focal sectors (and macroeconomic support)- Sectoral / macroeconomic criteria*
- Special considerations: assessment of country's progress in institutional reforms and poverty reduction as well as specific circumstances of individual countries*

The application of the above-mentioned criteria can be visualised in one single **evaluation grid** with 5 criteria:

<b>CRITERIA</b>	<b><i>Possibility to increase country allocation</i></b>	<b><i>Maintain country allocation</i></b>	<b><i>Possibility to reduce country allocation</i></b>
<b><i>Financial performance</i></b>			
<i>1. commitments</i>	< 2 years	2 – 4 years	> 4 years
<i>2. assignments</i>	< 5 years	5 – 7 years	> 7 years
<i>3. payments</i>	< 7 years	7 – 9 years	> 9 years
<b><i>Sectoral / Macroeconomic performance</i></b>			
<i>4. indicators</i>	good	sufficient	insufficient
<i>5. sectoral policy commitments</i>	on schedule	(roughly) on schedule	delayed

Each individual decision on the revision of the country allocation will take into account ‘***special considerations***’ including an assessment of major events affecting the country’s needs, vulnerability and performance since the start of the CSP programming process (notification of allocations in 2001). In this context, the progress of the country in terms of institutional reforms (political and economic governance) and towards poverty reduction will be assessed. Specific circumstances of individual countries will also be taken into consideration. These may include post-conflict situations, factors related with the implementation capacity at the country level (e.g. the status of the devolution process, staff resources at the Delegation and NAO office), etc.

In practice, the Community position as regards a possible revision of the country allocation will be reflected in the MTR conclusions to be prepared by DG DEV geographical units. Draft MTR conclusions will be discussed and agreed by Commission services at the country team meeting chaired by the concerned geographical Director. The MTR conclusions will also be submitted to the Member States EDF Committee. A revision of a country allocation will ultimately be approved by Commission decision. In particular, it should be noted that any decisions on upward revisions of allocations will be subject to the availability of additional resources.

***1. A. 3) New EC/EU policy initiatives and commitments: how to integrate them?***

According to the Council conclusions on the use of the common framework for CSPs, mid-term reviews should ‘take into account and operationalise, as far as possible, new EC/EU policy initiatives and commitments that have an impact on third countries or, more generally, at international level, while fully respecting the principles of ownership and concentration of aid, the objectives and priorities of the EC Development Policy and the specificities of the relationship between each partner country and the EU’. In addition to new policy initiatives and commitments, existing policy priorities, which were not properly addressed in the initial CSPs, should also be considered.

In general, it is expected that the EC/EU policy initiatives and commitments can be considered within the existing choice of focal and non-focal sectors. In specific cases, however, new priorities may lead to a change of strategy, i.e., change in the focal sectors. For further information on how to integrate new priorities and commitments, please see chapter 2.5.1 of the present guidelines on the layout of the 2003 joint annual report .

The following are examples of either new EC/EU policy initiatives and commitments, or existing priorities that were not in general adequately addressed in the initial programming. The following could be accommodated in the framework of the MTR:

- Social sectors: commitment towards the European Parliament of allocating 35% of resources to social sectors. This includes macroeconomic support linked to social sectors, direct support to social sectors and social infrastructure (including water and support to civil society);
- “Education for all” fast track initiative;
- Health: international commitments on health and poverty reduction. In particular, the fight against communicable diseases (HIV/aids, malaria and tuberculosis);
- Water and energy: international commitments following the Johannesburg summit;
- Trade and development: in line with the EC Communication (COM 2002/513) and the Council resolution on Trade and development and taking into account the negotiations of Economic Partnership Agreements, the MTR will seek to ensure that trade issues are properly addressed and adequately funded<sup>4</sup>;
- Fisheries: in line with the EC Communication (COM 2000/724) and Council Resolution on Fisheries and Poverty Reduction, countries where the fisheries sector is important should place greater emphasis on this sector. As a result, fisheries should gradually take up a significant place in CSPs if so requested by the respective developing countries.
- Illegal logging and related trade: in line with the EC Communication on Forest Law Enforcement, Governance and Trade (COM 2003/251), efforts should be focussed on promoting equitable and just solutions to the illegal logging problem; transparency of information; capacity building for partner country governments and civil society; and policy reform.
- Migration, fight against terrorism and other issues resulting from the EU domestic agenda;
- Linking relief, rehabilitation and development (LRRD) and focus on disaster preparedness;
- Conflict prevention: commitment to ensure that programmes are clearly focused on addressing root causes of conflict in an integrated way so as to contribute to enhanced structural stability (article 11 of the Cotonou agreement);
- Disability and development: MTRs should examine the extent to which country programmes are responsive to the needs of persons with disabilities<sup>5</sup>;
- Other policy priorities such as agriculture, food security, indigenous people.

### **1.B. MTR key documents**

Key documents in country mid-term reviews include:

- ✓ A **joint annual report**<sup>6</sup> (maximum 25 pages), to be drafted under the responsibility of the HoD and the NAO and to be submitted to DG DEV geographical units by March

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<sup>4</sup> A set of guidelines has been prepared as a follow up to the Trade and Development Communication (COM 2002/513) and was sent to Delegations. For further information on these guidelines, please contact DG DEV B/1.

<sup>5</sup> For further information, please see ‘Guidance note on disability and development for EU Delegations and Services’ which has been sent out to ACP Delegations on March 2003 by DG DEV B/3.

<sup>6</sup> In cases where there is no NAO or where the preparation of a joint annual report proves impossible for a given year, the Delegation should nevertheless prepare an annual report. To the extent possible, the different steps of the MTR procedure should be followed. The Delegation report should be shared with the NAO and

2004, at the latest. Please see chapter 2 for a detailed layout of the 2003 joint annual report. In chapter 4, the role of the joint annual report in the MTR process is explained.

- ✓ A **cover note** (maximum 5 pages) from the Head of Delegation should accompany the submission of the joint annual report. For information on the contents of the cover note, its role in the review process and the involvement of the Member States, please see chapter 4 (sections I and II).
- ✓ **MTR conclusions** (maximum 10 pages) to be drafted by DG DEV geographical units, putting forward the Commission's position as regards the key issues in MTRs. Please see chapter 3 for a detailed layout of the MTR conclusions. In chapter 4, the role of the MTR conclusions in the review process is explained.

### **1.C. MTR process – main steps**

The first step in MTRs is the organisation of a **country team meeting**, based on the (2003) draft joint annual report, the HoD cover note and the draft MTR conclusions. This meeting will have a pivotal role in shaping the Community's position in terms of a change of strategy and as regards the decision on the country allocation. After the country team meeting, review documents will be screened and commented upon by the **inter-service quality support group (IQSG)**.

The next steps of the review process are dependent on the scope of the review itself:

- ❖ If neither a change of strategy or revision of the country allocation is foreseen, the next step is the submission of review documents to the Member States **EDF Committee**. Following this step, a **review meeting in country** with the NAO and HoD should be organised, leading to the finalisation of the joint annual report, including its conclusions. If appropriate, a revised order for service will be prepared.
- ❖ If either a change of strategy and/or revision of the country allocation is foreseen<sup>7</sup>, the process requires additional steps, notably an **inter-service consultation** of Commission services prior to the exchange of views at the **EDF Committee** and a **Commission decision** afterwards. In addition, after the **review meeting in country**, an addendum to the CSP and NIP will be required and finally, once the MTR process is completed, a revised **order for service** will be prepared.

Further details on the different steps of the 2004 MTRs are provided in chapter 4.

### **1.D. Participation of non-State actors**

As in the CSP programming process and in annual operational reviews, non-States actors have a role to play in MTRs and should be actively involved in the process. According to the Cotonou agreement, non-State actors (NSAs) should not only be consulted on cooperation policies and strategies, but also be involved in the implementation of cooperation projects and programmes. In this context, it is important to involve NSAs at the different stages of the review process, as appropriate<sup>8</sup>. The joint annual report should also provide information on the utilisation of financial resources for NSAs (see chapter 2.4.3 of the present guidelines).

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the NAO should be kept informed on the different steps of the process, as appropriate. Such situations should be assessed on a case-by-case basis.

<sup>7</sup> A shift of resources between envelopes A and B is considered as a revision of the country allocation.

<sup>8</sup> As a follow up to the Communication on the Participation of NSAs in the EC Development Policy, guidelines are currently being prepared providing inter alia support on how to organise the consultation process at MTRs. These guidelines will be sent to Delegations once approved. For further information on the status of these guidelines, please contact DG DEV B/1.

In order to facilitate the involvement of NSAs in MTRs at an early stage, it is suggested to send the layout of the 2003 joint annual report to the NSAs (chapter 2 of the present guidelines) indicating a deadline for inputs before the first draft is prepared by the HoD and the NAO. At the same time, a copy of the latest finalised joint annual report should also be sent to NSAs as an example. To further improve this dialogue, it would be appropriate to provide adequate feedback to NSAs on their input to the report and keep them informed on the next steps of the process, in particular as regards the review meeting in-country.

### **1.E. Timing and calendar for MTRs**

As regards the timing for 2004 MTRs, the 2003 draft joint annual report should be formally submitted to DG DEV geographical units as early as possible in 2004 and during **March 2004** at the latest. This deadline is necessary to ensure that all countries have passed the EDF Committee stage during the Summer. This will allow for the MTR process to be completed for all ACP countries before the end of the year, including cases where a change of strategy and/or revision of the country allocation are envisaged. As regards the timing for the actual review meeting in country, a certain degree of flexibility will be allowed for countries where a full or interim PRSP exists. In such cases, MTRs can be coordinated with PRSP reviews<sup>9</sup>.

### **1.F. MTRs in small countries and OCTs<sup>10</sup>**

As regards smaller countries, a simplified process needs to be put in place. For ACP countries where the 9<sup>th</sup> EDF A-envelope resources are below €10 million, we propose not to undertake a full MTR, unless one of the parties (Commission or the country concerned), considers that there is a need to either revise the strategy or the country allocation. If there is no such need, mid-term reviews should essentially follow (annual) operational review instructions. The same would apply to OCTs whose total envelope is below €10 million.

Special provisions to facilitate the process for smaller countries and OCTs include shorter joint annual reports (10-15 pages), the possibility to organise country team discussions by an exchange of emails between the concerned services, no obligation to submit documents for screening by the iQSG. As regards the actual review meeting in the country, in cases where no Delegation/Office exists in country, alternative arrangements can be envisaged, as appropriate.

### **1.G. MTRs in ACP regions**

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<sup>9</sup> If the PRSP review only takes place in the fourth quarter of 2004 (October to December), the timing for MTRs should be maintained, taking into account the results from the last PRSP review (the one held in 2003). If the PRSP review takes place some time during the first three quarters of 2004, the MTR meeting in country could be organised at the same period to avoid duplication and ensure coordination between the two exercises, as appropriate. However, the draft report should in any event be available by March.

<sup>10</sup> As regards overseas countries and territories (OCTs), MTRs are foreseen in the EDF implementing regulation that was adopted in December 2002 (Regulation 2304/2002).

However, since programming has only begun in 2003, MTRs for OCTs will not take place in 2004, but on a later stage, in accordance with this same regulation and by analogy with small ACP countries.

The Cotonou agreement explicitly foresees MTRs for ACP regions (article 11 of annex IV). These are essentially reviews of the implementation of the RIP, taking into account changes in the situation of the region, and, in particular, progress in negotiations of Economic Partnership Agreements with the EU. In addition, MTRs for regions may also lead to a revision of the regional allocations by the Community in the light of current needs and performance. Since the implementation of the 9<sup>th</sup> EDF for regions only started during 2003, MTRs for the six ACP regions are expected to take place early in 2005. Specific guidelines will be prepared for regional MTRs, largely in line with the present guidelines for countries.

## **Chapter 2: Layout for 2003 joint annual reports (JARs)**

*Maximum number of pages: up to 25<sup>11</sup> for the JAR + annexes (as listed at the end of this chapter)*

### **1. Executive Summary (1 page maximum)**

### **2. The policy agenda of the partner country**

This chapter should cover an assessment of the state of achievement of the national development strategy, both in respect of national and regional objectives, and in terms of the objectives of the ACP-EC partnership agreement<sup>12</sup> (poverty reduction, sustainable development and integration into the world economy). Where appropriate, this assessment should be based on the available PRSP documentation or similar strategy documents. This implies providing a brief update on the PRSP process, which should cover items such as (1) is there a full PRSP or a PRSP process ongoing? (2) how do the different actors of cooperation participate in this process? (3) what is the impact of the PRSP on the budget and its implementation? (4) is there a calendar cycle for PRSP reviews?

Major events during 2003 in the economic or political context, or internationally, which may impact the policy agenda, development priorities and objectives of the country concerned, should be taken into account.

### **3. Update on the political, economic and social situation**

This chapter should begin with the enclosed table of indicators providing data for the last few years (from 2000 up to 2003, if available) and future forecasts, on the 10 MDG (Millennium Development Goals) indicators proposed by the Commission and the Member States to systematically measure progress towards poverty reduction in the framework of the CSPs. As regards this table, please bear in mind the following:

- Firstly, to ensure coherence, countries should present the updated version of the same indicator table as for the 2002 joint annual report. To the extent possible, the same sources of data should also be used to ensure comparability. Changes in the list of indicators and sources used should be explained.
- Secondly, it is important to note that this list of 10 indicators remains flexible. This means that countries can replace indicators by equivalent ones drawn from PRSPs or sector strategies, as they become available.
- Thirdly, it is suggested to complement the 10 indicators with a small number of key macro-economic indicators and with figures on Government spending on health and education.

(Unit DEV B/2 and DEV B/3 (health and education) can provide further methodological support on indicators).

Data on these 10+ indicators should be drawn wherever possible from country data (ideally in the framework of the PRSP or sectoral reviews). Reference material is also available in UNDP MDG country reports, in the World Bank's database 'World Development indicators' and with the UNESCO institute on statistics. IMF databases also provide data

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<sup>11</sup> Small countries, where envelope A is below €10 million, should produce 10 to 15 page reports, as a maximum.

<sup>12</sup> For OCTs, this should refer to the objectives of the Association Decision.

on macro-economic indicators. Comments could be made on the quality of the data, trends, and approximate time when data on each indicator is available.

A brief assessment on the data could be made just after the table or integrated in the analysis of the chapter. Whenever possible, attention should be paid to the link between the evolution of the 10 indicators and the activities in the focal sectors.

Type	Indicator	2000	2001	2002	2003	2004	2005	...
Impact	1. Proportion of population below \$1 per day <sup>13</sup> 2. Prevalence of underweight children (under-five years of age) 3. Under-five mortality rate							
Outcome	4. Net enrolment ratio in primary education 5. Primary Completion Rate 6. Ratio of girls to boys in: - primary education - secondary education - tertiary education 7. Proportion of births attended by skilled health personnel 8. Proportion of 1 year old children immunised against measles 9. HIV prevalence among 15-24 year old pregnant women 10. Proportion of population with sustainable access to an improved water source							

Source(s): (please indicate)

While updating the political, economic and social situation for the year 2003, the following issues could be addressed:

- Changes in the political situation including results of elections (if any) and its implications; key institutional developments considering the essential and fundamental elements of article 9 of the Cotonou agreement (Human Rights, democracy, rule of law, good governance and fight against corruption); peace-building/conflict prevention measures.
- Changes in the economic situation including main developments in the macro-economic situation and structural reform performance, changes in the external debt burden, significant steps concerning integration into the world economy notably in regard to WTO negotiations, steps concerning other trade arrangements, changes in trade relations with the EU (e.g. sanitary and phyto-sanitary standards - SPS), the impact of trade on development and the quality of the management of public finances and budgetary expenses.
- Achievements in the social sectors and the food security situation with a direct or enabling impact on poverty reduction (link with the MDGs). A gender analysis should also be covered.
- Achievements in cross-cutting issues including gender issues, critical environmental trends (and disaster prevention mechanisms) and capacity building and institutional development.
- Regional and international developments: any significant changes, regionally or internationally, that could have an impact on co-operation between the Community and

<sup>13</sup> An equivalent indicator based on national poverty lines can replace indicator 1, as appropriate.

the country concerned (e.g. changes in regional integration processes, negotiations of economic partnership agreements, consequences of conflicts in the region).

Particular attention should be given to the analysis of the macro-economic and sectoral policies selected as focal sectors.

#### **4. Overview of past and ongoing co-operation**

This chapter should cover an assessment of results achieved at sectoral level, as well as specific activities of programmes and projects financed by the Community. Results and lessons learned from strategy, sectoral or project evaluations should be summarised and taken into account.

##### **4.1. Focal sectors (and macroeconomic support)**

*The presentation in section 4.1 should be done focal sector per focal sector as foreseen in the CSP and NIP of the 9<sup>th</sup> EDF and NIPs of preceding EDFs.*

###### 4.1.1. Focal sector 1

###### a) Results

*Concretely assess the results achieved in focal sector 1, measured against identified targets and sectoral policy commitments, contained in the intervention framework (reference to article 5.4 (a) of annex IV of the Cotonou agreement).*

*The analysis of results implies a revision of progress in the implementation of sectoral policy commitments and an assessment of the sectoral achievements, measured on the basis of indicators and targets identified in the latest intervention framework. In most countries, this will correspond to the intervention framework (including data on indicators) finalised in the context of the 2003 annual operational review. These tables should be updated with the latest data on indicators and included as annexes to the report. Tables should contain the necessary columns to present the (yearly) results of each indicator and sectoral policy commitment defined. Actual results should cover the period 2000 - 2003, and be compared to the targets for 2003. Targets for the future should also be fixed, notably for the period 2004 - 2006<sup>14</sup>.*

*This analysis of results is one of the key elements of the review process, which is also included in the criteria for the revision of the country allocations.*

###### b) Progress in activities

*Assess progress in activities in focal sector 1 in terms of the effectiveness in implementation of current operations and the extent to which the timetable for commitments and payments has been respected. Causes for delay should be identified and measures proposed to speed up the implementation or to re-direct resources. Please include key figures and percentages on commitments, assigned funds and payments.*

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<sup>14</sup> In this context, it is important to note that guidelines on sectoral indicators have been elaborated for several sectors, e.g., transport, health, education.

- c) Degree of integration of cross-cutting themes (gender issues, environmental issues and institutional development and capacity building).

*Outline of specific measures taken to ensure the integration of crosscutting issues into the focal sector 1.*

#### 4.1.2. Focal sector 2

*Follow 4.1.1 for the presentation of a), b) and c)*

#### 4.1.3. Macroeconomic support

*Follow 4.1.1 for the presentation of a), b) and c)*

### **4.2. Projects and programmes outside focal sectors**

*Present a summary of projects and programmes, as foreseen in the CSP and NIP of the 9<sup>th</sup> EDF and NIPs of preceding EDFs, including their major activities and results achieved in 2003.*

### **4.3. Utilisation of resources for non-State actors (NSA)**

*Assess the results achieved and activities undertaken. This should cover the rate of commitment and disbursement in comparison with the original schedule, the identification of the causes for delay and the measures proposed to speed up implementation or re-direct resources<sup>15</sup>.*

### **4.4. Utilisation of envelop B**

*Describe the activities undertaken and assess the results achieved in the utilisation of the B envelope, including information on the rate of commitment and disbursement.*

### **4.5. Other instruments**

*For each instrument, present a summary of projects and programmes with their major activities and results achieved in 2003. (In specific countries, where instruments such as for example STABEX are equally or more important than the NIP focal sectors, this section should be presented with at least the same level of detail as proposed in section 4.1, including information on results, progress in activities and the degree of integration of cross-cutting issues.)*

#### 4.5.1. STABEX

#### 4.5.2. SYSMIN

#### 4.5.3. Regional co-operation

#### 4.5.4. Community budget lines

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<sup>15</sup> If there was no implementation of the 9<sup>th</sup> EDF during 2003, this section should give account on the utilisation of resources for NSA in previous EDFs, if applicable. In addition, it should contain a summary/update on the status of preparation of projects and programmes utilising resources for NSAs.

#### 4.5.5. European Investment Bank

#### 4.4.6. ...

### **5. Programming perspectives for the following years**

According to the principles of rolling programming and flexibility, which are required to ensure that operations are kept in line with the Cotonou objectives, this chapter should update the future programming perspectives (next 2 to 3 years) for all activities financed by the Community.

In particular, this chapter should give account on how the new EC/EU policy initiatives and commitments are to be integrated in future programming and indicate the position of the country on the need for a review and adaptation of the CSP. This should take into account an updated analysis on the coherence with other Community policies, as well as an update on the coordination and complementarity with Member States and other major donors, i.e., update of the donor matrix.

This chapter should also include a description of the type of participatory approach and consultation process of non-State actors in the framework of the MTR.

#### **5.1. Integration of new EC/EU policy initiatives and commitments**

*In the context of the MTR process, ACP countries and Delegations will analyse the pertinence of including new initiatives in their programming (see list of EC/EU initiatives and commitments in chapter 1.A.3). The following questions should guide this analysis:*

- i. Which of these new initiatives and commitments are relevant in the specific country context and what priority should they be given?*
- ii. What is the financial room for manoeuvre within the existing response strategy and NIP? Could resources be shifted between focal sectors or non-focal sectors to accommodate the new priorities?*
- iii. Is there a possibility of drawing on a horizontal / thematic budget line or other sources of Community funding as a contribution to address these needs?*
- iv. Finally, if a change in the focal sectors is required to free up resources to finance the new priorities (i.e., change of strategy), which existing sectors should be scaled down in order to finance the new initiative or commitment?*

*A summary on how these questions have been dealt with, and what are the main conclusions and proposals in terms of programming, should be included in this section. Such proposals should also be reflected in the annexes to the report, notably the intervention framework, chronogramme of activities and the indicative timetable for commitments and disbursements. In particular, an explanation should be given in cases where pertinent policy initiatives/commitments are not included in future programming.*

#### **5.2. Proposal on a review and adaptation of the CSP**

*Based on the information contained in previous chapters, this chapter should clearly indicate the country's position in terms of a review and adaptation of the CSP strategy:*  
**Option 1) No change of strategy:** *the MTR will update the CSP analysis which could lead to adjustments between the focal and non-focal sectors defined in the CSP, but no change in the choice of the focal sectors is foreseen, or*

**Option 2) *Change of strategy:*** the MTR will change the orientation of the CSP strategy leading to a new choice of the focal sectors.

As regards the **first option**, in accordance with the updates to the CSP analysis made in previous chapters of the report, a summary of the main updates in terms of programming perspectives should be included in this section. Particular attention should be given to projects and programmes where resources are being re-directed (from and to), as a consequence of policy changes or the assessment of results and progress in activities as presented in previous chapters. In special cases and in accordance with the country's needs and performance, shifts between financial envelopes (A and B) may be proposed and included in the new programming perspectives. Again, such updates should also be included in the updated chronogramme of activities and indicative timetable for commitments and disbursements, including all financial instruments.

As regards the **second option**, (i.e., a revision and/or adaptation of the CSP leading to a new choice of the focal sectors) the updates and analysis required go further than option 1. In practice, this section should contain the justification for a change of strategy. It should take the existing CSP, with its analysis and response strategy, as the starting point. As has occurred in the preparation of CSPs, the following elements summarised in the IQSG 'Guidelines for implementation of the Common Framework for CSPs', should remain the basis for a proposed revised strategy at the time of the MTR. In this context, a revised/adapted choice of the focal sector(s), should flow logically from any changes having occurred between the initial programming and the timing of the MTR, on the following issues:

- **EC policy objectives;**
- The **analysis** of the country situation and the **country's development strategy**, which determine the **relevance** and the prospect of **sustainability** of the support strategy;
- The indicative volume of **funds available** (in cases where the MTR leads to a change in the country allocation, this section of the report may require further updating at the end of the MTR process);
- Conclusions reached in the context of the '**policy mix**'/**coherence** analysis exercise (which should be updated during the MTR process and the main results summarised in this chapter);
- **Lessons learned** from past EC experience and useful elements of the current portfolio of Community activities<sup>16</sup>;
  
- **Complementarity and coordination** with interventions by other major donors and the Government's own programmes (which should be updated during the MTR process and the main results summarised in this chapter. This should also lead to an updated donor matrix, to be included as an annex)<sup>17</sup>.

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<sup>16</sup> Recommendations from a recent country strategy evaluation, if available, could be an argument in support of the decision to revise a country strategy.

<sup>17</sup> The iQSG is currently working on an 'Assessment framework for reviewed programming documents'. For further information on the status of this document, please contact the iQSG. In addition, following the

*In any case, the objective of concentration of aid in a limited number of sectors, should be maintained.*

## **6. Conclusions of the joint annual report**

(drafted by the HoD and the NAO after the final review meeting in country)

This chapter is not part of the draft annual report but should only be included at the end of the process. It should summarise the main conclusions of the MTR process:

- Main recommendations from the country team, iQSG, ISC if applicable, EDF Committee;
- Key results of the consultation process with NSAs and how they have been incorporated in the implementation of cooperation and programming perspectives.
- Whether a change of strategy was proposed and agreed (i.e., change in the choice of focal sectors), or whether the choice of the focal sectors was confirmed;
- Position taken on the integration of the new EC/EU initiatives and commitments;
- Overall assessment of the country in terms of financial performance, sectoral performance and ‘special considerations’ such as progress in institutional reforms and towards poverty reduction;
- Community position/decision on the revision of the country allocation;
- Key perspectives for the future.

The drafting of the conclusions of the joint annual report can be largely inspired from the mid-term review conclusions (see chapter 3 of the present guidelines).

The preparation of the conclusions of the joint annual report and the finalisation of the report itself should be completed as soon as possible, immediately after the final review meeting in country. The final review meeting may require (further) modifications to other chapters of the joint annual report, notably the annexes, i.e., intervention framework, the chronogramme and the indicative timetable for commitments and disbursements, especially in cases where the MTR led to a revision of the country allocation.

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Communication on Building an effective partnership with the UN (May 2001), consultation with UN agencies, funds and programmes present in the country is called for when revising the CSP. Furthermore, enhanced co-operation in the implementation of actions is expected specifically with those UN bodies, which are selected to be strategic partners to the Commission. These include UNDP, FAO, ILO, WHO, UNCTAD, UNHCR, WFP, UNICEF, UNIDO and UNRWA.

## **List of Annexes accompanying the joint annual report**

*The following Annexes are **mandatory** and should therefore accompany the joint annual report.*

### *Annexes with a prospective character:*

- ❑ Intervention framework, including an overview of policy measures and indicator data and targets detailed for the different focal sectors, and macroeconomic support if appropriate (updated)
- ❑ Chronogramme of activities (updated and including all financial instruments)
- ❑ Indicative timetable for commitments and disbursements (updated and including all financial instruments)
- ❑ Donor matrix (updated)
- ❑ Country environmental profile (CEP)

### *Annexes with a retrospective character:*

- ❑ Financial situation for 9<sup>th</sup> EDF (grants)\*
- ❑ Financial situation for 8<sup>th</sup> EDF (grants)\*
- ❑ Financial situation for 7<sup>th</sup> EDF (grants)\*
- ❑ Financial situation for 6<sup>th</sup> EDF (grants)\*
- ❑ Regional projects\*
- ❑ EIB projects\*
- ❑ Use of budgetary support / counterpart funds

\* The tables included in these annexes should present per project/programme the level of commitments, assigned funds and disbursements at the beginning and end of the year.

*The following annexes are **optional**. It is up to both the HoD and NAO to decide what additional annexes to include, if any.*

- ❑ Key figures for the country
- ❑ Project sheets
- ❑ Other
- ❑ ...

### Chapter 3: Layout for mid-term review conclusions (MTRC)

DG DEV geographical units are responsible for preparing draft **MTR conclusions** (maximum 10 pages). These should be drafted as a stand-alone document summarising the key elements of the annual report and the cover note, providing a critical overall assessment on the country. The MTR conclusions should include all elements foreseen in the iQSG's review assessment framework for documents resulting from the MTRs<sup>18</sup>. Finally, they should put forward the Commission's position as regards a proposed change of strategy and/or a revision of the country allocation.

*Proposed structure for MTR conclusions:*

1. **Executive summary:** brief summary of the EC co-operation strategy, including the total amount of resources for the programming period and focal sectors in the original CSP.
2. **The policy agenda of the partner country:** provide a critical assessment of the state of achievement of and, if applicable, major shifts in the national policies; both in respect of national and regional objectives. This implies an update on the PRSP process and its impact.
3. **Main political, economic and social developments in the country:** main developments, which have occurred since the adoption of the CSP, which need to be taken into account in co-operation programmes. For example, it may cover:
  - Changes in the political situation including results of elections (if any) and its implications; key institutional developments considering the essential and fundamental elements of article 9 of the Cotonou agreement (Human Rights, democracy, rule of law, good governance and fight against corruption); peace-building/conflict prevention measures<sup>19</sup>.
  - Changes in the economic situation including main developments in the macro-economic situation and structural reform performance, changes in the external debt burden, significant steps concerning integration into the world economy notably in regard to WTO negotiations, steps concerning other trade arrangements, changes in trade relations with the EU (e.g. sanitary and phyto-sanitary standards - SPS), the impact of trade on development and the quality of the management of public finances and budgetary expenses.
  - Achievements in the social sectors and the food security situation with a direct or enabling impact on poverty reduction (link with the MDGs). A gender analysis should also be covered.
  - Achievements in cross-cutting issues including gender equality, critical environmental trends (and disaster prevention mechanisms) and capacity building and institutional development.
  - Regional and international developments: any significant changes, regionally or internationally, that could have an impact on co-operation between the Community and

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<sup>18</sup> The iQSG has established a Review Assessment Framework for the evaluation of documents resulting from mid-term reviews in all regions covered by external co-operation aid. The Assessment Framework has been approved by the Directors General concerned (MM Richelle and Landaburu) and has been issued under their cover to all concerned services. The Assessment Framework can be found on the iQSG home page on Oasis, <http://www.cc.cec/home/dgserv/dev/iqsg/home.cfm>.

<sup>19</sup> The Commission's latest Country Conflict Assessment can be used as an input to this analysis.

the country concerned (e.g. changes in regional integration processes, negotiations of economic partnership agreements, consequences of conflicts in the region).

4. *State of play in implementation of the EC co-operation programme*: provide a critical assessment of:

- **Results achieved** in main focal sectors. Results should be measured on the basis of indicators and targets and sectoral policy commitments contained in the intervention framework.
- **Progress in implementation of current operations** and the extent to which the timetable for commitments and payments has been respected. Causes for delay should be identified and measures proposed to speed up the implementation or to re-direct resources.
- Degree to which **cross-cutting issues** (gender, environment, capacity building and institutional development) have been integrated in the programmes.
- Projects and programmes outside focal sectors; Utilisation of resources for **non-State actors**; Utilisation of the envelop B.
- Other programmes: **Stabex**, **Sysmin**, and thematic and horizontal **budget lines**, **regional cooperation ...**

5. *Programming perspectives for the future*: provide a critical assessment on the main proposals regarding future programming perspectives, provide an assessment of the participation on NSAs in the MTR process and present a Commission position on:

- The New EC/EU policy objectives and commitments: assessment of the degree of adequacy of the integration of the new or existing EC/EU priorities in future programming, taking into account the principles of ownership and concentration of aid.
- Proposal for a change / no change of strategy: assessment of the rationale for a proposed change / no change in the choice of the focal sectors. In cases where a change of strategy is proposed, a deeper analysis is required, particularly on the coherence between the new proposed response strategy and the elements providing the basis for the definition of the strategy. These include the EC policy objectives, analysis of the country situation, country's development strategy, funds available, policy mix/coherence analysis, lessons learned, complementarity and coordination with other donors.

## 6. **PERFORMANCE APPRAISAL**

*This section should deal with the application of the MTR criteria and provide a reasoned opinion on a possible revision of the financial allocation for the country. For further details on the criteria for 2004 MTRs and its application, please see annex 1.*

### **Criteria I: Country's financial performance**

Present and provide comments on the following data:

*(please indicate clearly the date of the data used for the calculations)*

#### EDF

- Calculated number of years to complete EDF commitments<sup>20</sup>  
(total EDF country allocations – current commitments) / average of commitments for the last 5 years)
- Calculated number of years to complete EDF assigned funds<sup>21</sup>  
(total EDF country allocations – current assigned funds) / average of assigned funds for the last 5 years)
- Calculated number of years to complete EDF payments  
(total EDF country allocations – current payments) / average of payments for the last 5 years)
- Level of utilisation of the 9<sup>th</sup> EDF A and B envelopes
- Forecast for commitments and disbursements for the years 2004 – 2006  
(based on an assessment of the project pipeline and the indicative timetable for commitments and disbursements)

#### Community budget lines

- Rate of assignments and payments of projects financed from Community budget lines

*Note: for countries with important outstanding STABEX funds, information should also be provided on their level of implementation.*

### **Criteria II: Country's sectoral (and macroeconomic) performance**

Present an assessment of the country's performance in the focal sectors (and macroeconomic support), based on indicators (targets and actual data) and sectoral policy commitments defined in the intervention framework, in accordance with the analysis on the implementation of cooperation (chapter 4 of both the joint annual report and the MTR conclusions).

- Provide an overall appreciation on the results in focal sectors (and macroeconomic support) measured by indicators: good - sufficient - insufficient. *Provide any relevant comments.*
- Provide an overall appreciation as regards the way in which sectoral policy commitments have been carried out: on schedule –roughly on schedule - delayed. *Provide any relevant comments.*

*Note: Information on the utilisation of the resources for non-State actors should also be included, such as rates of commitments and disbursements in comparison with the original schedule.*

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<sup>20</sup> Commitments = primary commitments = financing decisions

<sup>21</sup> Assigned funds = secondary commitments = contracts and work programmes

### *‘Special considerations’*

Present an assessment of major events affecting the country’s needs and performance since the CSP programming. In this context progress in institutional development and reforms and poverty reduction will be taken into account, based on:

- An overall appreciation of progress in terms of the PRSP process and other reform programmes. It should also include broader aspects of political and economic governance, such as the essential elements mentioned in article 9 of the Cotonou agreement (human rights, democracy and the rule of law, transparent and accountable management of human, natural, economic and financial resources).
- The evolution of the 10 MDG indicators on poverty reduction + other relevant macroeconomic data. It should be understood that these indicators measure overall country performance and are not specific to our cooperation aid. However, the analysis of the indicators and main trends provides important information to be compared with the results of the two above MTR criteria.

Any specific circumstances that have had an impact on the country’s needs and performance should also be taken into account. This may include countries coming out of conflict situations, the status and progress of the political dialogue, the international context in terms of the donor Community, an analysis of implementation capacity at the country level (including, e.g., the status of the devolution process, staff resources at the Delegation and NAO office), etc..

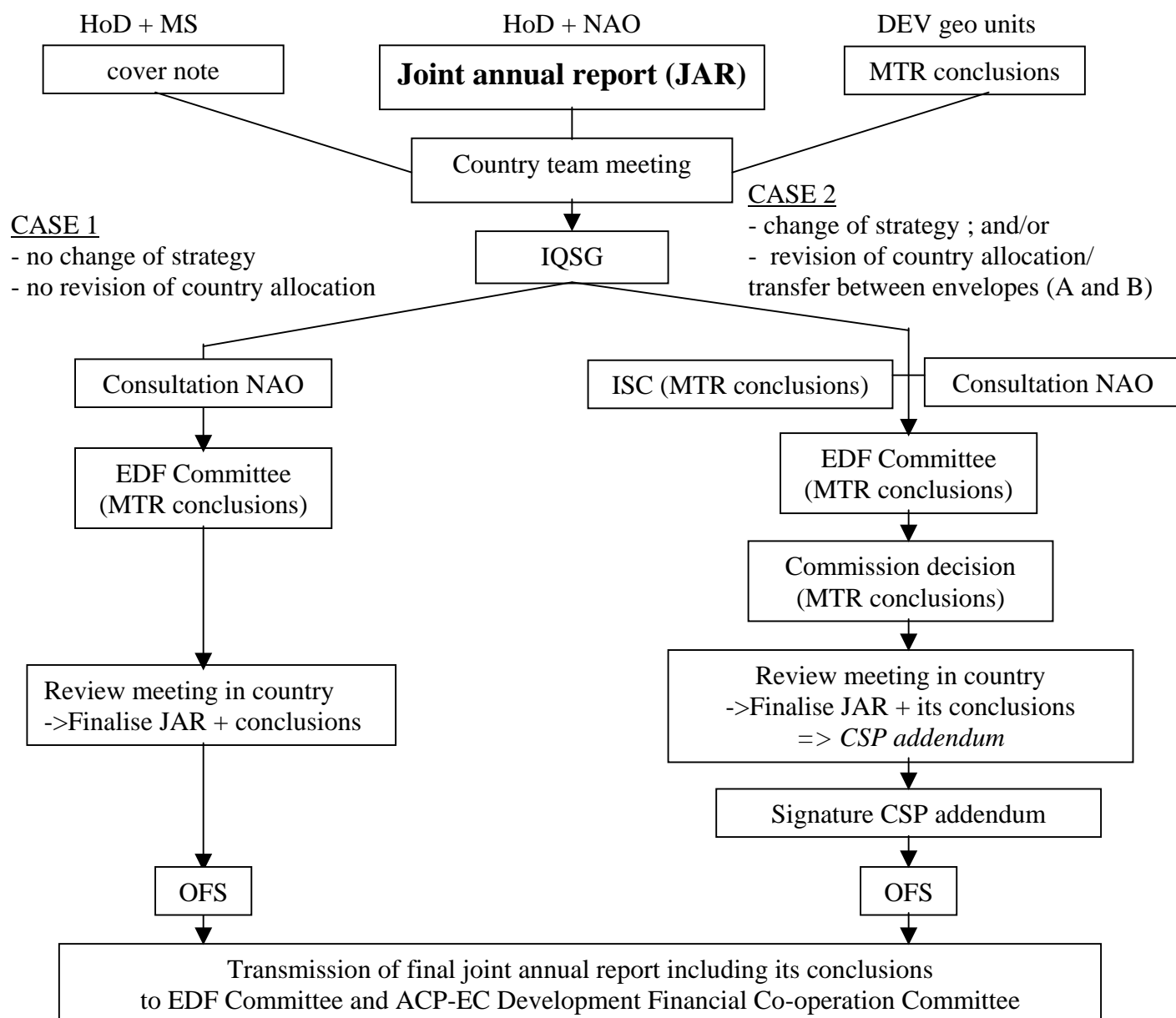
This appraisal should be followed by a **Commission position on a possible revision of the country financial allocation**. Based on the information summarised in the above performance appraisal and in accordance with the principles on the application of the MTR criteria developed in annex 1, the MTR conclusions should clearly indicate:

- ◆ Whether the Commission proposes a revision of the country allocation or not<sup>22</sup>. If a revision is proposed, is it an upward or downward revision of the country allocation?
- ◆ If a revision is proposed, the indicative amount for the reduction or increase of the allocation should be indicated and reasoned based on the country performance, current outstanding resources and programming perspectives for the future. It should be noted that upward revisions of the country allocations are always subject to the availability of financial resources.

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<sup>22</sup> As has been stated before in footnote 7, a shift of resources between envelopes A and B is also considered as a revision of the country allocation.

## Chapter 4: The Mid-term review process – main steps



### 1. Preparation of the joint annual report, the cover note and the MTR conclusions

The starting point for the mid-term review is the preparation of the draft (HoD/NAO) **joint annual report** (maximum 25 pages) for which the HoD and the NAO are fully responsible. This report should cover the calendar year 2003 and follow the layout proposed in chapter 2. This draft is to be formally submitted to DG DEV geographical units as early as possible in 2004 and no later than March 2004, in view of the country team meeting.

A **cover note** (maximum 5 pages) from the HoD should accompany the submission of the joint annual report. This note should set out the Community position (HoD and Member States locally represented) on the key issues to be dealt during the MTR. In cases where a change of strategy is envisaged, this should be clearly spelled out. It should contain a preliminary assessment of the criteria for MTRs (financial performance and performance in focal sectors (and macroeconomic support)). In particular, the cover note should provide

an assessment of the ‘special considerations’, including the main political and economic events affecting the country’s needs and performance since the CSP programming, the country’s progress in institutional reforms, i.e., progress towards political and economic governance (covering human rights, democracy, rule of law, transparent and accountable management of human, natural, economic and financial resources)<sup>23</sup> and progress towards poverty reduction. In addition, any points of disagreement with the NAO should be raised in this cover note, as appropriate, as well as issues related to the coordination with Member States, including ongoing initiatives and coordination mechanisms in place.

Based on the two documents mentioned above, DG DEV geographical units will prepare the draft **MTR conclusions** (maximum 10 pages). These should be drafted as a stand-alone document summarising the key findings of the annual report and the cover note and providing an overall assessment on the country, according to the layout presented in chapter 3. In particular, they should put forward the Commission’s position as regards a proposed change of strategy and/or a revision of the country allocation.

## **II. Country team meeting (CTM)**

CTMs in MTRs will have a pivotal role in forming the Community position in terms of a possible change of strategy and as regards the decision on the country allocation.

Geographical units in DG DEV are responsible for launching the invitation calling for a country team meeting<sup>24</sup>. The invitation letter should be accompanied by the draft joint annual report and the cover note, as well as the draft MTR conclusions prepared by DG DEV geographical units. This documentation should be received by all participants at least 10 working days prior to the meeting date or the deadline for comments. The invitation should be sent out systematically to the concerned services in DG DEV (A/1, all policy units in Directorate B, concerned C or D units, as appropriate), all units in AIDCO C, other RELEX DGs (RELEX, TRADE and ECHO) and the EIB. In addition, DG AGRI, DG BUDG, DG EAC, DG ECFIN, DG ELARG, DG ENV, DG FISH, DG JAI, DG SANCO, DG RDT and EUROSTAT should be invited, as well as other DGs, as appropriate.

In addition to the normal role of a CTM in operational reviews, at the time of MTRs, the country team meeting should lead to a Commission position on a possible change of strategy and/or revision of the country allocation. For this reason, country team meetings should be presided at the Director level, by the Directorate C or D. To the extent possible, it would be important to envisage the participation of the HoD at the meeting.

The invited units may decide whether they wish to participate in the meeting and/or provide written comments before the meeting. The involvement of AIDCO is of particular importance in order to ensure the continued ownership of the services. Representatives from the different services should be prepared to take position in the meeting on behalf of their services.

The geographical units in DG DEV are responsible for preparing the minutes of the country team. These should incorporate the results of the meeting, including a clear

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<sup>23</sup> The Commission’s latest Country Conflict Assessment could serve as an input to the analysis in the cover note.

<sup>24</sup> For smaller countries (envelope A below €10 million) and OCTs, an exchange of written comments can replace a formal CTM, if no change of strategy or revision of the allocation is foreseen.

Commission position as regards a change of strategy and/or a revision of the country allocation. Country team participants should be given the opportunity to check the minutes before they are finalised and submitted to the iQSG.

### **III. Inter-Service Quality Support Group (iQSG)**

The iQSG is expected to actively participate in the MTR process by screening and assessing review documents. Shortly after the country team meeting, the draft MTR conclusions + the minutes of the country team (meeting) will be submitted to the iQSG<sup>25</sup>.

The iQSG will select the countries that will be discussed in plenary and those that will be subject to a written assessment. The iQSG screening will be based on a set of core elements for quality review, which have been issued separately by the iQSG<sup>26</sup>.

Following the iQSG, the MTR conclusions (modified if appropriate) should be formally transmitted to the Delegation. The HoD will invite the NAO to react in writing to the MTR conclusions, indicating a deadline of one month maximum. As appropriate, the NAO reaction will be included in the documentation submitted to Member States.

***If case 1, please skip step IV and go directly to step V. EDF Committee.***

*(Please see diagram at the beginning of chapter 4 to visualise cases 1 and 2)*

### **IV. Inter-service Consultation**

Exclusively for countries under case 2, before submission to the EDF Committee and the College (Commission decision), the draft MTR conclusions is subject to an Inter Service Consultation (ISC). The following services are invited to give their opinion on the document, including its proposals in terms of a change of strategy and /or a revision of the country allocation: AIDCO, ECHO, DG RELEX, DGT-EDIT, SG, DG TRADE and the Legal Service. In addition, DG AGRI, DG BUDG, DG EAC, DG ECFIN, DG ELARG, DG ENV, DG FISH, DG JAI, DG SANCO, DG RDT should be consulted, as well as any other DGs, as appropriate.

The concerned geographical unit prepares the ISC file: cover note signed by the Director General indicating a 10 working days deadline<sup>27</sup>, the MTR conclusions, the iQSG written assessment and a draft Commission decision on the adoption of the MTR conclusions.

After all concerned services have given their favourable opinion with or without comments, review documents are to be submitted to the Member States.

### **V. EDF Committee**

In accordance with the provisions of the Internal agreement, the EDF Committee should give its opinion on the MTR conclusions, including a possible change of strategy and/or proposal for a revision of the country allocation, if appropriate.

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<sup>25</sup> Review documents for smaller countries (envelope A below €10 million) and OCTs (total envelope below €10 million), will not be screened by the iQSG, if there is no change of strategy and/or revision of the allocation envisaged. However, review documents should be transmitted for information to the iQSG.

<sup>26</sup> See footnote number 18.

<sup>27</sup> Documents longer than 20 pages will have a deadline of 15 working days.

As in the case of the 2003 annual reviews, given the volume of reviews to be carried out annually within a tight schedule, documents will be submitted to the Member States by written procedure. A formal discussion at the EDF Committee will only be organised in cases where the country team or the iQSG recommend it or upon request from at least one Member State. In principle, reviews that include a proposal to change the strategy and/or revise the country allocation should be formally discussed in a meeting of the EDF Committee.

The written procedure or exchange of views will be based on the finalised MTR conclusions and the reaction of the NAO to the MTR conclusions, as appropriate. All documents will be submitted to the EDF Committee in the original language version only.

The concerned geographical HoU in DG DEV should send the relevant documents to DG DEV/A/1 HoU for submission to the EDF Committee.

**If case 1, please skip step VI and go directly to step VII. MTR meeting in country**

*(Please see diagram at the beginning of chapter 4 to visualise cases 1 and 2)*

## **VI. Commission decision**

Exclusively for countries under case 2, MTR conclusions where a change of strategy and/or revision of the country allocation (or transfer between the A and B envelopes) are proposed, are approved by the College of Commissioners by written procedure.

The geographical unit is responsible for the preparation of the file to be submitted for the Commission decision. DG DEV/A/1 will take care of the formal transmission to the Secretariat-General and follow up on the procedure.

## **VII. Mid-term review meeting in country**<sup>28</sup>

The MTR meeting in country is to be conducted by the HoD<sup>29</sup> and the NAO shortly after the EDF Committee step for countries under case 1 or the Commission decision for countries under case 2. We have not defined a format or standard agenda for the review meeting in country. It is up to the HoD and the NAO to choose the appropriate format and involve the participation of the relevant cooperation actors, including non-State actors. Efforts should be made to combine as much as possible missions from DG DEV and AIDCO with MTR meetings.

As a reminder, MTRs should cover an assessment of the elements contained in article 5.4 of annex IV of the Cotonou agreement. In addition, particular account should be taken of the comments and recommendations of the country team (meeting), the iQSG, the ISC and the EDF Committee, as appropriate. The MTR meeting should concentrate on the programming perspectives for the future, particularly in cases where a change of strategy and/or a revision of the country allocation have been decided.

Shortly after the review meeting in country, the conclusions of the joint annual report (chapter 6) should be drafted incorporating the results of the review process. These include

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<sup>28</sup> As far as possible and where a full or interim PRSP exists, MTRs can be coordinated with PRSP reviews to avoid duplication and ensure coordination between the two exercises, as appropriate (see chapter 1.E for further information).

<sup>29</sup> For small countries and OCTs where no Delegation/Office exists in country, alternative arrangement can be envisaged.

the results of the review meeting in country and previous steps of the process. They may lead to corrections and further updating of the joint annual report itself, notably further updates to the intervention framework and indicators, the indicative timetable for commitments and payments and the chronogramme of activities.

There is no formal obligation to sign the final joint annual report. However, parties may wish to formalise the adoption of the report, e.g., by the signature of the conclusions of the joint annual report. The report should mention the date of its finalisation or of its signature.

In case 2 (change of strategy and/or revision of the country allocation), an **'addendum' to the CSP and NIP** will be required. This should be a brief document (maximum 5 pages) highlighting the new choice of focal sectors and/or the re-programming within the focal and non focal sectors following a revision of a country allocation (or following a transfer between A and B envelopes). The HoD and the NAO should sign this document.

### **VIII. Order for service**

Amendments to the initial Order for service (OFS) accompanying the CSP shall be transmitted to AIDCO by DG DEV, where appropriate, based on the outcome of MTRs. Normally, all countries under case 2 will require a revised OFS.

### **IX. Submission of final joint annual report and publication**

Once the review process is completed, the final version of the joint annual report, including its conclusions should be sent to headquarters, as well as any addenda, if appropriate. The geographical HoU is responsible for formally submitting the final version of the document to DG DEV/A/1 HoU for further transmission to the ACP-EC Development Finance Committee and the EDF Committee, for information, in the original language version only.

Finalised joint annual reports and addenda to the CSP, as appropriate, will be published in the original version in the Europa site, after the completion of the MTR process for each country.

## **ANNEX 1: Explanatory memorandum on the criteria for 2004 mid-term reviews**

### **1. Guiding principles for MTRs**

The Cotonou agreement foresees the possibility for the Community to increase/reduce the country allocations at the time of the mid-term reviews, based on an assessment of current needs and performance (article 5.7 of annex IV of the Cotonou agreement). However, it is necessary to define and agree in which way needs and performance are to be assessed and what will be the criteria for decision making. In this context, our proposal is to ground the criteria for the MTRs on certain **guiding principles** deriving from the Cotonou agreement itself.

The starting point for this exercise should be the initial allocation of resources, which was established for all countries, based on needs (and vulnerability) and performance, in accordance with article 3 of annexe IV of the Cotonou agreement.

If we consider that the **needs** (and vulnerability) component was sufficiently covered under the initial allocation, the needs analysis at the MTR can be considerably simplified by commenting on the following questions:

- a) *To what extent have resources under the A and B envelopes been utilised?*
- b) *Is there a need to supplement programmable resources (A envelope) or the allocation for unforeseen needs (B envelope)?*
- c) *What would be the impact of a reduction in the country allocation in the short to medium-term?*

The MTR should give special attention to an assessment of **performance**. It should, as a minimum, consider an assessment of the elements covered in operational reviews (*article 5.4 of annex IV*):

1. *the **results achieved in the focal sector(s)** measured against the identified targets and impact indicators and sectoral policy commitments;*
2. ***projects and programmes** outside the focal sector(s) and /or in the framework of multi-annual programmes;*
3. *the **use of resources** set aside for **non-State actors**,*
4. *the **effectiveness** in implementation of current operations and the extent to which the timetable for **commitments and payments** have been respected; and*
5. *an extension of **programming perspective** for the following years.*

In addition, performance parameters deriving from article 3.1 of annex IV, which have not been covered above, should also be taken into account. These include:

6. *Progress in implementing **institutional reforms***
7. ***Poverty** alleviation or reduction*
8. ***Macroeconomic** performance*

Criteria for MTRs are anchored in the above-mentioned guiding principles, which directly derive from the text of the Cotonou agreement.

### **2. Criteria for 2004 mid-term reviews**

The above guiding principles provide the legal and conceptual basis for the elaboration of criteria for the MTRs. However, these principles need to be made operational, i.e., they need to be translated into objective criteria which can effectively be used to measure and assess country performance. A three-fold approach was adopted, which defines 2 categories of criteria and a third category, comprising ‘special considerations’ that will be taken into account at the time of the MTRs:

- I. *Assessment of the country’s performance in implementation - Financial criteria*
  - II. *Assessment of the country’s performance in focal sectors (and macroeconomic support) - Sectoral / macroeconomic criteria*
- Special considerations: assessment of the country’s progress in institutional reforms and poverty reduction, as well as specific circumstances of individual countries.*

**I. *Assessment of the country’s performance in implementation***

*Link with MTR guiding principles:*

*These criteria provide adequate answers to questions a), b) and c) related to the country’s financial needs. It also provides elements towards item 4 related to the country’s implementation performance and allows for a reality check on the feasibility of item 5 on the future programming perspectives.*

**Proposed criteria: Number of years outstanding before the completion of commitments, assignments and payments**

*Explanation:*

*The aim is to provide an assessment of the country’s capability to utilise cooperation resources and implement projects and programmes in a timely manner. The current and past track record is taken into account to extrapolate future absorption capacity. In practice, these are calculated criteria, which take into account the annual average of commitments, assignments and payments for the last 5 years<sup>30</sup>. By comparing the average of the last 5 years with the current outstanding amounts, the number of years it will take to commit/assign/pay the outstanding amounts is estimated.*

*Application:*

The financial criteria, measuring implementation performance, will be the starting point of the country assessment. Emphasis will be placed on these criteria giving the ‘number of years outstanding before the completion of commitments, assignments and payments’. Particular attention will be given to the number of years needed to complete commitments, as well as to the gap between commitments, assignments and payments:

- If in a given country, the number of years to commit, assign and pay all outstanding EDF resources ranges between 2 - 4 years for commitments, (i.e., roughly coinciding with the end of the 9<sup>th</sup> EDF financial protocol), 5 - 7 years for assignments and 7 – 9 years for payments, the country is perceived to be adequately resourced.

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<sup>30</sup> In principle, the last 5 years will be taken into account, corresponding to the lifetime of one financial protocol. However, an average over 10 years may be considered if there are significant differences between the two. In special cases, e.g., countries in post-conflict situation, the number of years may be adjusted to avoid undue penalisation and take into account recent efforts, as appropriate.

- If in a given country, the number of years calculated to commit, assign and pay all outstanding resources is over 4 years for commitments, over 7 years for assignments and over 9 years for payments (i.e., far beyond the end of the 9<sup>th</sup> EDF financial protocol), the country is perceived to have an excess of resources. In such cases, a downward correction of the country allocations may be envisaged, in conjunction with the assessment of other criteria.
- If in a given country, the number of years estimated to commit, assign and pay all outstanding resources is less than 2 years for commitments (i.e., before the end-of-term review, which is the next opportunity to revise allocations), less than 5 years for assignments, and less than 7 years for payments, the country is perceived to have a good performance in terms of implementation. In such cases and if there is a need for additional resources, in accordance with the programming perspectives, an upward revision of the country allocation may be considered, in conjunction with the assessment of other criteria.

In the application of these criteria, results will be compared with the country project pipeline and updated indicative timetable for commitments and disbursements, providing a reality check in terms of programming perspectives for the future. In addition, attention will also be given to the level of implementation of Stabex in countries with important outstanding funds, as well as to rates of assigned funds (secondary commitments) and payments in Community budget lines. Finally, the level of utilisation of the A<sup>31</sup> and B envelopes at the time of the MTR will be taken into account. In particular, before increasing a given country allocation, the availability of outstanding Stabex funds will be considered and a transfer from the B envelope to the A envelope may be envisaged in countries presenting a good financial performance in the A envelope.

## ***II. Assessment of the country's performance in focal sectors (and macroeconomic support)***

### *Link with MTR guiding principles:*

*Criteria in this category are directly related to item 1, i.e., results achieved in focal sectors in terms of indicators and sectoral policy commitments. Result achieved in non-focal sectors are also taken into account, especially as regards the use of resources for non-State actors, covering performance items 2 and 3.*

**Proposed criteria: Results achieved in focal sectors and macroeconomic support, compared with indicator targets and sectoral policy commitments**

### *Explanation:*

*This assessment will be based on the existing indicators and targets (input, output, outcome, and if applicable impact<sup>32</sup>), which have been defined in the intervention framework, including indicator targets and data defined in annual reviews. At the time of the MTR, results achieved in focal sectors will be compared with targets set for the*

<sup>31</sup> Amounts transferred from NIPs of previous EDFs will have been included in envelope A of the 9<sup>th</sup> EDF.

<sup>32</sup> For further information on the typology of the indicators referred to, please consult the "Guidelines for the use of indicators in country performance assessment" (DG DEV/B/2):

[http://www.cc.cec/home/dgserv/dev/body/theme/docs/B2/guidelines\\_indicators\\_cpa\\_en.pdf#zoom=100](http://www.cc.cec/home/dgserv/dev/body/theme/docs/B2/guidelines_indicators_cpa_en.pdf#zoom=100)

*corresponding period. There will also be an assessment of the extent to which the Government has undertaken sectoral policy commitments.*

Application:

This second criteria deals with the results achieved in the sectors selected in the CSP and in macroeconomic support, if applicable. The performance in focal sectors and macroeconomic support, where appropriate, will be measured based on current and past trends, as well as a comparison between the results achieved and the indicator targets defined in the intervention framework. The assessment on sectoral performance is first of all dependent on the quality of the indicators defined in the intervention framework and the level of ambition, which is reflected in the target setting. For this reason, an important effort is being undertaken during 2003 operational reviews to improve sectoral indicators in the intervention framework. In this context, it has to be made clear that an insufficient formulation of indicators in the intervention framework is in itself a negative performance.

The other element deals with the level of accomplishment as regards sectoral policy commitments. The extent to which sectoral policy commitments taken by the Government have been carried out according to the agreed timetable will be assessed.

This examination of the sectoral performance should lead to an overall assessment:

- If sectoral policy commitments are carried out in a timely manner and there is an overall positive assessment on sectoral performance (and macroeconomic support), this could contribute to a satisfactory country performance assessment.
- If sectoral policy commitments are significantly delayed and there is an overall negative assessment on sectoral performance (and macroeconomic support), this could contribute to a negative country assessment.

In the application of these criteria, it is important to understand that the sectoral criteria measure in most cases overall sectoral performance and are not specific to our cooperation aid or the implementation of the 9<sup>th</sup> EDF. Besides, the application of these criteria must be flexible enough to take into account the complexity of the use of indicators, as well as issues such as the availability and reliability of the data.

In the application of these criteria, results achieved in non-focal sectors will also be considered, in particular results achieved and the utilisation of resources for non-State actors (e.g., rates of commitments and payments).

***‘Special considerations’: country’s progress in institutional reforms (good governance), poverty reduction and specific circumstances of individual countries***

Link with MTR guiding principles:

*This category relates to country’s performance in terms of progress in implementing institutional reforms and towards poverty reduction, respectively items 6 and 7.*

**Key elements:**

- **Progress in implementing institutional reforms (economic and political good governance)**
- **Progress in poverty reduction selected indicators**
- **Specific circumstances of individual countries**

Explanation:

*‘Special considerations’ are not strict criteria to be applied, but elements providing the context within which MTR criteria are assessed. Financial and sectoral criteria are not to*

*be applied in a vacuum, but within a framework covering an assessment of major events affecting the country's needs (and vulnerability) and performance since the CSP programming.*

*In this context, the progress of the country in terms of institutional reforms (political and economic good governance) and towards poverty reduction will be assessed.*

- *Progress in institutional reforms is closely linked to progress in the PRSP process and other reform programmes. It should also include broader aspects of political and economic governance, such as the essential elements mentioned in article 9 of the Cotonou agreement (human rights, democracy and the rule of law, transparent and accountable management of human, natural, economic and financial resources).*
- *As regards poverty reduction, progress can be assessed on the basis of selected indicators (10), drawn from the internationally-agreed Millennium Development Goals (MDG), agreed between the Commission, Member States and international organisations, which should be monitored across all countries to give a comparable overview of progress towards poverty reduction. These 10 indicators are integrated in joint annual reports and should be complemented by additional key macroeconomic data, e.g., the level of Government expenditure in social sectors. It should be understood that these indicators measure overall country performance and are not specific to our cooperation aid. However, the analysis of the indicators and main trends provides important information to be compared with the results of the two MTR criteria.*

*In addition, specific circumstances of individual countries will be taken into account. This may include countries coming out of conflict situations, progress in the political dialogue in country, the international context in terms of the donor Community, an analysis of implementation capacity at the country level (including, e.g., the status of the devolution process, staff resources at the Delegation and NAO office), etc..*

*Application:*

*'Special considerations' will be assessed and will provide the background for the application of the other two criteria. In this context, **comments** provided notably concerning specific circumstances of individual countries, can be very helpful in supporting decision making..*

The application of the above-mentioned criteria can be visualised in one single **evaluation grid** with 5 criteria:

<b>CRITERIA</b>	<i>Possibility to increase country allocation</i>	<i>Maintain country allocation</i>	<i>Possibility to reduce country allocation</i>
<i><b>Financial performance</b></i>			
1. commitments	< 2 years	2 – 4 years	> 4 years
2. assignments	< 5 years	5 – 7 years	> 7 years
3. payments	< 7 years	7 - 9 years	> 9 years
<i><b>Sectoral / Macroeconomic performance</b></i>			
4. indicators	good	sufficient	insufficient
5. sectoral policy commitments	on schedule	(roughly) on schedule	delayed

Each individual decision on the revision of the country allocation will take into account ‘*special considerations*’ including an assessment of major events affecting the country’s needs, vulnerability and performance since the start of the CSP programming process (notification of allocations in 2001). In this context, the progress of the country in terms of institutional reforms (political and economic governance) and towards poverty reduction will be assessed. Specific circumstances of individual countries will also be taken into consideration.

**In a nutshell, criteria for MTRs will be about measuring performance in financial implementation and sectoral (and macroeconomic) results. This will be done within a specific framework taking into account progress in institutional reforms (political and economic governance), progress towards poverty reduction and country specific circumstances.**

Following the MTR, the Community decision on whether a given country allocation will remain unchanged, be increased, or decreased, will depend on an assessment of the 2 criteria categories presented in the evaluation grid, taking into account the ‘special considerations’. These criteria will apply to all ACP countries, with the exception of small countries (where 9<sup>th</sup> EDF A-envelope resources are below €10 million and OCTs where the total envelope is below €10 million). In such cases, an operational review may replace a MTR<sup>33</sup>, unless one of the Parties (the Commission or the country concerned) asks for a formal MTR. This will normally be the case whenever a change of strategy or a revision of the allocation is foreseen.

The concrete application of the MTR criteria to each individual country situation and the final decision on a revision (upwards or downwards) or no revision of a country allocation is reserved to the Commission, who will take a decision after consultation of the EDF Committee.

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<sup>33</sup> Please see chapter 1.F of these guidelines, for further information on provisions for small countries and OCTs.