



ADC Report 2006

*Regions and
Priority Countries*

Part I

Austrian
Development Cooperation



Publisher

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List of abbreviations

ACP	African, Caribbean and Pacific (Group of States)
ADA	Austrian Development Agency
ADC	Austrian Development Cooperation and Cooperation with Eastern Europe
bn.	billion
DAC	Development Assistance Committee of the OECD
EU	European Union
DC	Development Cooperation
GDP	Gross Domestic Product
GNI	Gross National Income
ERP	European Recovery Programme
ECOWAS	Economic Community of West African States
EUWF	European Union Water Facility
IDA	International Development Association (e.g. World Bank group)
IDB	Inter-American Development Bank
IFI	International Financial Institution (e.g. World Bank group)
mill.	million(s)
NGO	Non-Governmental Organisation
ODA	Official Development Assistance
OECD	Organization for Economic Co-operation and Development
SME	Small and medium-sized enterprise
WTO	World Trade Organization
UN	United Nations
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNRWA	United Nations Relief and Works Agency
US\$	US dollar

Foreword

The year 2006 marked Austria's EU Presidency but also saw major political upheavals in the priority countries of Austrian Development Cooperation and Cooperation with Eastern Europe (ADC), Montenegro's declaration of independence or the parliamentary and presidential elections in Uganda, for example.

At the same time, we started in 2006 to implement the Paris Declaration on Aid Effectiveness adopted the year before. With projects for a medical clinic in East Jerusalem, the ecological use of pastureland in the mountain regions of the Himalayas – Hindu Kush, solar energy in Thimphu/Bhutan, a care centre for former child soldiers in northern Uganda or clean drinking water for Shkodra/Albania, Austrian Development Cooperation made a major contribution to attaining the Millennium Development Goals.

Ursula Plassnik
Federal Minister of European and International Affairs

About the report

In Part I, **Regions and Priority Countries**, this annual report provides an account of the regional programmes and countries Austria assisted in implementing development strategies during 2006. It outlines the challenges faced by Austrian cooperation with its partner countries and describes developments in selected areas in closer detail. Complementarity and coherence with the activities of other international donors are playing an increasing role here.

Part II, **Official Development Assistance in Figures**, provides a complete picture of the components and geographical and thematic allocation of funding as well as the sources and implementation mode of application. As the figures also show, Austria maintains a broad commitment to development cooperation efforts by the multilateral organisations – the European Union, the United Nations and International Financial Institutions.

Development policy 2006

Austrian EU Presidency in development policy

The EU-Africa Strategy and the European Consensus on Development in 2005 marked major policy developments. The task in 2006 was to put these decisions into practice and this was the prime concern of Austria's EU Council Presidency in the first half of the year.

A basic policy agreement was reached with the European Parliament on the future shape of EU development instruments and their simplification. Instead of over 20 external finance instruments to date, there will now only be two windows in the development sector besides the European Development Fund: Development Cooperation and the European Instrument for Democracy and Human Rights. Added to this are the EU neighbourhood policy instruments that are deployed in the key region of South Eastern Europe.

Also under the Austrian Presidency, the aggregate amount of the 10th European Development Fund was agreed at the meeting of the ACP-EU Council of Ministers in Papua New Guinea (Port Moresby on 2 June). Altogether, including funds from the European Investment Bank, the EU will provide the ACP states with EUR 24.712 billion for the period 2008–2013.

Another large step forward was made in EU partner coordination through the adoption of a common framework for country strategy papers. The pledges made by the European Council in 2005 to improve policy coherence for development were translated into tangible work plans in 2006 and EU policy was drafted for the Pacific and Caribbean regions. As part of the implementation of the European Consensus and the EU-Africa Strategy, the details were set out for the EU Global Governance Initiative and the EU-Africa Infrastructure Partnership.

Aid for Trade

At the negotiations between the European Commission and the ACP states for drafting economic partnership agreements, Austria, together with other EU member states, insisted on their role as a development instrument. Aid for Trade measures play a special role in supporting economic partnerships. The EU confirmed its promise to increase annual trade-related development aid to EUR 2 billion a year until 2010.

Policy coherence for development

ADC placed particular stress on the coherent alignment of development policy with other policies affecting developing countries. Thanks to this, a systematic analysis was conducted on efficiency shortcomings and synergy losses due to disjointed foreign, environment, trade and security policy. On the initiative of Austria, the EU prepared a work programme and Council conclusions in 2006.

Greater aid effectiveness

Raising the effectiveness of development assistance calls for ownership, the harmonisation of donor strategies, alignment with partner systems, management for results and mutual responsibility and accountability on the part of partner countries and donors. These principles were adopted in the Paris Declaration on Aid Effectiveness on 2 March 2005 and were in their first phase of implementation in 2006. The intention is to develop more effective aid management based on international standards. ADC has been supporting good governance and democracy to enable citizens to take part in development themselves, a major component of the ownership principle.

An ADC action plan was adopted on this in 2006, aimed at tying the coordination offices more closely in with local donor processes, involving national parliaments and civil society in development plans and stepping up engagement in the United Nations. This will initiate a practical policy consolidation of processes in partner countries and more in-depth cooperation with international organisations, such as the DAC in OECD and UNDP.

An international achievement of particular note for ADC was the adoption of a joint plan of action for improving aid effectiveness in the Central American region at the EU-Latin America summit.

Milestones

■ 23 January – Conference: European Energy Policy for Sustainable Development

Sustainable energy supply is one of the great challenges facing international policymakers. About 2.4 billion people are currently denied access to modern energy supply services. This problem was discussed by high-ranking officials from the EU member states and experts from the European Commission and international organisations at the specialist conference, Energy in the Context of Development Cooperation, in Vienna. Secretary-General of the Federal Ministry for Foreign Affairs, Johannes Kyrle, and Ambassador Irene Freudenschuss-Reichl, head of Austrian Development Cooperation, opened the conference.

■ 24 January – Austria and Slovakia: Fighting poverty together

Slovakian State Secretary in the Ministry of Foreign Affairs, József Berényi, and the Managing Director of the Austrian Development Agency, Ambassador Michael Linhart, signed a memorandum of understanding on cooperation between Austria and Slovakia. The new partnership will focus on joint efforts by both states to reduce poverty, safeguard human rights and promote economic growth in developing countries. To this end, each will provide EUR 1.5 million over the next three years to cofinance development projects in joint priority regions.

■ 3 March – Call for Proposals: Breaking the vicious circle of women trafficking

About 500,000 people, most of them women and girls, are bought and sold every year like 'goods' across European borders, estimates the International Organization for Migration. Trafficking in women is one of the major sources of income for organised crime. In a call for proposals, ADC invited organisations in South Eastern Europe and Austria to suggest projects for combatting trafficking in women. Six projects from the priority countries of Austrian Cooperation with Eastern Europe were selected for implementation.

■ 6/7 April – Public Meeting and International Symposium: Building peace – empowering women, gender strategies to make UN Security Council Resolution 1325 work

Improving the situation of women in conflict and crisis regions and protecting them against violence are a particular concern of Austria. The implementation of UN Security Council Resolution 1325 aims at involving women and their concerns in all the phases of a peace process. At the invitation of ADC, policymakers and experts met in Vienna to exchange views and discuss their experience and involvement with the issue.

■ **10 May – High-level forum on harmonisation and alignment meets in Vienna**

In the run-up to the EU-Latin America summit, senior representatives of development cooperation from seven countries of Central America and delegates from the EU and international donors discussed new approaches by the Central American states in regional economic and social development and for stepping up development cooperation. With special attention to harmonisation and alignment, the goal is to promote the development strategies of the partner countries and coordinate and simplify donor contributions and implementation procedures.

■ **12 June – Austria recognises the Republic of Montenegro as an independent and sovereign member of the international community**

With the recognition of Montenegro, Austria welcomes a new, independent priority country of the ADC in the Western Balkans key region.

■ **27 June – Specialist event: Combatting Desertification to Prevent Conflict and Build Peace**

In response to the Year of Deserts and Desertification proclaimed by the United Nations, ADC hosted an event with high-ranking specialists in the Central Library in Vienna. International experts discussed the interconnections between environmental protection, conflict and global responsibility. An exhibition was held parallel to this event – Environment between Conflict and Cooperation.

■ **17 July – Austria joins the Private Infrastructure Development Group**

In the next four years, Austrian Development Cooperation will contribute EUR 7.5 million to the Private Infrastructure Development Group. This will mobilise private investments in the infrastructure sector and make a major contribution to growth and poverty reduction in Africa and Asia.

■ **28 September – Emergency aid from Austria for the flood victims in Ethiopia**

After heavy rains in July and August, large parts of Ethiopia were flooded, leaving about 38,000 people without livelihoods. Austrian Development Cooperation provided EUR 200,000 in emergency aid for disbursement in the Amhara region, where it has been carrying out projects in rural development and food security for years.

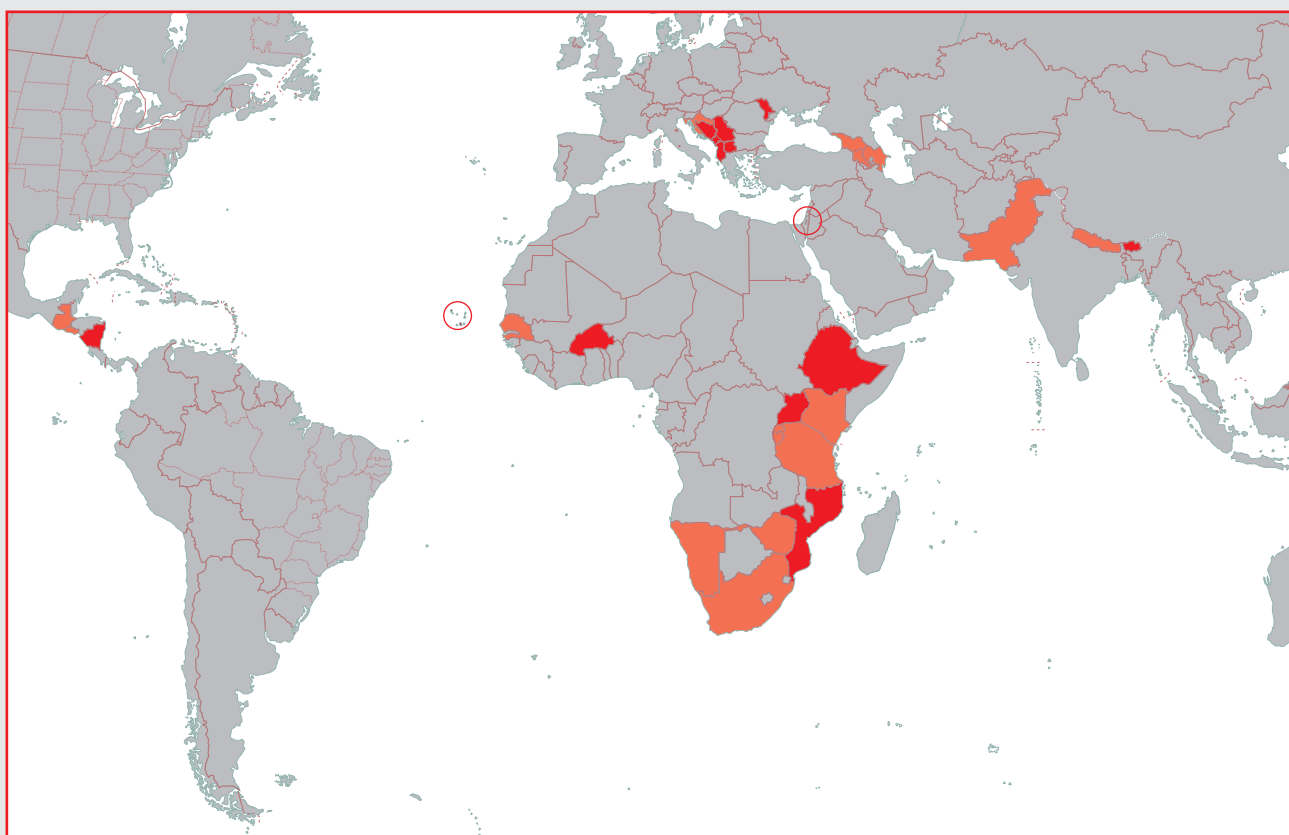
■ **13–17 November – The European Development Days strengthen dialogue and cooperation for sustainable development**

On the initiative of the European Commission, the European Development Days took place for the first time in Brussels. Attention was focused on Africa as a priority region of EU development cooperation. Many heads of state and government from this continent met with senior representatives from politics and industry to discuss strategies for effective development cooperation. Austria seconded development policy experts and ADC ran an information stand on good governance and water and sanitation.

■ **29 November–1 December – Global Forum on Sustainable Energy**

At the conference, Africa is energizing itself, held by ADC, Federal Ministry of Agriculture, Forestry, Environment and Water Management and the Austrian Energy Agency in Vienna, some 200 experts discussed ways to ensure a sustainable supply of energy for Africa. The focus was placed on appropriate regional energy solutions, innovative finance facilities and the potential of biofuels and hydropower for improving living standards and environmental conditions for the population.

Regions and Priority Countries



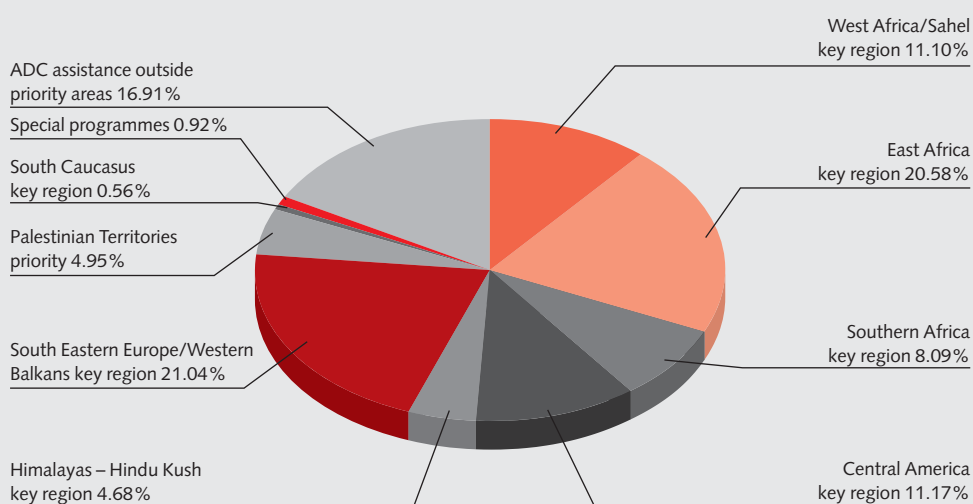


In recent years, ADC has begun drafting and implementing regional programmes. The aim is to support the development of a whole region, also largely with a view to its political, economic and social convergence. Substantive priority is attached to defining issues of international relevance within a region. A regional programme specifically addresses development problems whose solution can only be found across national borders or where a regional approach brings additional benefit.

The specific conditions for framing and implementing these programmes differ greatly by region. The key concern is to find suitable partner institutions that have sufficient capabilities to take effective action at regional level. ADC supports these institutions and organisations by building and strengthening capacity.

Every decision always takes account of gender equality, environmental protection and human rights as cross-cutting issues.

DISTRIBUTION OF ADC FUNDS BY KEY REGION IN 2006







Central America

key region

As part of the economic and social convergence process in Central America, prime attention is paid to poverty reduction and support for underprivileged sections of the population – ethnic minorities, indigenous peoples and socially and economically marginalised groups.

In a number of events during the Austrian EU Presidency in the first six months of 2006, ADC initiated a bi-regional process, of particular importance being the Latin America conference, REAL 2006, held between 24 and 26 April 2006 in Vienna, where many leading experts from Latin America and Europe took part in workshops on regional convergence and social cohesion, which attracted keen media interest.

On 10 May 2006 in Vienna, representatives of Central American nations met with members of the donor community to talk about a way of improving the coordination of development cooperation in the region.

NICARAGUA



Key data

Independence:	Since 1821 (from Spain)
Type of state:	Republic
Head of state:	Daniel Ortega Saavedra
Head of government:	Jaime Morales Carazo
Foreign Minister:	Samuel Santos López
Area*:	130,000 sq. km
Population**:	5.4 mill.
Population growth**:	2.5%
Life expectancy**:	Women: 72.4 years; men: 67.6 years
Literacy**:	Women: 76.6%; men: 76.8%
HDI (Human Development Index)**:	0.698; 112 th out of 177
GDI (Gender-related Development index)**:	0.648; 88 th out of 136
GDP*:	US\$ 4.9 bn.
Annual GDP growth*:	4%
GNI*:	US\$ 4.9 bn.
GNI per capita*:	US\$ 950
Poverty**:	47.9%
Population with access to clean water**:	79%

* World Bank: World Development Indicators Database 2007

** UNDP: Human Development Report 2006



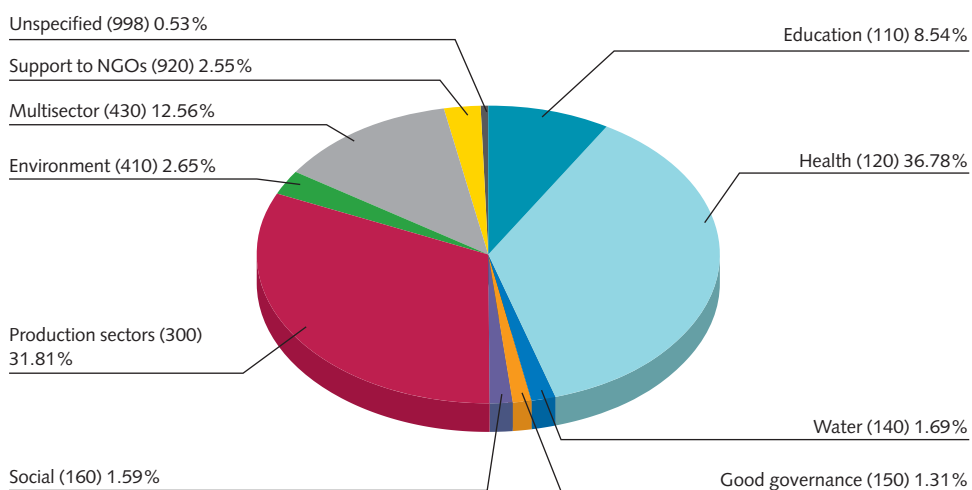
Development policy in context

At 3.7 per cent growth, Nicaragua's economic development is generally rated as favourable, but the social situation in the country is still beset with problems – high poverty and illiteracy, lack of training opportunities and health care. Strikes and power supply shortfalls are common.

The main goals of the national development plan (2005–2009) are pro-poor economic growth, human resource development, social security, good governance and state reform.

Cooperation priorities

- Promotion of rural development
- Private sector development, promotion of small and medium-sized enterprises
- Social sector measures (focusing on health and education)



DISTRIBUTION OF ADC FUNDS TO NICARAGUA BY SECTOR IN 2006

The 'production sectors' heading for Nicaragua largely includes measures in 'industry/trade', but also 'tourism' and 'agriculture'.

Health sector

At the end of 2002, the Nicaraguan health ministry started to prepare the substantive agenda for a sector-wide strategy and for sectoral budget support in the health service. This includes the national health plan for 2004–2015 and the medium-term five-year plan for 2005–2009. The main items in the sector-wide approach include a basic health package for the uninsured population, the extension of rural health centres and the establishment of separate health schemes for the Atlantic Region. The ADC contribution amounts to EUR 2.5 million for 2005 to 2007, that for 2006 amounting to EUR 1 million.

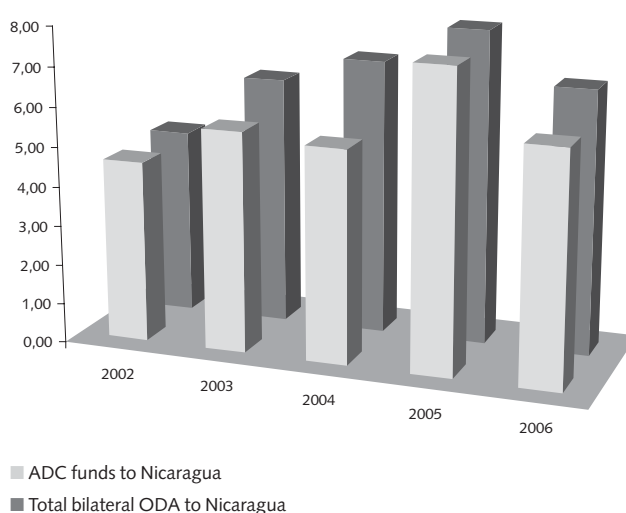
Success stories in recent years include the reduction of infant mortality by approx. 3 per cent (2003–2006), a rise in hospital births by 10 per cent (2002–2005) and an increase in prenatal medical checkups by 4 per cent (2002–2005).



Health scheme for the Autonomous Atlantic Region

In Nicaragua's Caribbean regions, ADC supports the implementation of a separate health scheme for the Northern Atlantic Region, which is tailored to the actual socio-cultural conditions and the specific needs of the local, largely indigenous and Afro-Caribbean population. The scheme comprises health promotion measures, education in hygiene and healthy life-styles as well as training of medical staff and the promotion of traditional medicine. ADC co-operates with the regional administration, the University of the Caribbean Regions and local NGOs. At the same time, the health ministry is assisted in implementing the planned decentralisation in the health sector.

Successful outcomes in 2006 include the training of 37 nurses and the upgrading of midwives and voluntary health promoters, the implementation of 25 small projects in drinking water supply and counselling provided to 250 women and men in gender equality and the prevention of domestic violence.



ADC FUNDS AND BILATERAL AUSTRIAN ODA TO NICARAGUA

Net disbursements in EUR mill.

The year 2006 marks a break in the time series of total bilateral ODA: Instead of being assigned to the country of origin, expenditure for asylum seekers is subsumed in the statistics under costs in the donor country.

Official Development Assistance

- Austrian ODA to Nicaragua 1995–2006: EUR 81.96 mill.
- ADC funds (PPA) to Nicaragua 1995–2006: EUR 74.04 mill.

Austrian ODA to Nicaragua

	2002	2003	2004	2005	2006
Total bilateral ODA to Nicaragua in EUR mill.	4.73	6.31	6.96	7.92	6.66
as a % of total bilateral ODA	1.22	3.12	2.45	0.80	0.77
ADC funds to Nicaragua in EUR mill.	4.59	5.58	5.38	7.56	5.88
ADC funds to Nicaragua as a % of total ADC funding (ODA)	6.49	8.31	7.38	8.93	6.20

International ODA to Nicaragua

	2003	2004	2005
Total net ODA received (in US\$ mill.)	833	1,235	740
as a % of GNI	21.3	28.7	15.2
of which Austrian ODA (in US\$ mill.)	7.1	8.7	9.8

Source: OECD: Aid at a Glance, Aid Chart Nicaragua (www.oecd.org) and ADC statistics. The OECD figures are as at August 2007 and replace those previously published.

ODA to Nicaragua: main donors in US\$ mill.

Average 2004–2005

Germany	243
Spain	152
IDB Fund for Special Operations	135
IDA	105
Japan	99

Source: OECD: Aid at a Glance, Aid Chart Nicaragua (www.oecd.org).







West Africa

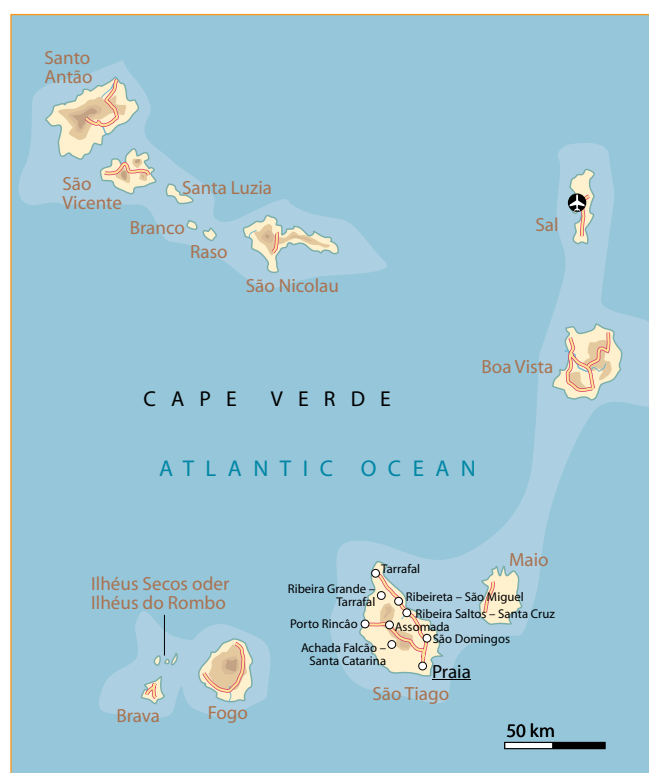
key region

The main problems facing West Africa (ECOWAS countries and Mauritania) include poverty, violent conflicts and lack of resources.

Liberia, Sierra Leone, Guinea and Côte d'Ivoire are caught in complex regional conflicts, exacerbated by corruption and disputes over the control of resources. The resulting mass migrations bring conflicts and illegal commodity and small arms trafficking in their wake. Hostile relations between the political elites and rebel groups in neighbouring countries contribute to the perpetuation and spread of conflicts and this is made worse by religious animosity and lack of democracy. In a united effort, West Africa is seeking answers to these regional problems. This is why ADC attaches priority to a regional approach.

The overall strategic goal of ADC in West Africa is political and economic stabilisation. Important for this is regional convergence, which is mainly promoted by ECOWAS and the West African Economic and Monetary Union, although there are interesting cooperation approaches by civil society organisations as well. The projects are primarily geared to conflict prevention, because a convergent West Africa can cope better with the task of poverty reduction when it is free of conflicts and can harness regional capabilities.

CAPE VERDE



Key data

Independence:	5 July 1975 (from Portugal)
Type of state:	Republic
Head of state:	Pedro Pires (President)
Head of government:	José Maria Pereira Neves
Foreign Minister:	Víctor Manuel Barbosa Borges
Area*:	4,030 sq. km
Population*:	506,807
Population growth*:	2%
Life expectancy*:	Women: 73.5 years; men: 67.3 years
Literacy**:	Women: 70.8%; men: 86.6%
HDI (Human Development Index)**:	0.722; 106 th out of 177
GDI (Gender-related Development index)**:	0.714; 78 th out of 136
GDP*:	US\$ 983.1 mill.
Annual GDP growth*:	5.8%
GNI*:	US\$ 975.9 mill.
GNI per capita*:	US\$ 1,930
Poverty**:	Not available
Population with access to clean water**:	43%

* World Bank: World Development Indicators Database 2007

** UNDP: Human Development Report 2006



Development policy in context

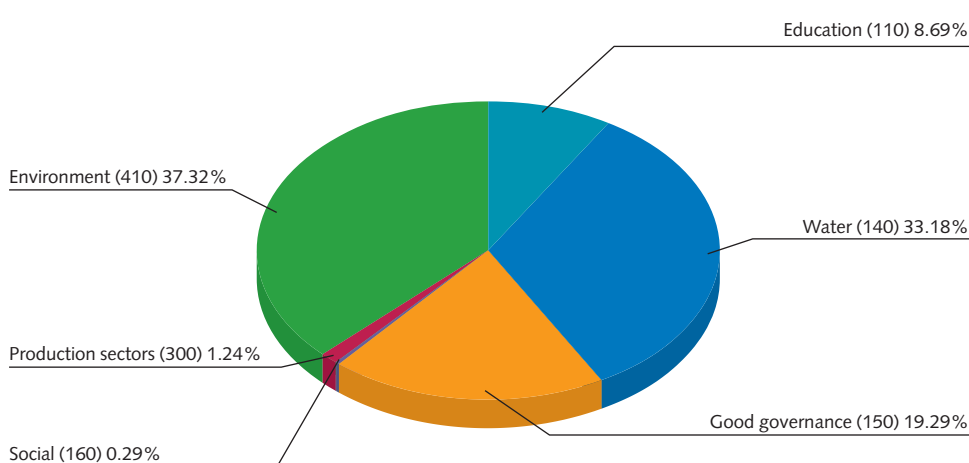
Cape Verde has made great strides in consolidating its democratic institutions in recent years: Free and transparent elections held without any great problems have contributed to strengthening stability further.

The island state is committed to Africa, but sees its political and economic destiny bound up more closely with Europe. The government is therefore seeking to enter into a special partnership with the EU as a neighbouring state (external border with the Canary Islands) and conclude an association treaty in the long term.

In response to its broad successful development record, the United Nations decided to up-grade Cape Verde from the group of least developed countries (LDCs) to the low-income group. Owing to its climatic conditions and geographical situation as well as its exposure to external shocks for lack of resources, the country is, however, very vulnerable.

Cape Verde has a tradition of emigration. It is heavily dependent on other countries, as evident in its large structural trade deficit but also in the sizable share of donor contributions and remittances from the extensive Cape Verdian diaspora (up to 20 per cent of GDP). Structural poverty in Cape Verde has, however, hardly improved at all and even deteriorated as measured by some indicators.

The first Growth and Poverty Reduction Strategy Paper was adopted in September 2004, aimed at promoting good governance and competition to stimulate economic growth and employment. Other objectives are improving land use planning, environmental protection, efficiency and sustainable social security.



DISTRIBUTION OF ADC FUNDS TO CAPE VERDE BY SECTOR IN 2006

The 'production sectors' item for Cape Verde comprises measures in 'tourism' and 'agriculture'.

Cooperation priorities

- Decentralisation and regional development
- Integrated resource management
- Budget support

Decentralisation and regional development sector

The adoption of the new municipal finance law has added another cornerstone for regulating the allocation of funds from central to local government. Framework legislation for decentralisation is in preparation.



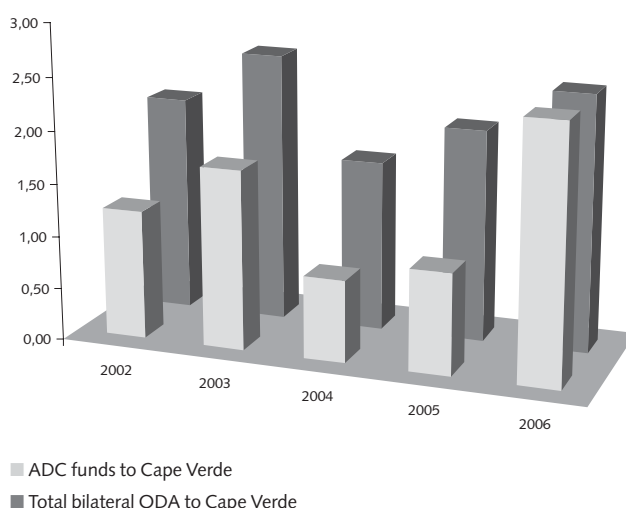
Besides strengthening individual municipalities, regional development initiatives are supported to promote a common vision for the development of individual regions (islands), particularly, though, in major cross-cutting issues, such as environment, tourism, transport and water supply to ensure a streamlined and sustainable development wherever possible.

In 2006, ADC was able to improve its position in decentralisation and regional development, organising an international forum on regional development in Santiago and financing the completion of the first land use plans.



Regulated land use planning

Since 2003, support has been provided to drafting a number of local spatial development, building and land use plans on Santiago Island as part of the water and decentralisation sectoral priority. By law, these plans are subject to public hearings and must be approved in due political process. Project activities are geared to involving civil society and competent policymakers in planning.



ADC FUNDS AND BILATERAL AUSTRIAN ODA TO CAPE VERDE

Net disbursements in EUR mill.

The year 2006 marks a break in the time series of total bilateral ODA: Instead of being assigned to the country of origin, expenditure for asylum seekers is subsumed in the statistics under costs in the donor country.

Official Development Assistance

- Austrian ODA to Cape Verde 1995–2006: EUR 35.45 mill.
- ADC FUNDS (PPA) to Cape Verde 1995–2006: EUR 25.78 mill.

Austrian ODA to Cape Verde

	2002	2003	2004	2005	2006
Bilateral ODA to Cape Verde in EUR mill.	2.07	2.57	1.62	2.01	2.43
as a % of total bilateral ODA	0.54	1.27	0.57	0.20	0.28
ADC funds to Cape Verde in EUR mill.	1.22	1.71	0.78	0.96	2.41
ADC funds to Cape Verde as a % of total ADC funding (ODA)	1.73	2.55	1.07	1.13	2.54

International ODA to Cape Verde

	2003	2004	2005
Total net ODA received (in US\$ mill.)	144	140	161
as a % of GNI	18.3	14.6	17.1
of which Austrian ODA (in US\$ mill.)	2.9	2.0	2.5

Source: OECD: Aid at a Glance, Aid Chart Cape Verde (www.oecd.org) and ADC statistics. The OECD figures are as at August 2007 and replace those previously published.

ODA to Cape Verde: main donors in US\$ mill.

Average 2004–2005

Portugal	43
European Commission	22
IDA	21
Luxemburg	15
The Netherlands	10

Source: OECD: Aid at a Glance, Aid Chart Cape Verde (www.oecd.org).



BURKINA FASO



Key data

Independence:	5 August 1960 (from France)
Type of state:	Parliamentary republic
Head of state:	Blaise Compaoré
Head of government:	Ernest Paramanga Yonli
Foreign Minister:	Youssef Ouedraogo
Area*:	274,000 sq. km
Population**:	13.2 mill.
Population growth**:	3%
Life expectancy**:	Women: 48.6 years; men: 47.2 years
Literacy**:	22%
HDI (Human Development Index)**:	0.342; 174 th out of 177
GDI (Gender-related Development index)**:	0.335; 133 rd out of 136
GDP*:	US\$ 5.2 bn.
Annual GDP growth*:	4.8%
GNI*:	US\$ 5.2 bn.
GNI per capita*:	US\$ 400
Poverty**:	46.4%
Population with access to clean water**:	61%

* World Bank: World Development Indicators Database 2007

** Human Development Report 2006



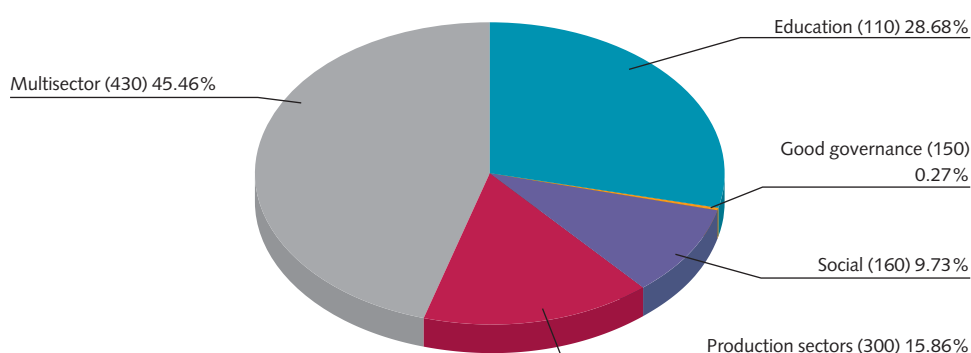
Development policy in context

In UN statistics, Burkina Faso numbers among the five least developed countries. It is endowed with hardly any mineral resources and agriculture, the direct source of livelihood for more than three-quarters of the population, has to struggle with drought and soil erosion. This means that there is almost no national basis for developing a profitable industry.

The majority of the population lives at or below the poverty line. The centrepiece of Burkina Faso's development strategy is the Cadre Stratégique de Lutte contre la Pauvreté (strategic framework for poverty reduction), whose priority aims are economic growth for all, basic social services, employment and good governance.

Cooperation priorities

- Technical and vocational education and training (training and teaching curricula for a variety of occupations and training for vocational school teachers)
- Promotion of micro, small and medium-sized enterprises
- Rural development (the major instrument in this sector are the local village development funds)



DISTRIBUTION OF ADC FUNDS TO BURKINA FASO BY SECTOR IN 2006

The 'production sectors' item for Burkina Faso largely comprises measures to promote small enterprises ('industry/trade' sector). 'Multisector' mainly includes rural development projects.

Rural development sector

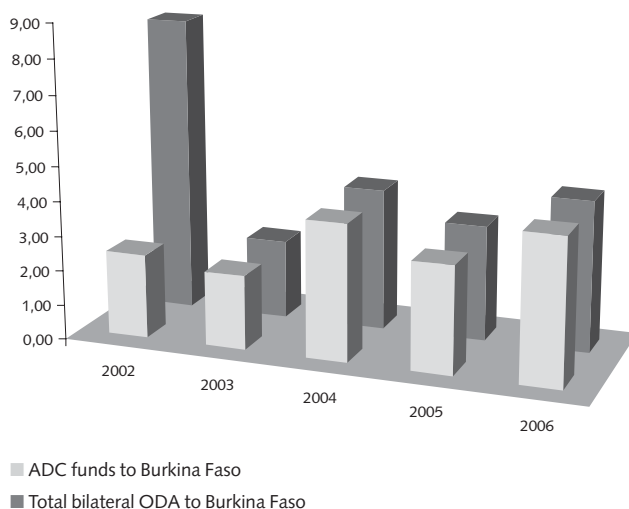
The centralist administration does not do justice to the needs of rural areas, which make up more than three-quarters of the whole territory. This is why the government is seeking to decentralise the administrative apparatus. The first steps here are defining municipal institutions in rural areas and preparing local elections accordingly. Activities also need to be bundled in a region.

In 2006, ADC prepared a study to identify a priority rural region in Burkina Faso. Besides ongoing programmes and projects, its remit was to look at coordination with other donors and macroeconomic, gender and environmental factors. Boucle de Mohoun was then identified as a new priority region. A fund will be set up here and administered by the regional authority to enable municipalities to improve their local infrastructure, as has long been the practice with the fonds de développement local.



Fonds de développement local

The fonds de développement local (local development funds) are booming: They have already been deployed for years now, in the region around Bobo Dioulassou, for example. Depending on the specific needs of the village communities, fund monies are used to purchase urgently needed agricultural equipment or also for developing village infrastructure, such as wells or power generation. The aim is to provide the villagers with as many resources as possible to help promote and secure their own economic activities. Encouragingly, the evaluation in 2005 found that the target of 7,000 direct beneficiaries had already been exceeded by a large margin. During 2006, the subsequent project also recorded another increase in the number of direct beneficiaries of 24 per cent.



ADC FUNDS AND BILATERAL AUSTRIAN ODA TO BURKINA FASO

Net disbursements in EUR mill.

The year 2006 marks a break in the time series of total bilateral ODA: Instead of being assigned to the country of origin, expenditure for asylum seekers is subsumed in the statistics under costs in the donor country.

Official Development Assistance

- Austrian ODA to Burkina Faso 1995–2006: EUR 41.82 mill.
- ADC funds (PPA) to Burkina Faso 1995–2006: EUR 33.01 mill.

Austrian ODA to Burkina Faso

	2002	2003	2004	2005	2006
Bilateral ODA to Burkina Faso in EUR mill.	8.50	2.26	4.07	3.32	4.35
as a % of total bilateral ODA	2.20	1.12	1.43	0.33	0.50
ADC funds to Burkina Faso in EUR mill.	2.41	2.14	3.93	3.10	4.21
ADC funds to Burkina Faso as a % of total ADC funding (ODA)	3.41	3.18	5.40	3.66	4.44

International ODA to Burkina Faso

	2003	2004	2005
Total net ODA received (in US\$ mill.)	507	614	660
as a % of GNI	12.1	12.8	12.8
of which Austrian ODA (in US\$ mill.)	2.6	5.1	4.1

Source: OECD: Aid at a Glance, Aid Chart Burkina Faso (www.oecd.org) and ADC statistics. The OECD figures are as at August 2007 and replace those previously published.

ODA to Burkina Faso: main donors in US\$ mill.

Average 2004–2005

IDA	140
European Commission	96
France	96
The Netherlands	54
African Development Fund	49

Source: OECD: Aid at a Glance, Aid Chart Burkina Faso (www.oecd.org).







East Africa

key region

The East Africa region comprises the countries Uganda, Kenya, Tanzania, Rwanda, Burundi and Ethiopia. In the individual countries, between 36 and 60 per cent of the population live under the respective national poverty line.

This region is stepping up efforts at convergence under the East African Community, but it also faces a number of challenges that make it more vulnerable to conflict: control over water and land resources, the regional impacts of population growth, climate change and the resultant pressure on natural resources as well as a large number of national and international refugees. For this reason, ADC supports various measures in conflict prevention/resolution and peacekeeping.

ETHIOPIA



Key data

Independence:	Ethiopia was never colonised, only occupied by Italy 1936–1941
Type of state:	Democratic federal republic
Head of state:	Girma Woldegiorgis
Head of government:	Meles Zenawi
Foreign Minister:	Seyoum Mesfin
Area*:	1,104,300 sq. km
Population**:	75.6 mill.
Population growth**:	2.3 %
Life expectancy**:	Women: 48.8 years; men 46.8 years
Literacy**:	42 %
HDI (Human Development Index)**:	0.371; 170 th out of 177
GDI (Gender-related Development index)**:	Not available
GDP*:	US\$ 11.2 bn.
Annual GDP growth*:	8.7 %
GNI*:	US\$ 11.1 bn.
GNI per capita*:	US\$ 160
Poverty**:	44.2 %
Population with access to clean water**:	22 %

* World Bank: World Development Indicators Database 2007

** UNDP: Human Development Report 2006



Development policy in context

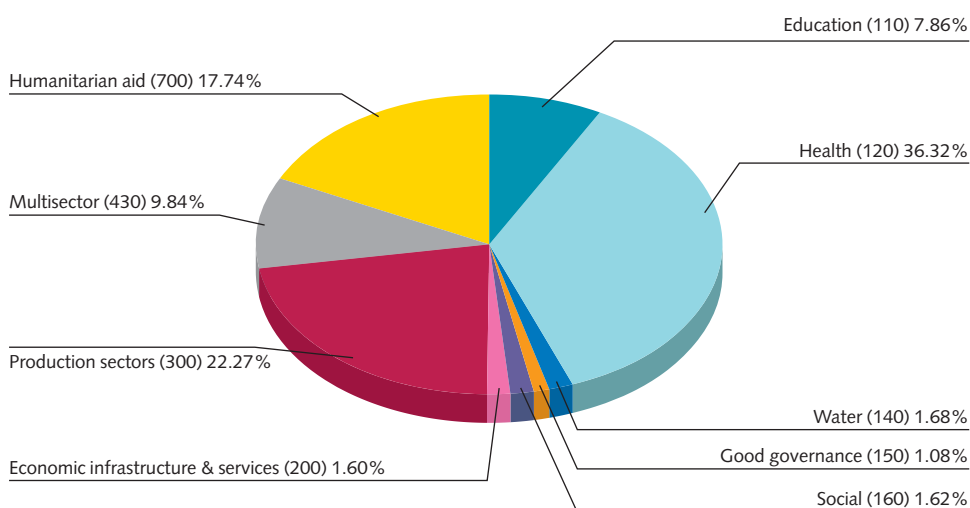
The aftermath of the bloody unrest after the election in Ethiopia in 2005 is still making itself felt, although things have normalised to a certain extent in many areas. After a phase of disappointment and disillusionment, solid efforts are now underway again by both donors and government in development cooperation to rebuild responsible cooperation in the fight against poverty.

With a view to the desired and hoped-for massive increase in assistance, the donors have urged the government to take steps to improve human rights and include the private sector more.

Cooperation is based on the Plan for Accelerated and Sustained Development to End Poverty (PASDEP) 2006–2011 published in 2006, which provides for alignment with the basic agro-ecological situation and the need for greater private-sector integration.

Cooperation priorities

- Support for food security
- Basic health care
- Energy sector (donor group, electrification under Austrian management)
- Gender and democracy

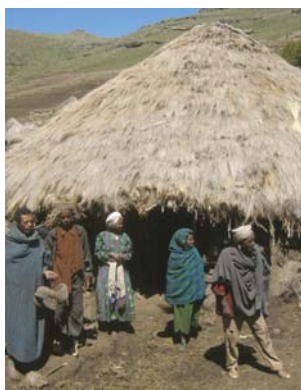


DISTRIBUTION OF ADC FUNDS TO ETHIOPIA BY SECTOR IN 2006

The 'economic infrastructure & services' heading in Ethiopia comprises the 'energy' and 'communications' sectors. 'Production sectors' largely pertains to 'agriculture' and to a lesser extent, 'tourism'.

Food security sector

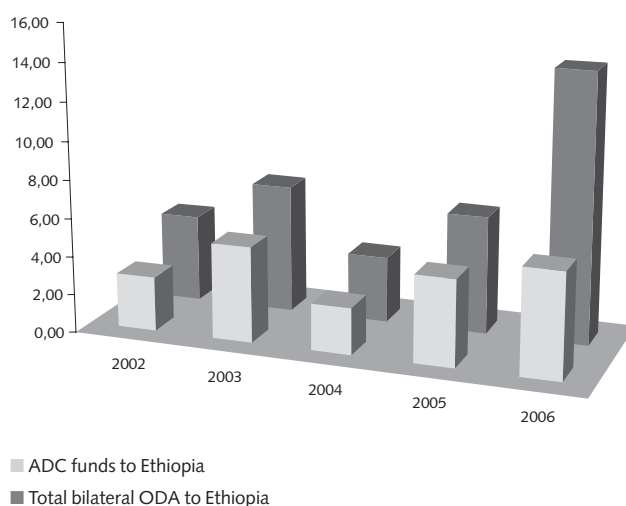
Despite record harvests, almost 10 million out of the 75 million Ethiopians suffered from food shortages in 2006. Within the donor community, Austria focuses its food security efforts on North Gondar. The programme it supports aims primarily at raising agricultural production and creating additional sources of income through a livestock breeding project, which has already extended to include most districts in the zone. The projects are now being carried out by various competent local authorities.



A mid-term evaluation in 2006 rated the integration of the Austrian food security programme into the state development plan PASDEP as very good, singling out in particular the capacity-building measures at regional level, the increase in farmers' incomes and the provision of agricultural and technical innovations, flanked by microcredits. The model farmer approach, the deployment of local animal health officers and seed marketing for feed cropping in the Austrian programmes have proved an effective alternative to government guidelines.

Simen Mountains National Park

With its unique flora and fauna, the park is increasingly threatened by the growing population inside and outside its boundaries, the reason it has already been classified as in danger by UNESCO. The concern is to strike a balance between preserving a natural habitat and food security for the population: Without sufficient food security for the farmers, neither the national park nor ecological tourism will have a chance of combining into an integrated development project. This is why the project aims foremost at improving the conditions of life for the local smallholders. The farmers call the project Nefs Adin, which means 'lifesaver' in Amharic. Some 86,500 people have benefited directly so far.



ADC FUNDS AND BILATERAL AUSTRIAN ODA TO ETHIOPIA

Net disbursements in EUR mill.

The year 2006 marks a break in the time series of total bilateral ODA: Instead of being assigned to the country of origin, expenditure for asylum seekers is subsumed in the statistics under costs in the donor country.

Official Development Assistance

- Austrian ODA to Ethiopia 1995–2006: EUR 59.96 mill.
- ADC funds (PPA) to Ethiopia 1995–2006: EUR 37.35 mill.

Austrian ODA to Ethiopia

	2002	2003	2004	2005	2006
Bilateral ODA to Ethiopia in EUR mill.	4.56	6.70	3.46	6.15	14.01
as a % of total bilateral ODA	1.18	3.31	1.22	0.62	1.61
ADC funds for Ethiopia in EUR mill.	2.83	5.00	2.46	4.54	5.52
ADC funds to Ethiopia as a % of total ADC funding (ODA)	4.01	7.45	3.38	5.36	5.83

International ODA to Ethiopia

	2003	2004	2005
Total net ODA received (in US\$ mill.)	1,594	1,819	1,937
as a % of GNI	20.2	18.8	17.4
of which Austrian ODA (in US\$ mill.)	7.6	4.3	7.7

Source: OECD: Aid at a Glance, Aid Chart Ethiopia (www.oecd.org) and ADC statistics. The OECD figures are as at August 2007 and replace those previously published.

ODA to Ethiopia: main donors in US\$ mill.

Average 2004–2005

United States	552
IDA	403
European Commission	143
United Kingdom	111
African Development Bank	102

Source: OECD: Aid at a Glance, Aid Chart Ethiopia (www.oecd.org).



UGANDA



Key data

Independence:	9 October 1962 (from the United Kingdom)
Type of state:	Presidential republic
Head of state:	Yoweri Kaguta Museveni
Head of government:	Apollo Nsibambi
Foreign Minister:	Sam Kutesa
Area*:	241.040 sq. km
Population**:	27.8 mill.
Population growth**:	3.3%
Life expectancy**:	Women: 48.8 years; men: 47.9
Literacy**:	Women: 57.7%; men: 76.8%
HDI (Human Development Index)**:	0.502; 145 th out of 177
GDI (Gender-related Development index)**:	0.498; 108 th out of 136
GDP*:	US\$ 8.7 bn.
Annual GDP growth*:	6.6%
GNI*:	US\$ 8.0 bn.
GNI per capita*:	US\$ 280
Poverty**:	37.7%
Population with access to clean water**:	60%

* World Bank: World Development Indicators Database 2007

** UNDP: Human Development Report 2006



Development policy in context

After more than two decades of the Movement regime, Uganda returned to a multi-party system in 2006, a major step towards democracy.

The disastrous humanitarian situation in North Uganda, where the large majority of the population has lived for years in camps for internally displaced persons due to the hostilities between the government and the Lord's Resistance Army, has come increasingly to world public attention. With support from the international community, the government drew up plans for emergency aid and reconstruction in this region. A ceasefire agreement signed on 26 August 2006 brought peace to the North Ugandan population for the first time in twenty years, but the situation is still unstable.

Uganda numbers among the poorest countries in the world, but has recorded steady economic growth for years, five per cent in 2006; at five to six per cent, inflation is still relatively low. An energy crisis set the Ugandan economy back in 2006, when power had to be substantially rationed after droughts.

A major aim of the Ugandan government is to reduce its heavy dependence on international development assistance, which presently makes up 40 per cent of the national budget.

The Ugandan development strategy is set out in the Poverty Eradication Action Plan (PEAP), in which the government pledges to reduce poverty as a priority. The overall goal is to advance to a middle-income country. Key objectives are reducing income poverty and inequality, improving human development and raising GNI growth.

Since 2006, ADC has been collaborating with ten other donors in implementing the Joint Assistance Strategy for the Republic of Uganda.

Cooperation priorities

- Water and sanitation
- Good governance, judicial reform, decentralisation, peacebuilding/conflict resolution and reconstruction
- Private sector development
- Peacebuilding/conflict resolution and reconstruction (special programme for North Uganda focusing on children, primarily ex-child soldiers)

Water and sanitation sector

The Ugandan water sector has acquired a reputation for being particularly progressive and innovative in East Africa and in the whole of Sub-Saharan Africa, with the very extensive and effective cooperation between the Ugandan water ministry and donors and their concerted efforts certainly playing a vital role.



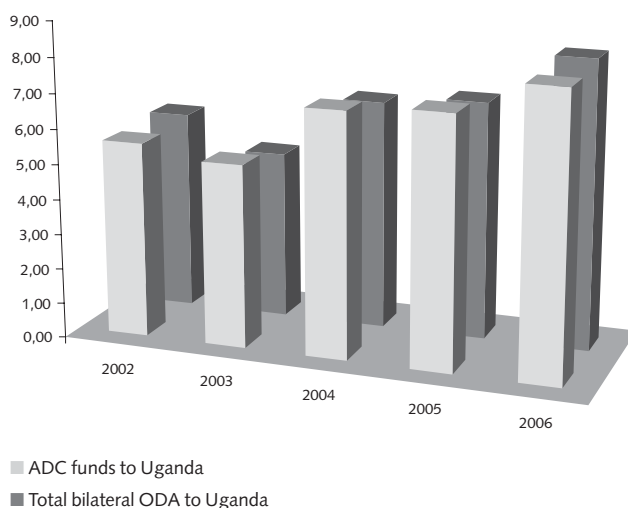
At about 60% to 70%, the donor contribution to the whole sectoral budget is large, whereas Austria participates as a very small donor with an annual contribution of approx. EUR 2 to 2.2 million. Thanks to its prolonged cooperation in the Ugandan water sector, Austria has, however, been able to gain in-depth experience and competence and took over chairmanship of donor coordination for the first time in September 2006.

As of 2004, ADC cofinances the regional World Bank Water and Sanitation Program. This is aimed at providing poor sections of the population in particular with long-term access to improved water supply and sanitation (clean, safe, reliable and affordable).



South Western Towns Water and Sanitation Project

The regional South Western Towns Water and Sanitation Project has been financed by ADC since 1996 and guarantees water supplies in 40 town facilities in Southwest Uganda. In 2006, water supply systems were completed for 7 towns, providing access to clean drinking water for 48,000 people. The project is designed and implemented in direct cooperation amongst Ugandan executing agencies without any Austrian partners. The sector programme is being converted into a national finance instrument and will enlarge cofinancing from the EU Water Facility by a huge margin.



ADC FUNDS AND BILATERAL AUSTRIAN ODA TO UGANDA

Net disbursements in EUR mill.

Total Austrian ODA to Uganda is lower than ADC funding for 2003–2005. This is due to repayments for a World Bank cofinancing loan in the water sector. In these years, the loan repayments made had to be deducted from ODA in line with the OECD/DAC statistical directives (net ODA).

The year 2006 marks a break in the time series of total bilateral ODA: Instead of being assigned to the country of origin, expenditure for asylum seekers is subsumed in the statistics under costs in the donor country.

Official Development Assistance

- Austrian ODA to Uganda 1995–2006: EUR 89.08 mill.
- ADC funds (PPA) to Uganda 1995–2006: EUR 81.97 mill.

Austrian ODA to Uganda

	2002	2003	2004	2005	2006
Bilateral ODA to Uganda in EUR mill.	5.71	4.80	6.54	6.78	8.20
as a % of total bilateral ODA	1.48	2.37	2.31	0.68	0.94
ADC funds to Uganda in EUR mill.	5.56	5.22	6.96	7.14	8.04
ADC funds to Uganda as a % of total ADC funding (ODA)	7.87	7.78	9.56	8.43	8.48

Total Austrian ODA to Uganda is lower than ADC funding for 2003–2005. This is due to repayments for a World Bank co-financing loan in the water sector. In these years, the loan repayments made had to be deducted from ODA in line with the OECD/DAC statistical directives (net ODA).

International ODA to Uganda

	2003	2004	2005
Total net ODA received (in US\$ mill.)	976	1,198	1,198
as a % of GNI	15.9	17.9	14.0
of which Austrian ODA (in US\$ mill.)	5.4	8.1	8.4

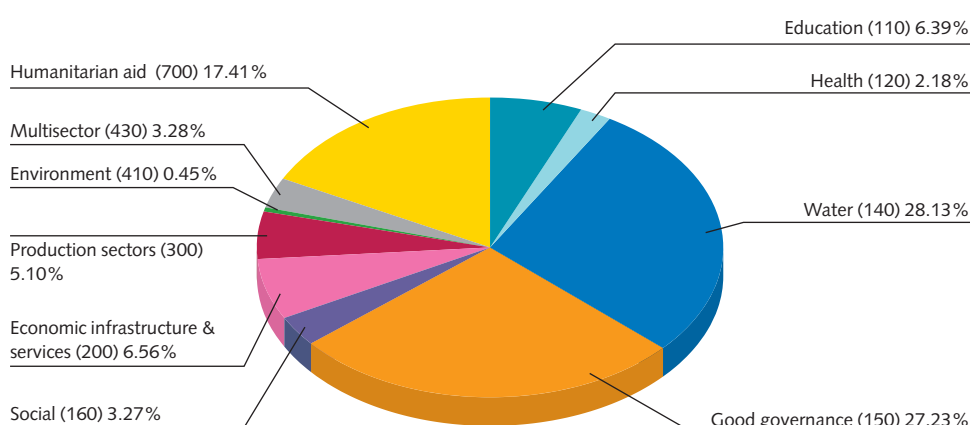
Source: OECD: Aid at a Glance, Aid Chart Uganda (www.oecd.org) and ADC statistics. The OECD figures are as at August 2007 and replace those previously published.

ODA to Uganda: main donors in US\$ mill.

Average 2004–2005

IDA	344
United States	225
European Commission	102
United Kingdom	82
The Netherlands	76

Source: OECD: Aid at a Glance, Aid Chart Uganda (www.oecd.org).



DISTRIBUTION OF ADC FUNDS TO UGANDA BY SECTOR IN 2006

The 'economic infrastructure & services' item for Uganda comprises 'energy', 'communications', 'financial system' and the 'promotion of the private sector framework'. 'Production sectors' contains 'tourism' and, to a lesser extent 'forestry'.





Southern Africa

key region

In Southern Africa, ADC focuses on good governance, human rights and infrastructure (rail transport and energy) with HIV/AIDS as a special cross-cutting issue.

Good governance and the closely allied theme of promoting and protecting human rights are of central importance for the development of Southern Africa. A large part of the population is still denied access to information or resources, which limits their prospects for sustainable social, cultural and economic development. The Southern African Development Community recognises that economic growth and development are unattainable as long as political intolerance, ineffectual rule of law, corruption, civilian conflicts and hostilities persist. ADC supports the Community directly and promotes regional organisations and initiatives in its cooperation.

MOZAMBIQUE



Key data

Independence:	25 June 1975 (from Portugal)
Type of state:	Presidential republic
Head of state:	Armando Emilio Guebuza
Head of government:	Luisa Dias Diogo
Foreign Minister:	Alcinda Abreu
Area*:	801,590 sq. km
Population**:	19.4 mill.
Population growth**:	2.1 %
Life expectancy*:	Women: 42.3 years; men: 41.0 years
Literacy**:	Women: 35.6%; men: 65.7%
HDI (Human Development Index)**:	0.390; 168 th out of 177
GDI (Gender-related Development index):	0.373; 128 th out of 136
GDP*:	US\$ 6.6 bn.
Annual GDP growth*:	7.7 %
GNI*:	US\$ 6.2 bn.
GNI per capita*:	US\$ 310
Poverty**:	69.4 %
Population with access to clean water**:	43 %

* World Bank: World Development Indicators Database 2007

** UNDP: Human Development Report 2006



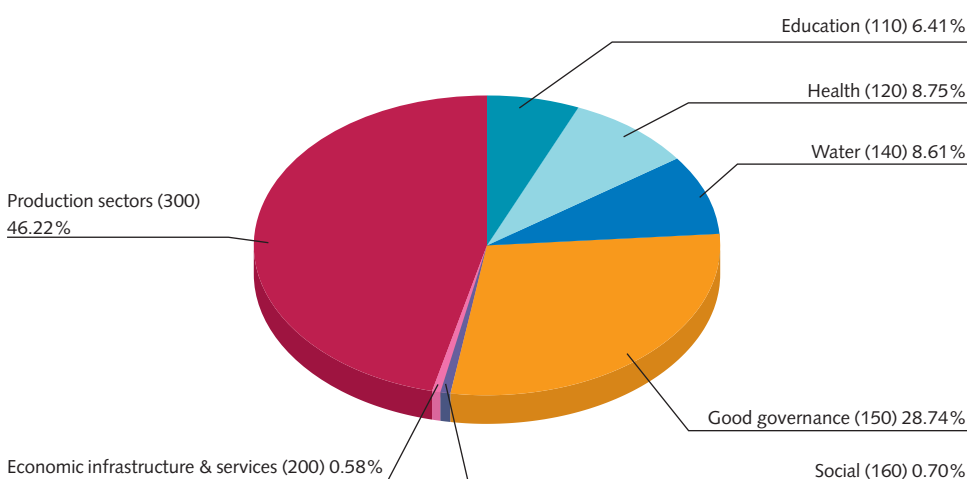
Development policy in context

Mozambique is considered a showcase example for successful political and economic transition after the end of a civil war lasting many years. At an average annual rate of some seven per cent, it is one of the fastest growing national economies in Southern Africa. Nevertheless, it still belongs to the poorest countries in the world: More than half the population lives in absolute poverty; medical care, educational facilities and infrastructure are lacking. It also has to cope with an increasing rate of HIV infections (2006: 16.1 per cent).

The target set by the national plan of action for poverty reduction (PARPA II, 2006–2009) is to lower the share of the population living in poverty in Mozambique from 54.1 per cent (2005) to 45 per cent in 2009. PARPA II is based on three pillars: good governance, education/vocational training and economic development. Decentralisation, education, health, water supply and sanitation, rural development, infrastructure expansion, a conducive investment climate and improving public financial management have also been identified as contributory factors to sustainable poverty reduction. The implementation of PARPA II is supported with increased general budget support.

Cooperation priorities

- Rural development
- Decentralisation
- Sectoral budget support (sector programme: ProAgri run by the Mozambiquan Ministry of Agriculture)



DISTRIBUTION OF ADC FUNDS TO MOZAMBIQUE BY SECTOR IN 2006

The 'economic infrastructure & services' item wholly comprises the 'communications' sector. The 'production sectors' heading includes above all assistance in 'agriculture' and, to a lesser extent, 'tourism'.

Rural development sector

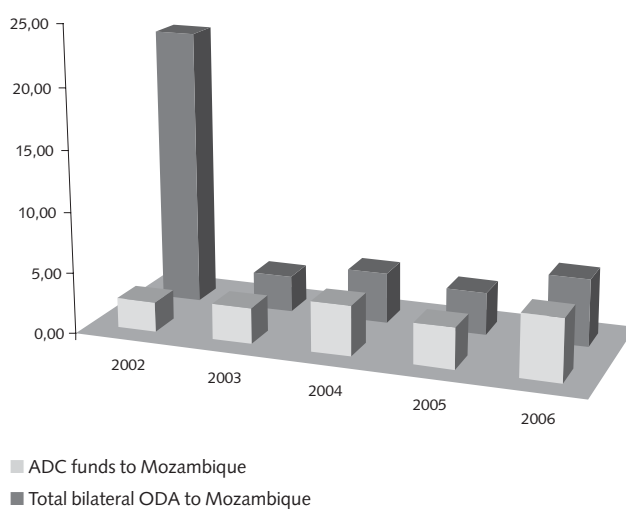
The majority of the population suffering from poverty in Mozambique lives in rural areas. This is why ADC's rural activities centre on poverty reduction by promoting agricultural and rural development, as farming is almost the sole source of income. The aim is to conserve natural resources, generate income and ensure food security for producers and consumers.

With its Promec project in rural development, ADC has concentrated in particular on improving the quality of agricultural produce through training as well as providing marketing assistance to smallholders. By flanking the activities of the agricultural ministry in Sofala Province, Promec complements the ADC contribution to ProAgri (Agriculture Sector Public Expenditure Program).



Promec

Aimed at the economic promotion of smallholders, Promoção Económica dos Camponeses is currently ADC's largest capacity-building rural development project in Mozambique, comprising disparate target groups, such as district authorities, small farmers' associations, individual smallholders and rural communities. The measures in this project focus on raising output for the local market and improving food security in Sofala Province. It promotes many different interventions: improving the quality of agricultural produce (e.g. by promoting the International Fair of Maputo in 2006), assisting formal and informal groups of small farmers, providing information on new technologies through demonstrations on trial plots, distributing agricultural equipment, supporting individual smallholders and district civil servants through training and information and raising the delivery capacity of small farmers for the local market.



ADC FUNDS AND BILATERAL AUSTRIAN ODA TO MOZAMBIQUE

Net disbursements in EUR mill.

The year 2006 marks a break in the time series of total bilateral ODA: Instead of being assigned to the country of origin, expenditure for asylum seekers is subsumed in the statistics under costs in the donor country.

Official Development Assistance

- Austrian ODA to Mozambique 1995–2006: EUR 65.30 mill.
- ADC funds (PPA) to Mozambique 1995–2006: EUR 40.15 mill.

Austrian ODA to Mozambique

	2002	2003	2004	2005	2006
Total bilateral ODA to Mozambique in EUR mill.	22.67	2.97	4.16	3.47	5.54
as a % of total bilateral ODA	5.87	1.47	1.47	0.35	0.64
ADC funds to Mozambique in EUR mill.	2.45	2.95	4.12	3.38	5.14
ADC funds to Mozambique as a % of total ADC funding (ODA)	3.47	4.39	5.65	3.99	5.42

International ODA to Mozambique

	2003	2004	2005
Total net ODA received (in US\$ mill.)	1,037	1,246	1,286
as a % of GNI	22.6	22.4	20.8
of which Austrian ODA (in US\$ mill.)	3.4	5.2	4.3

Source: OECD: Aid at a Glance, Aid Chart Mozambique (www.oecd.org) and ADC statistics. The OECD figures are as at August 2007 and replace those previously published.

ODA to Mozambique: main donors in US\$ mill.

Average 2004–2005

IDA	231
European Commission	162
United States	103
African Development Fund	84
Sweden	74

Source: OECD: Aid at a Glance, Aid Chart Mozambique (www.oecd.org).







Himalayas — Hindu Kush

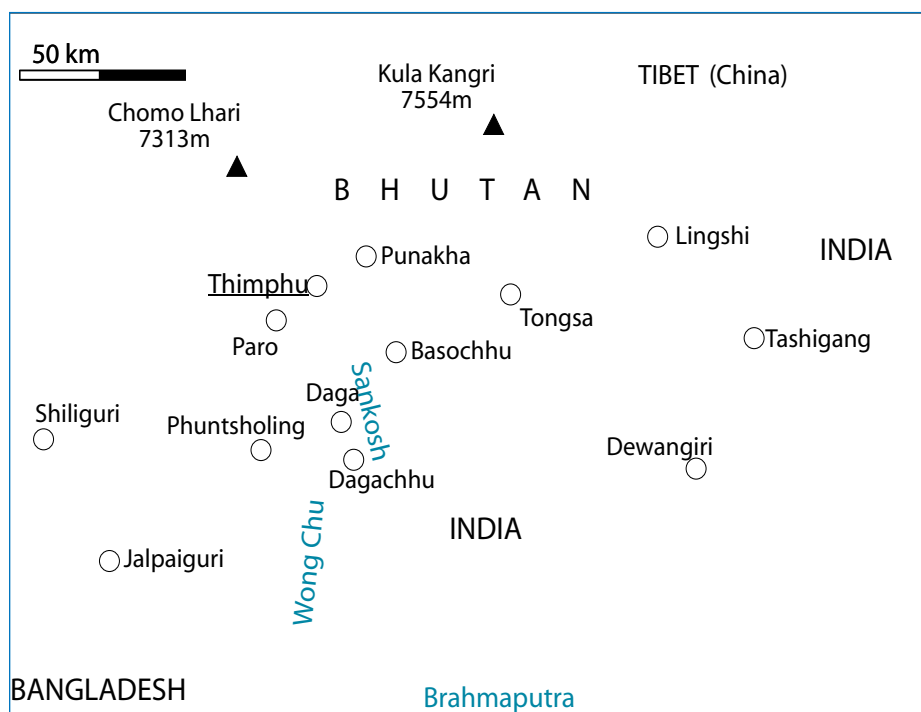
key region

The mountain world of the Himalayas/Karakorum/Hindu Kush makes up ADC's key region in Asia. It encompasses Afghanistan, Bangladesh, Bhutan, China, India, Myanmar, Nepal and Pakistan, countries with diverse cultures, political systems and economies. ADC assistance is confined to the marginalised mountain regions, where poverty exceeds the respective national average by 20 to 50 per cent.

The problems and needs in these mountainous areas differ significantly from the lower-lying regions. The people are exposed to greater economic, physical and social hardship, such as lower agricultural productivity, difficult access to markets, erosion, avalanches, mudslides, earthquakes, an ossified gender hierarchy, a traditional class system (castes) and discrimination by government authorities.

To devise appropriate solutions for the mountain regions, the regional governments have founded the International Centre for Integrated Mountain Development (ICIMOD). This institution for applied research is the only international organisation worldwide that specialises in the problems of the mountain region and collaborates as a partner with ADC in regional cooperation. ADC supports ICIMOD in pastureland management, efficient energy and beekeeping in mountain regions and also makes a contribution to the general programmes of this unique organisation.

BHUTAN



Key data

Independence:	8 August 1949 (from India)
Type of state:	Monarchy
Head of state:	Jigme Khesar Namgyel Wangchuck
Head of government:	Lyonpo Khandu Wangchuck
Foreign Minister:	Lyonpo Kandhu Wangchuck
Area*:	47,000 sq. km
Population**:	2.12 mill.
Population growth**:	2.2%
Life expectancy**:	Women: 64.6 years; men: 62.2 years
Literacy**:	47%
HDI (Human Development Index)**:	0.538 = 135 th out of 177
GDI (Gender-related Development index)**:	Not available
GDP*:	US\$ 843.7 mill.
Annual GDP growth*:	6.1%
GNI*:	US\$ 798.2 mill.
GNI per capita*:	US\$ 1,250
Poverty**:	Not available
Population with access to clean water**:	70%

* World Bank: World Development Indicators Database 2007

** UNDP: Human Development Report 2006

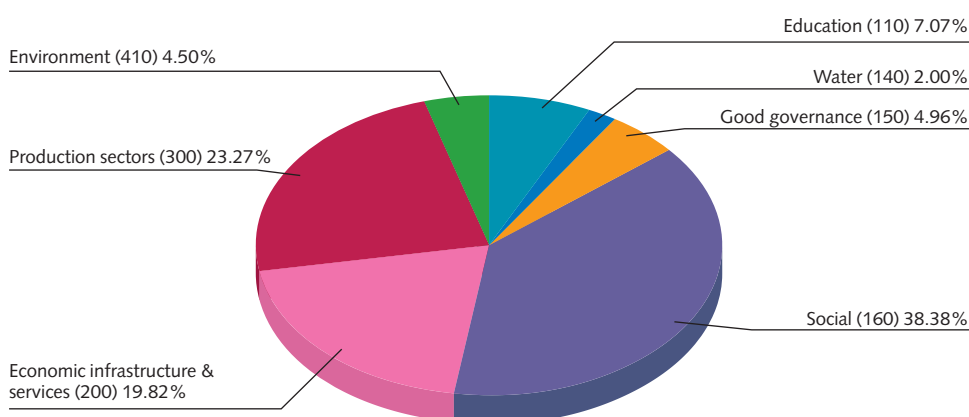


Development policy in context

With its little more than 670,000 inhabitants, the Kingdom of Bhutan is in a process of upheaval: In 2008, for the first time in its history, it will be governed by a constitution and national parliamentary elections will be held with parties and independent NGOs allowed to contend. Minority rights are not provided for in the constitution, so it remains open as to how far Bhutan will press for a solution to the issue of the 100,000 Nepalese refugees. Preparations have been made for democratisation through decentralisation, which delegates resources and decision-making powers to the local level. This process is also provided for in the 10th five-year plan, the basis for government-steered national development, and the Poverty Reduction Strategy Paper. The emphasis is on strengthening rural areas. To put a stop to the swelling rural exodus, villages and provinces have been involved in the planning and have been able to define their priorities at local level themselves.

Cooperation priorities

- Energy
- Tourism
- Preservation of cultural heritage (Trongsa Dzong temple fortress)
- Mountain ecology (improved use and protection of coniferous forests)



DISTRIBUTION OF ADC FUNDS TO BHUTAN BY SECTOR IN 2006

The 'economic infrastructure & services' item for Bhutan is made up entirely of assistance to the 'energy' sector. 'Production sectors' here comprises 'tourism' and, to a lesser extent, 'forestry'.

Energy sector

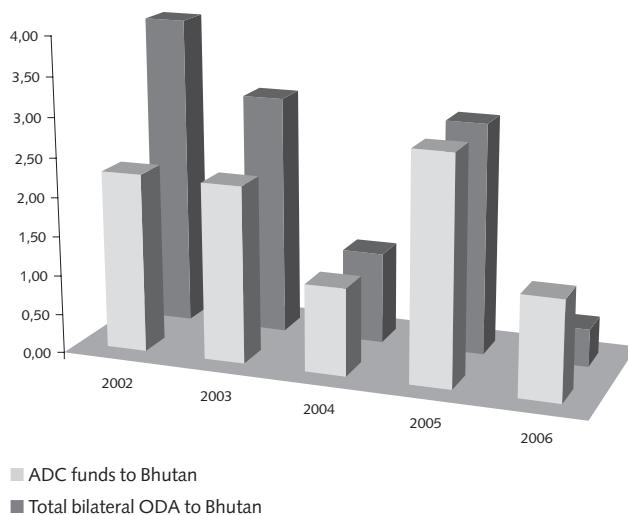
The excellent cooperation in the energy sector is based on the relevant programme, drawn up jointly with Bhutan (2005–2007). The biggest success story is the smooth full-scale operation of the Basochhu power plant since commissioning, with its local team of operatives. In 2006, the feasibility study for the planned Dagachhu hydropower station was completed and the qualification of the Department of Energy to design projects under the Clean Development Mechanism was nearly finished. Spare parts were obtained for the small Ranjung power station, the main power supplier for the easternmost districts, and a training programme in maintenance was started. Another cooperation component is the development and implementation of efficient wood-fired stoves or solar water heaters. In 2006, pilot systems, – more energy-efficient ovens and a solar water heating system in the capital Thimphu – were subjected to a technical evaluation but they were also assessed for their compatibility with traditional lifestyles.

Under the current 9th five-year plan, about 15,000 households are to be connected to the electricity grid by mid-2008, which amounts to a coverage rate of 52 per cent.



Electrification

After four successful rural electrification projects with 1,571 households connected to the power grid, a new one was started for another 100 in 2006. All previous projects have managed to supply more households with electricity than originally planned. An evaluation of the impacts of electrification on the life of the people revealed a substantial improvement in health, individual time savings, affording scope for additional economic and social activities, and a heightened awareness of the importance of investments in agriculture. All this makes village life more attractive, particularly for younger people, and contributes significantly to stemming the rural exodus of young, trained workers.



ADC FUNDS AND BILATERAL AUSTRIAN ODA TO BHUTAN

Net disbursements in EUR mill.

Total Austrian ODA to Bhutan is lower than ADC funding for 2006. This is due to repayments for a ERP loan in the energy sector. These had to be deducted from ODA in line with the OECD/DAC statistical directives (net ODA).

The year 2006 marks a break in the time series of total bilateral ODA: Instead of being assigned to the country of origin, expenditure for asylum seekers is subsumed in the statistics under costs in the donor country.

Official Development Assistance

- Austrian ODA to Bhutan 1995–2006: EUR 54.83 mill.
- ADC funds (PPA) to Bhutan 1995–2006: EUR 38.11 mill.

Austrian ODA to Bhutan

	2002	2003	2004	2005	2006
Total bilateral ODA to Bhutan in EUR mill.	3.96	3.05	1.16	2.94	0.48
as a % of total bilateral ODA	1.02	1.51	0.41	0.30	0.05
ADC funds to Bhutan in EUR mill.	2.27	2.25	1.11	2.89	1.28
ADC funds to Bhutan as a % of total ADC funding (ODA)	3.21	3.35	1.52	3.41	1.35

Total Austrian ODA to Bhutan is lower than ADC funding for 2006. This is due to repayments for a ERP loan in the energy sector. These had to be deducted from ODA in line with the OECD/DAC statistical directives (net ODA).

International ODA to Bhutan

	2003	2004	2005
Total net ODA received (in US\$ mill.)	77	78	90
as a % of GNI	12.9	10.9	11.0
of which Austrian ODA (in US\$ mill.)	3.4	1.4	3.7

Source: OECD: Aid at a Glance, Aid Chart Bhutan (www.oecd.org) and ADC statistics. The OECD figures are as at August 2007 and replace those previously published.

ODA to Bhutan: main donors in US\$ mill.

Average 2004–2005

Denmark	18,2
Japan	13,7
The Netherlands	10,3
Asian Development Fund	9,7
IDA	9,5

Source: OECD: Aid at a Glance, Aid Chart Bhutan (www.oecd.org).



PALESTINIAN TERRITORIES



Key data

Type of state:	Partial self-administration under Israeli occupation
Head of the Palest. Autonomous Authority:	Mahmoud Abbas (Abu Mazen)
Head of government:	Ismail Haniyeh
Foreign Minister:	Ziad Abu Amr
Area:	West Bank: 5,655 sq. km East Jerusalem: 70 sq. km Gaza Strip: 365 sq. km altogether: 6,090 sq. km
Population***:	3.6 millions
Population growth***:	3.0%
Literacy***:	Women: 88.0%; men: 96.7%
Life expectancy***:	Women: 74.2 years; men 71.1 years
HDI (Human Development Index)***:	0.736; 100 th out of 177
GDP (estimate 2006)**:	US\$ 4.4 bn.
Annual GDP growth (estimate 2006)*:	6–10%
GNI per capita (estimate 2006)**:	US\$ 1,130/year (-50% compared with 2000)
Poverty****:	66% (88% in Gaza Strip)

*Data from the United Nations Office for the Coordination of Humanitarian Affairs (OCHA):

A Year of Decline: The Financial and Institutional Status of the Palestinian Authority, April 2007

**INTERNATIONAL MONETARY FUND – THE WORLD BANK WEST BANK AND GAZA, ECO-NOMIC DEVELOPMENTS

IN 2006 – A FIRST ASSESSMENT, MARCH 2007

***UNDP: Human Development Report 2006

**** United Nations: Consolidated Appeals Process (CAP) 2007 for the Occupied Palestinian Territories – figures as of September 2006



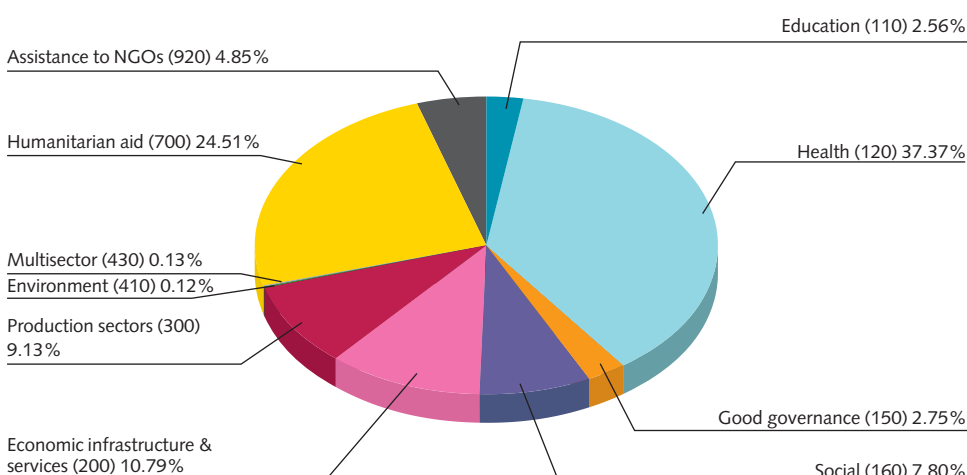
Development policy in context

Taking all observers by surprise, the parliamentary elections in January 2006 resulted in a victory for Hamas, which has been classified as a terrorist organisation by the EU. In response, the Israeli government withheld Palestinian customs and tax revenue, which accounts for 50 to 60 per cent of budget income, and the Western donor countries suspended direct cooperation with the government of the Palestinian Autonomous Authority. In 2006 alone, the Palestinian economy contracted by approx. 27 per cent, unemployment in the Palestinian Territories rose from 21 to 30 per cent and the poverty rate from 23 to 67 per cent. Almost half the population depends on food aid. The politically precarious situation has set back the Mid-Term Development Plan 2005–2007. In close collaboration with President Abbas, cooperation is focused on emergency measures and humanitarian projects to prevent the Palestinian institutions from falling into disarray.

The aim of ADC in the Palestinian Territories is to support the establishment of a sovereign, independent and democratic Palestinian state in line with the EU-supported Roadmap and relevant UN resolutions.

Cooperation priorities

- Health sector
- Water sector (first desalination plant in the central Gaza Strip)
- Good governance and human rights (cooperation with NGOs and UNRWA)



DISTRIBUTION OF ADC FUNDS TO THE PALESTINIAN TERRITORIES BY SECTOR IN 2006

The 'economic infrastructure & services' item wholly comprises the 'communications' sector. The 'production sectors' heading includes above all assistance in 'agriculture' and, to a lesser extent, 'tourism'.

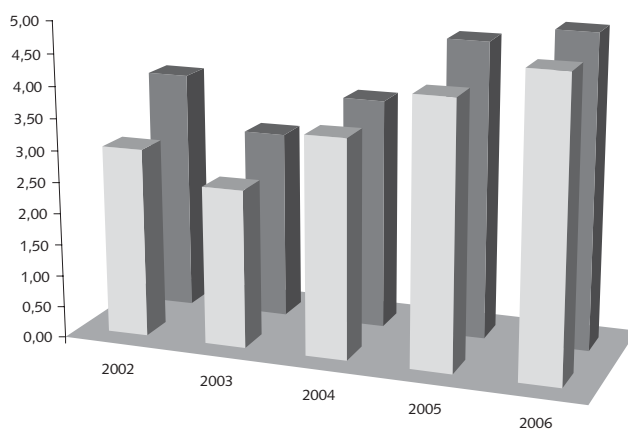
Health sector

ADC plays a key role in preventing chronic illnesses in the occupied Palestinian Territories. Since 2000, Austria has been collaborating with the Palestinian Medical Relief Services in setting up a scheme that can also be transferred to national institutions and other health institutions. Complementing its engagement in chronic disease prevention, ADC supports infrastructure measures as part of developing and maintaining Palestinian institutions (e.g. a clinic in the ancient city of East Jerusalem). Under the EU's Temporary International Mechanism, ADC contributes to supplying Palestinian hospitals with vital medication.



Diagnosis and treatment of chronic illnesses

In cooperation with the Palestinian Medical Relief Services (PMRS), a programme is being carried out for the early diagnosis and treatment of chronic illnesses. Project outcomes so far include training doctors and nurses as well as PMRS personnel in diagnosing and handling chronic illnesses (126 doctors, 187 nurses and other PMRS personnel in the ongoing project phase to date) and the establishment of a referral system concentrated around the Chronic Disease Centre in Ramallah. Information events have also been held on the prevention of chronic illnesses and a national committee established for their control.



ADC FUNDS AND BILATERAL AUSTRIAN ODA TO THE PALESTINIAN TERRITORIES

Net disbursements in EUR mill.

The year 2006 marks a break in the time series of total bilateral ODA: Instead of being assigned to the country of origin, expenditure for asylum seekers is subsumed in the statistics under costs in the donor country.

■ ADC funds to Palestinian Territories
■ Total bilateral ODA to Palestinian Territories

Official Development Assistance

- Austrian ODA to the Palestinian Territories 1995–2006: EUR 42.22 mill.
- ADC funds (PPA) to the Palestinian Territories 1995–2006: EUR 31.48 mill.

Austrian ODA to the Palestinian Territories

	2002	2003	2004	2005	2006
Total bilateral ODA to the Palestinian Territories in EUR mill.	3.82	2.99	3.66	4.70	4.95
as a % of total bilateral ODA	0.99	1.48	1.29	0.47	0.57
ADC funds to the Palestinian Territories in EUR mill.	3.00	2.50	3.46	4.20	4.69
ADC funds to the Palestinian Territories as a % of total ADC funding (ODA)	4.24	3.73	4.75	4.96	4.95

International ODA to the Palestinian Territories

	2003	2004	2005
Total net ODA received (in US\$ mill.)	972	1,136	1,102
as a % of GNI	25.3	-	-
of which Austrian ODA (in US\$ mill.)	3.4	4.6	5.8

Source: OECD: Aid at a Glance, Aid Chart Palestine (www.oecd.org) and ADC statistics. The OECD figures are as at August 2007 and replace those previously published.

ODA to the Palestinian Territories: main donors in US\$ mill.

Average 2004–2005

UNRWA	290
United States	227
European Commission	197
Norway	64
Sweden	38

Source: OECD: Aid at a Glance, Aid Chart Palestine (www.oecd.org).







South Eastern Europe/ Western Balkans key region

Despite marked successes in the course of economic transition and democratisation, South Eastern Europe remains politically unstable and economically weak as a region. This is why ADC supports the countries of South Eastern Europe in their efforts towards EU convergence, transition and lasting peace.

Programmes and projects are implemented primarily in education, environment, water and energy as well as in the rule of law and civil society sectors. Emphasis is also placed on private sector development and employment promotion. The prime aim is to create jobs and generate income, strengthen production capacity, develop the private sector and improve infrastructure as a precondition for economic development.

ADC harnesses synergies with Austrian private sector. Regional cooperation approaches also make up an important component of ADC's strategy in South Eastern Europe. The main international coordination framework for regional projects is the Stability Pact for South Eastern Europe.

ALBANIA



Key data

Independence:	28 November 1912 (from the Ottoman Empire)
Type of state:	Republic
Head of state:	Alfred Moisiu
Head of government:	Sali Berisha
Foreign Minister:	Besnik Mustafaj
Area*:	28,750 sq. km
Population**:	3.1 mill.
Population growth**:	0.9%
Life expectancy**:	Women: 76.9 years; men: 71.1 years
Literacy**:	Women: 98.3%; men: 99.2%
HDI (Human Development Index)**:	0.784; 73 rd out of 177
GDI (Gender-related Development index)**:	0.780; 59 th out of 136
GDP*:	US\$ 8.4 bn.
Annual GDP growth*:	5.5%
GNI*:	US\$ 8.0 bn.
GNI per capita*:	US\$ 2,570
Poverty**:	25.4%
Population with access to clean water:	96%

* World Bank: World Development Indicators Database 2007

** UNDP: Human Development Report 2006

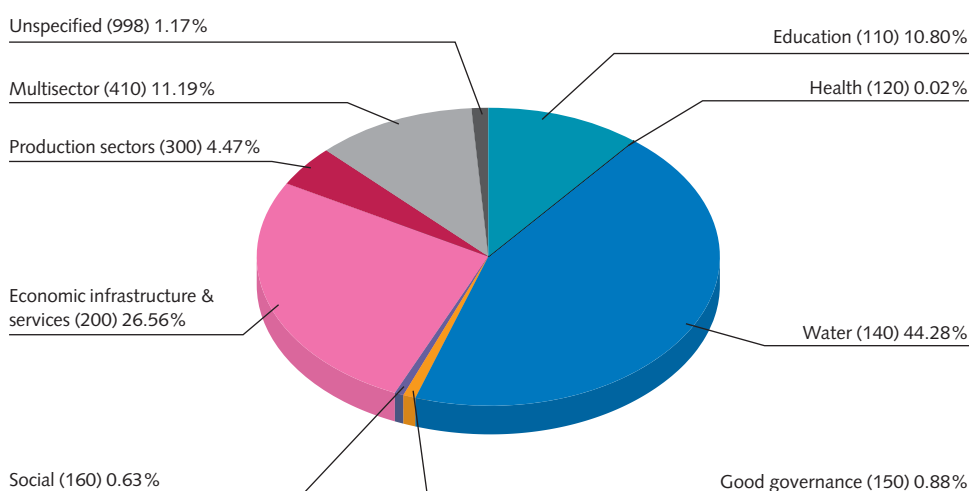


Development policy in context

At an average 5.8 per cent in 2006, Albania recorded the highest economic growth in the region. Nevertheless, the rift between rich and poor and advanced and underdeveloped regions is widening and public services in social and health care are poor. The prime aims of the present government are to improve infrastructure, foster a favourable investment climate and combat organised crime and corruption. Albania is seeking full integration into the EU. In recognition of its record in reform, the EU has signed a Stabilisation and Association Agreement with it. From 2001 to 2006, the National Strategy for Social and Economic Development provided the framework for alleviating poverty and strengthening government institutions. An implementation strategy, the Integrated Planning System, was adopted in 2005.

Cooperation priorities

- Energy and water in northern Albania
- Education and vocational training
- Regional development



DISTRIBUTION OF ADC FUNDS TO ALBANIA BY SECTOR IN 2006

The 'economic infrastructure & services' item for Albania solely comprises the 'energy' sector. The 'production sectors' heading is made up of assistance in the 'agriculture' sector.

Water sector

A central intervention sector for ADC in Albania as of 1998 comprises water infrastructure to help improve the quality of life, poverty reduction, environmental protection and national economic development. In 2006, ADC was involved in the rehabilitation and construction of water infrastructure facilities in four municipalities, with a particular focus on the Shkodra Lake region in northern Albania.

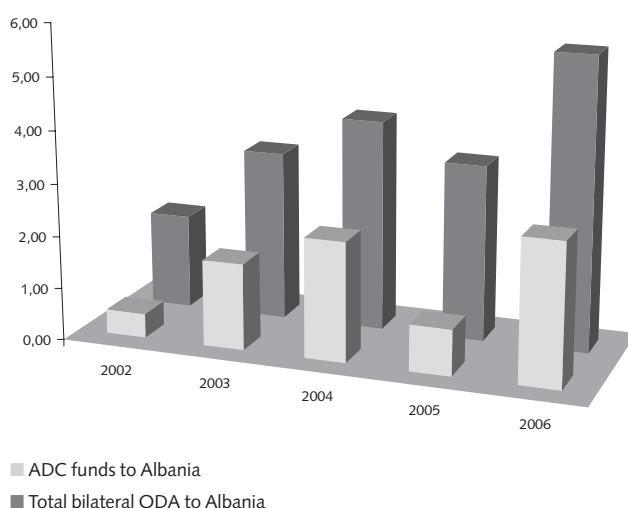
The sector strategy for water supply and sanitation adopted by the government of Albania in 2003 is the main regulatory instrument in the sector. The indicators here have improved considerably in recent years: The share of the population with access to drinking water has risen from 50 per cent in 1990 to 78 per cent in 2006, households with a connection to the sewerage grid, from 25 to 50 per cent.



Water supply in Shkodra

Since 1995, ADC has invested EUR 6.8 million for improving the water infrastructure in the city of Shkodra with 110,000 inhabitants in northern Albania. The foremost concern was to provide the population with drinking water, but also to enhance the attractiveness of the city as a location for business and industry. Beginning with urgent measures, water delivery was improved in altogether four phases, the water supply grid was overhauled, water meters installed, the population educated in responsible water use and a municipal utility enterprise set up. This has laid the groundwork for sustainable water supplies and the cost-effective operation of the system.

Thanks to the ADC intervention, water supply has increased from three hours a day in 1998 to a 24-hour service in 2006. As a result of measures taken in the canal system, the city centre is no longer exposed to frequent flooding. During the preparation and implementation of the project, attention was paid to the equitable treatment of different sections of the population, the Romanies, as a particularly socially underprivileged group, for example.



ADC FUNDS AND BILATERAL AUSTRIAN ODA TO ALBANIA

Net disbursements in EUR mill.

The year 2006 marks a break in the time series of total bilateral ODA: Instead of being assigned to the country of origin, expenditure for asylum seekers is subsumed in the statistics under costs in the donor country.

Official Development Assistance

- Austrian ODA to Albania 1995–2006: EUR 56.44 mill.
- ADC FUNDS (PPA) to Albania 1995–2006: EUR 23.09 mill.

Austrian ODA to Albania

	2002	2003	2004	2005	2006
Total ODA to Albania in EUR mill.	1.82	3.25	4.03	3.37	5.57
as a % of bilateral ODA	0.47	1.61	1.42	0.34	0.64
ADC funds to Albania in EUR mill.	0.47	1.65	2.28	0.88	2.72
ADC funds to Albania as a % of total ADC funding (ODA)	0.66	2.46	3.13	1.04	2.87

International ODA to Albania

	2003	2004	2005
Total net ODA received (in US\$ mill.)	349	299	319
as a % of GNI	6.0	3.9	3.7
of which Austrian ODA (in US\$ mill.)	3.7	5.0	4.2

Source: OECD: Aid at a Glance, Aid Chart Albania (www.oecd.org) and ADC statistics. The OECD figures are as at August 2007 and replace those previously published.

ODA to Albania: main donors in US\$ mill.

Average 2004–2005

European Commission	61
IDA	50
United States	41
Germany	29
Greece	22

Source: OECD: Aid at a Glance, Aid Chart Albania (www.oecd.org).



BOSNIA AND HERZEGOVINA



Key data

Independence:	1992 (from Yugoslavia)
Type of state:	Democratic federal state
Head of state/Presidency:	Ivo Miro Jović, Sulejman Tihić, Borislav Paravac
Head of government:	Adnan Terzić
Foreign Minister:	Sven Alkalaj
High Representative:	Christian Schwarz-Schilling
Area*:	51,210 sq. km
Population**:	3.9 mill.
Population growth**:	0.1%
Life expectancy**:	Women: 77.0 years; men: 71.5 years
Literacy**:	Women: 94.4%; men: 99.0%
HDI (Human Development Index)**:	0.800; 62 nd out of 177
GDI (Gender-related Development index)**:	Not available
GDP*:	US\$ 9.9 bn.
Annual GDP growth*:	5%
GNI*:	US\$ 10.5 bn.
GNI per capita*:	US\$ 2,700
Poverty**:	19.5%
Population with access to clean water**:	97%

* World Bank: World Development Indicators Database 2007

** UNDP: Human Development Index 2006



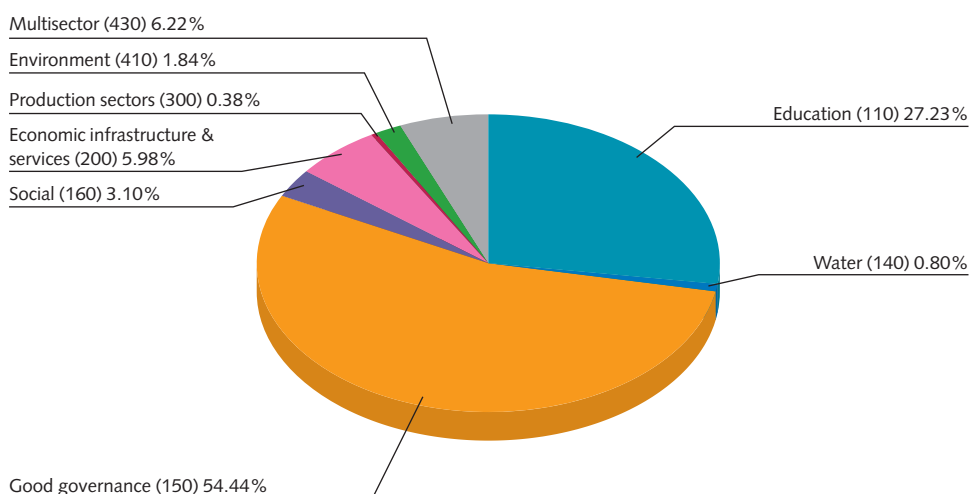
Development policy in context

Overall responsibility for the political-civilian implementation of the peace agreement in Bosnia and Herzegovina lies with the EU High Representative, also in 2007. The Peace Implementation Council, consisting of representatives from 55 countries and agencies, was set up to oversee his work. A new presidency has been elected for the next four years with three members along with the presidency of the Republic of Srpska and the state and cantonal parliaments. Voting turnout amounted to 52.74 per cent.

Full EU membership is the declared aim of all governments and the population of Bosnia and Herzegovina and clearly makes up the most important mobilising factor in the country. The EU initiated the stabilisation and association process in 2000. In March 2004, Bosnia and Herzegovina adopted its comprehensive Mid-Term Development Strategy/Poverty Reduction Strategy Paper (PRSP 2004–2007). Core components include strengthening the macro-economic stability, the financial and private sector, enhancing the framework for local and foreign investments, stepping up privatisation and anti-corruption efforts, raising employment, improving the social welfare system, establishing a single economic area and aligning standards to EU parity.

Cooperation priorities

- Modernisation of the educational system
- Private sector development and employment promotion
- Strengthening national institutions



DISTRIBUTION OF ADC FUNDS TO BOSNIA AND HERZEGOVINA BY SECTOR IN 2006

The 'economic infrastructure & services' item for Bosnia and Herzegovina solely comprises the 'energy' sector. The 'production sectors' heading contains 'industry/trade'.

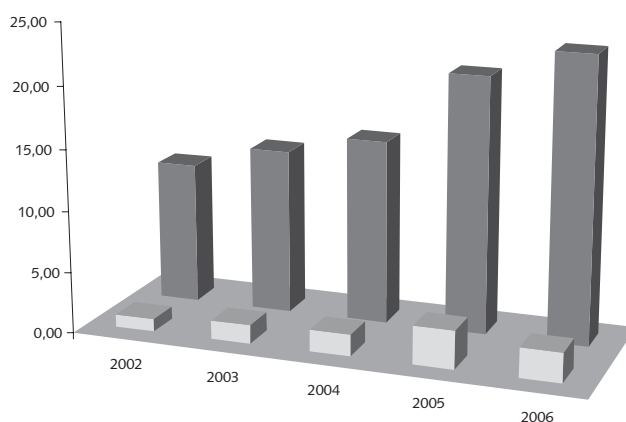
Education sector

A functioning educational system is essential for sustainable economic recovery and political stability. Education in Bosnia and Herzegovina is in a precarious condition, unable to perform even elementary tasks in many areas: There is no ministry with adequate powers authorised or able to draw up strategic plans for the future development of education nationwide and prepare it for the necessary assimilation into the European institutional setup. ADC supports the sweeping modernisation of the educational system in Bosnia and Herzegovina and contributes to implementing the requisite European standards (Bologna Process, Lisbon Convention) and networking Bosnian-Herzegovinian institutions with relevant partners in Austria and the EU. Preparations were made for the adoption of legislation on higher education in 2006.



Cooperation with the universities

This cooperation is the centrepiece of ADC with Bosnia and Herzegovina. It consists of the Course Development Programme+ (grants for the further development of curricula), the Balkan Case Challenge (annual case-study contest), the Brain Gain Programme (support for visiting professors from Bosnia and Herzegovina in Austria to enable them to teach in their country) and e-learning programmes. Through these projects, Austria has set an independent process in motion for modernising teaching and revising and aligning curricula at universities.



ADC FUNDS AND BILATERAL AUSTRIAN ODA TO BOSNIA AND HERZEGOVINA

Net disbursements in EUR mill.

The year 2006 marks a break in the time series of total bilateral ODA: Instead of being assigned to the country of origin, expenditure for asylum seekers is subsumed in the statistics under costs in the donor country.

- ADC funds to Bosnia and Herzegovina
- Total bilateral ODA to Bosnia and Herzegovina

Official Development Assistance

- Austrian ODA to Bosnia and Herzegovina 1995–2006: EUR 378.95 mill.
- ADC funds (PPA) to Bosnia and Herzegovina 1995–2006: EUR 54.23 mill.

Austrian ODA to Bosnia and Herzegovina

	2002	2003	2004	2005	2006
Total ODA to Bosnia in EUR mill.	11.56	13.46	14.97	20.87	23.16
as a % bilateral ODA	2.99	6.65	5.27	2.10	2.66
ADC funds to Bosnia in EUR mill.	1.02	1.53	1.76	3.10	2.41
ADC funds to Bosnia as a % of total ADC funding (ODA)	1.45	2.27	2.41	3.66	2.54

International ODA to Bosnia and Herzegovina

	2003	2004	2005
Total net ODA received (in US\$ mill.)	540	684	546
as a % of GNI	7.4	7.8	5.7
of which Austrian ODA (in US\$ mill.)	15.2	18.6	25.9

Source: OECD: Aid at a Glance, Aid Chart Bosnia and Herzegovina (www.oecd.org) and ADC statistics. The OECD figures are as at August 2007 and replace those previously published.

ODA to Bosnia and Herzegovina: main donors in US\$ mill.

Average 2004–2005

European Commission	145
IDA	132
United States	54
Sweden	40
Germany	30

Source: OECD: Aid at a Glance, Aid Chart Bosnia and Herzegovina (www.oecd.org).



MACEDONIA



Key data

Independence:	18 September 1991 (from Yugoslavia)
Type of state:	Republic
Head of state:	Branko Crvenkovski
Head of government:	Nikola Gruevski
Foreign Minister:	Antonio Milošoski
Area*:	25,710 sq. km
Population**:	2 mill.
Population growth**:	0.7%
Life expectancy**:	Women: 76.5 years; men: 71.5 years
Literacy**:	Women: 94.1%; men: 98.2%
HDI (Human Development Index)**:	0.796; 66 th out of 177
GDI (Gender-related Development index)**:	0.791; 54 th out of 136
GDP*:	US\$ 5.8 bn.
Annual GDP growth*:	4%
GNI*:	US\$ 5.8 bn
GNI per capita*:	US\$ 2,830
Poverty**:	Not available
Population with access to clean water**:	Not available

* World Bank: World Development Indicators Database 2007

** UNDP: Human Development Report 2006

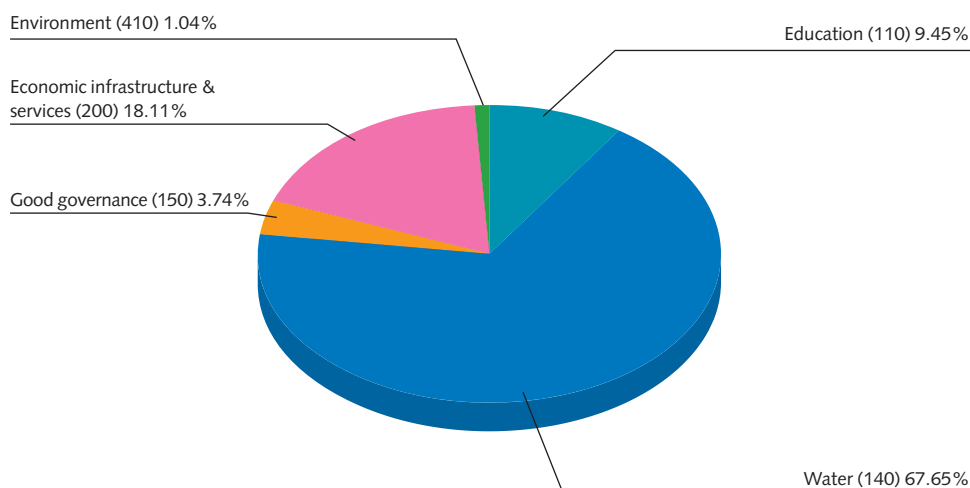


Development policy in context

Macedonia, the first country in the region to reach a Stabilisation and Association Agreement with the EU, still faced great challenges at the end of 2006. Key developmental concerns of the government programme are strengthening rule of law, combating organised crime and cooperation with the International Criminal Tribunal for the Former Yugoslavia, administrative reform, improving the economic infrastructure and services and raising domestic and foreign investments. A special challenge is the balanced participation of all the Albanian parties and the equitable representation of the various population groups. With Austrian assistance, preparations started for drafting the Joint Inclusion Memorandum in 2006. In ADC's view, narrowing regional disparities in Macedonia is an important contribution to stability and conflict prevention and to sustainable, socially equitable national economic development. In pursuit of this goal, ADC continued in 2006 with consistent measures to improve environmental, water and energy infrastructure, promote education and enhance the economic infrastructure & services.

Cooperation priorities

- Water/sanitation
- Energy
- Education (Business Start-Up Centre, practice firm networks)
- Promotion of the economic infrastructure and services, such as assistance to the Foreign Direct Investment Agency



DISTRIBUTION OF ADC FUNDS TO MACEDONIA BY SECTOR IN 2006

The 'economic infrastructure & services' item for Macedonia is made up entirely of assistance to the 'energy' sector.

Energy sector

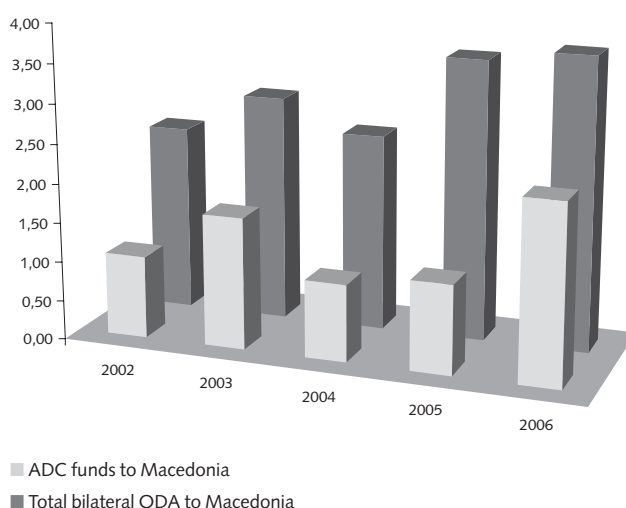
One key concern of the Macedonian government in the power sector is improving energy efficiency and the use of renewable energies. Since 1998, ADC has been promoting the renewables potential and also advising the competent authorities on a number of strategic issues in power sector reform.

ADC support in geothermal energy aims at harnessing its large economic potential in the Kocani region in eastern Macedonia. With the help of Austrian know-how and technology, the present unprofitable system for heating greenhouses is being converted into an urban district heating system for public and residential buildings. In solar energy, ADC supports Macedonia in setting up a national production line for solar water heaters and a test centre for facilities and systems, introducing certification and raising public awareness of the need for rational energy use.



Solar Water Heaters Project

The excellent climatic conditions and the scope for expanding production capacity provide a basis for promoting solar technologies. A major objective of this project is to train the producers of solar-powered water heaters to European standards. A new quality assurance centre will test and label locally manufactured solar heaters. Another aim is the introduction of quality certification that will directly raise the competitiveness of Macedonian producers. Individual demonstration facilities are being installed in public institutions, such as infirmaries, nursery schools, etc.



ADC FUNDS AND BILATERAL AUSTRIAN ODA TO MACEDONIA

Net disbursements in EUR mill.

The year 2006 marks a break in the time series of total bilateral ODA: Instead of being assigned to the country of origin, expenditure for asylum seekers is subsumed in the statistics under costs in the donor country.

Official Development Assistance

- Austrian ODA to Macedonia 1995–2006: EUR 25.10 mill.
- ADC funds (PPA) to Macedonia 1995–2006: EUR 13.40 mill.

Austrian ODA to Macedonia

	2002	2003	2004	2005	2006
Total ODA to Macedonia in EUR mill.	2.37	2.88	2.50	3.56	3.70
as a % of bilateral ODA	0.61	1.42	0.88	0.36	0.43
ADC funds to Macedonia in EUR mill.	1.05	1.68	0.98	1.13	2.28
ADC funds to Macedonia as a % of total ADC funding (ODA)	1.48	2.50	1.35	1.34	2.40

International ODA to Macedonia

	2003	2004	2005
Total net ODA received (in US\$ mill.)	266	250	230
as a % of GNI	5.8	4.7	4.0
of which Austrian ODA (in US\$ mill.)	3.3	3.1	4.4

Source: OECD: Aid at a Glance, Aid Chart Macedonia (www.oecd.org) and ADC statistics. The OECD figures are as at August 2007 and replace those previously published.

ODA to Macedonia: main donors in US\$ mill.

Average 2004–2005

European Commission	69
United States	50
The Netherlands	29
Germany	27
Norway	13

Source: OECD: Aid at a Glance, Aid Chart Macedonia (www.oecd.org).



SERBIA, INCLUDING KOSOVO



Key data°

Type of state:	Republic
Head of state:	Boris Tadic
Head of government:	Vojislav Kostunica
Foreign Minister:	Kite Parivodic
Area*:	102,200 sq. km
Population**:	10.5 mill.
Population growth**:	0.5%
Life expectancy**:	Women: 75.8 years; men: 71.1 years
Literacy**:	Women: 94.1%; men: 98.9%
HDI (Human Development Index)**:	Not available
GDI (Gender-related Development index)**:	Not available
GDP*:	US\$ 26.2 bn.
Annual GDP growth*:	4.7
GNI*:	US\$ 26.3 bn.
GNI per capita*:	US\$ 3,220
Poverty**:	Not available
Population with access to clean water**:	93%

* World Bank: World Development Indicators Database April 2007

** UNDP: Human Development Report 2006

° The figures on area and the statistics still refer to Serbia (incl. Kosovo) and Montenegro together. No separate information is available as yet.



Development policy in context

Paramount developments in Serbia in 2006 were the referendum on the future constitution and the mounting controversy over the future status of Kosovo. Parliamentary elections have been scheduled for 21 January 2007. Negotiations on the future status of Kosovo continued largely at a technical level. A central issue was centralisation, which Belgrade, unlike Pristina, sees as the basic framework for the autonomy of the Serbian municipalities in Kosovo. Some progress was made towards agreement on the issues of religious co-existence and cultural heritage, while key questions on restitution or rights of ownership/privatisation policy remained unsettled. Tensions rose as a result of the adoption of the Serbian constitution, which defines Kosovo as an integral and inseparable part of Serbian national territory. Serbia acceded to NATO's Partnership for Peace in December 2006. After some initial doubts, another affirmative development was its participation in the Central European Free Trade Agreement signed in Bucharest in 2006, which established a free trade area in the whole of South Eastern Europe for the first time since the political upheavals in the 90s. As the obligations have not yet been met, no Stabilisation and Association Agreement has been reached with the EU.

In keeping with the EU Action Plan for Serbia, national development issues accorded priority by the government include: reform of public institutions and strengthening those concerned with EU convergence, reducing unemployment through vocational and technical education geared to labour market requirements, monetary stability and stemming inflation, judicial and electoral reform and cooperation with the International Criminal Court of Justice for the former Yugoslavia.

Cooperation priorities with Serbia

- Private sector and development
- Education
- Water/sanitation
- Good governance
- Geographical: Southern Serbia and the Autonomous Province of Vojvodina

Priorities in Kosovo

- Education
- Rural development
- Private sector development

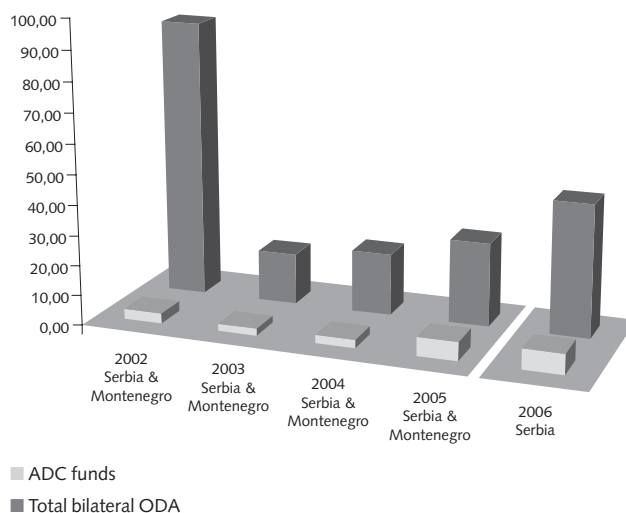
Economic reconstruction sector

Since the advent of democracy in October 2000, Serbia has been making efforts in economic reconstruction and recovery from the aftermath of political and economic isolation under the Milosevic regime. Net average monthly income amounts to EUR 260. On the whole, national economic stability is assured. Inflation dropped sharply from 17.7 per cent in 2005 to 6.6 per cent in 2006. Growth has not, however, been satisfactory in recent years, with the GDP rate falling from 6.5 per cent in 2005 to 5.8 per cent in 2006. After isolation under the sanctions regime, infrastructure and the industrial base can only be restored with large investments. The government is trying to establish a framework to improve the investment climate. The transition process and reform policy have, however, also brought about social inequality, huge income differentials and high unemployment.



Integrated Regional Development Programme

ADC supports the five-year Integrated Regional Development Programme of the provincial government of Vojvodina over a period of three years. The Austrian commitment aims at job creation (SME components) and structural adjustment in the labour market (training measures). ADC is playing a pioneering role by building urgently needed regional planning and implementation capacity with a view to the European Commission's Instrument for Preaccession Assistance.



ADC FUNDS AND BILATERAL AUSTRIAN ODA TO SERBIA AND MONTENEGRO IN 2002–2005, AND SERBIA IN 2006

Net disbursements in EUR mill.

ODA flows for Serbia and Montenegro are recorded separately in the DAC statistics as of 2006, the year Montenegro declared independence. For better comparison, the disbursements in 2006 are set in the time series against the joint disbursements to Serbia and Montenegro from 2002 to 2005.

The year 2006 marks a break in the time series of total bilateral ODA: Instead of being assigned to the country of origin, expenditure for asylum seekers is subsumed in the statistics under costs in the donor country.

Official Development Assistance

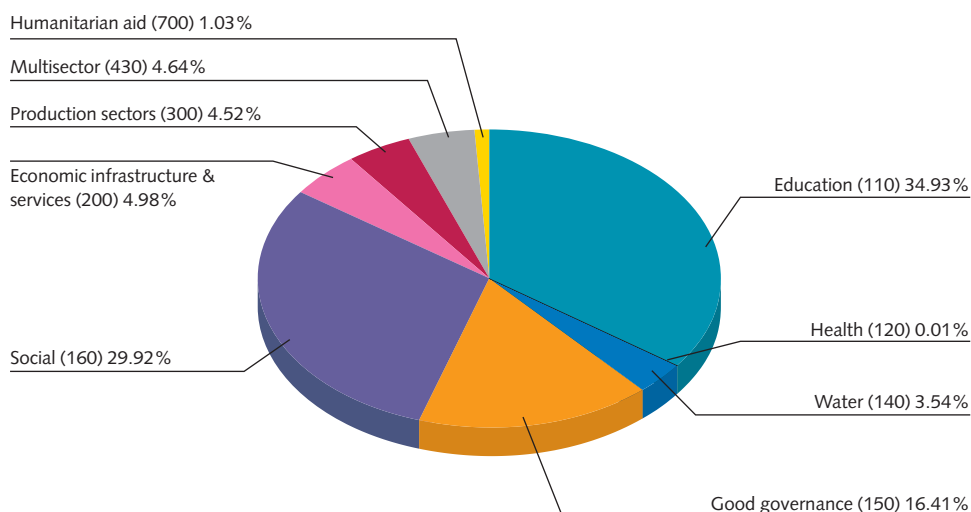
- Austrian ODA to Serbia incl. Kosovo 2006: EUR 44.03 mill.
- ADC funds (PPA) to Serbia incl. Kosovo 2006: EUR 6.80 mill.

Austrian ODA to Serbia incl. Kosovo

2006

Total bilateral ODA to Serbia incl. Kosovo in EUR mill.	44.03
as a % of total bilateral ODA	5.06
ADC funds to Serbia incl. Kosovo in EUR mill.	6.80
ADC funds to Serbia incl. Kosovo as a % of total ADC funding (ODA)	7.17

Distribution of ADC funds to Serbia incl. Kosovo by sector in 2006



DISTRIBUTION OF ADC FUNDS TO SERBIA INCL. KOSOVO BY SECTOR IN 2006

The 'economic infrastructure & services' item for Serbia includes assistance in the 'communications' sector and 'private sector development'. The 'production sectors' heading comprises assistance in 'forestry' and 'industry/trade'.



MONTENEGRO



Key data°

Type of state:	Republic
Head of state:	Filip Vujanovic
Head of government:	Milo Djukanovic
Foreign Minister:	Miodrag Vlahovic
Area*:	102,200 sq. km
Population**:	10.5 mill.
Population growth**:	0.5%
Life expectancy**:	Women: 75.8 years; men: 71.1 years
Literacy**:	Women: 94.1%; men: 98.9%
HDI (Human Development Index)**:	Not available
GDI (Gender-related Development index)**:	Not available
GDP*:	US\$ 26.2 bn.
Annual GDP growth*:	4.7%
GNI*:	US\$ 26.3 bn.
GNI per capita*:	US\$ 3,220
Poverty**:	Not available
Population with access to clean water**:	93%

* World Bank: World Development Indicators Database April 2007

** UNDP: Human Development Report 2006

° The figures on area and the statistics still refer to Serbia (incl. Kosovo) and Montenegro together. No separate information is available as yet.

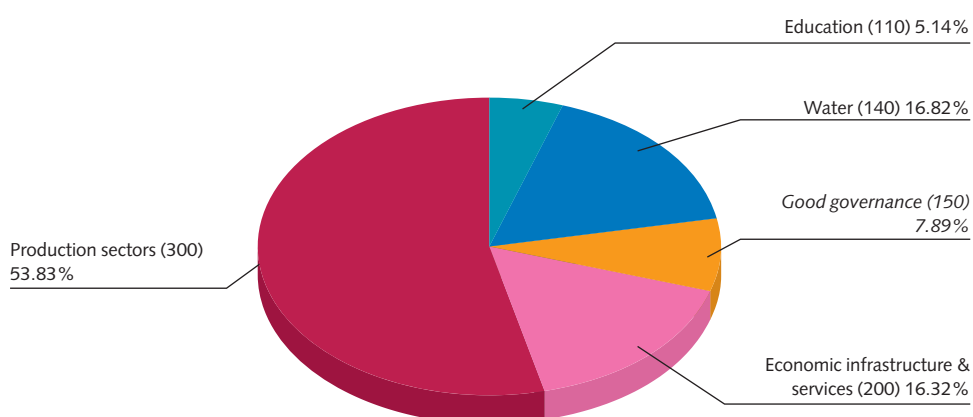


Development policy in context

For Montenegro, the year 2006 was dominated by government efforts towards independence, which finally culminated in a referendum in May. On 3 June, the country declared its independence. On 21 June, Montenegro joined the OSCE and on 28 June 2006, it became the 192nd member of United Nations. One of the challenges facing Montenegro is to establish itself as a new pro-European state and build up its entire diplomatic corps, including all the requisite national and foreign institutions. Since Montenegro's secession from the confederation with Serbia, its declared policy aim is EU convergence and the consolidation of social cohesion following the socio-political upheavals during the process of independence.

Cooperation priorities

- Private sector development and employment promotion
- Education
- Regional and tourism development (Bjelasica National Park, Shkodra Lake; tourism schools, finance for SME loans)



DISTRIBUTION OF ADC FUNDS TO MONTENEGRO BY SECTOR IN 2006

The 'economic infrastructure & services' item for Montenegro solely comprises the 'energy' sector. 'Production sectors' primarily consists of assistance in the tourism sector and, to a lesser extent, 'industry/trade'.

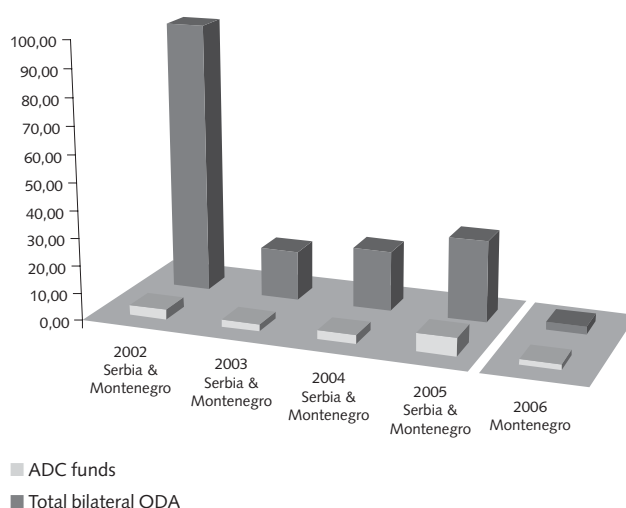
SME promotion sector

Assisting SMEs in Montenegro through access to microcredits has already been a major ADC intervention area for years. The target group includes both SMEs in agriculture and businesses in commerce and tourism. Touristic SMEs are given additional support through modernisation measures in vocational training.



Funds

With the establishment of the European Fund for South East Europe, the previous, rather disjointed efforts of donors (EU, Germany, Switzerland and Austria) could be streamlined and augmented with private funds. The fund is regarded as the largest instrument for financing microfinance institutions. Private investor interest remains keen, which has enabled the partner institutions to extend and diversify their loan portfolios. Portfolio volume in Montenegro more than doubled in 2006. Currently five partner institutions are receiving support, the primary target group being the rural and farming population. A unique feature of the fund is the provision of non-financial services. The Development Facility is financed from fund revenues. This affords funding for training and advice and for the organisational development of partner institutions, but also for feasibility studies. Advisory assignments are entrusted to independent expert consultants. AgrolInvest in Montenegro, for example, has been assisted in introducing a new product, other partner institutions advised in risk management and improvements made in the efficiency of the lending system.



ADC FUNDS AND BILATERAL AUSTRIAN ODA TO SERBIA AND MONTENEGRO IN 2002–2005, AND TO MONTENEGRO IN 2006

Net disbursements in EUR mill.

ODA flows for Serbia and Montenegro are recorded separately in the DAC statistics as of 2006, when Montenegro declared independence. For better comparison, the disbursements in 2006 in the time series are set against joint disbursements to Serbia and Montenegro from 2002 to 2005.

The year 2006 marks a break in the time series of total bilateral ODA: Instead of being assigned to the country of origin, expenditure for asylum seekers is subsumed in the statistics under costs in the donor country.

Official Development Assistance

- Austrian ODA to Montenegro 2006: EUR 2.66 mill.
- ADC (ADC, PPA) to Montenegro 2006: EUR 1.84 mill.

Austrian ODA to Montenegro

2006

Total bilateral ODA to Montenegro in EUR mill.	2.66
as a % of total bilateral ODA	0.31
ADC funds to Montenegro in EUR mill.	1.84
ADC funds to Montenegro as a % of total ADC funding (ODA)	1.94



MOLDOVA



Key data

Independence:	27 August 1991 (from the USSR)
Type of state:	Republic
Head of state:	Vladimir Voronin
Head of government:	Vasile Tarlev
Foreign Minister:	Andrei Stratan
Area*:	33,840 sq. km
Population**:	4.2 mill.
Population growth**:	0.3 %
Life expectancy**:	Women: 71.7 years; men: 64.4 years
Literacy**:	Women: 97.7%; men: 99.1%
HDI (Human Development Index)**:	0.694; 115 th out of 177
GDI (Gender-related Development index)**:	0.692; 85 th out of 136
GDP*:	US\$ 2.9 bn.
Annual GDP growth*:	7.1 %
GNI*:	US\$ 3.2 bn.
GNI per capita*:	US\$ 930
Poverty**:	48.5 %
Population with access to clean water**:	92 %

* World Bank: World Development Indicators Database 2007

** UNDP: Human Development Report 2006

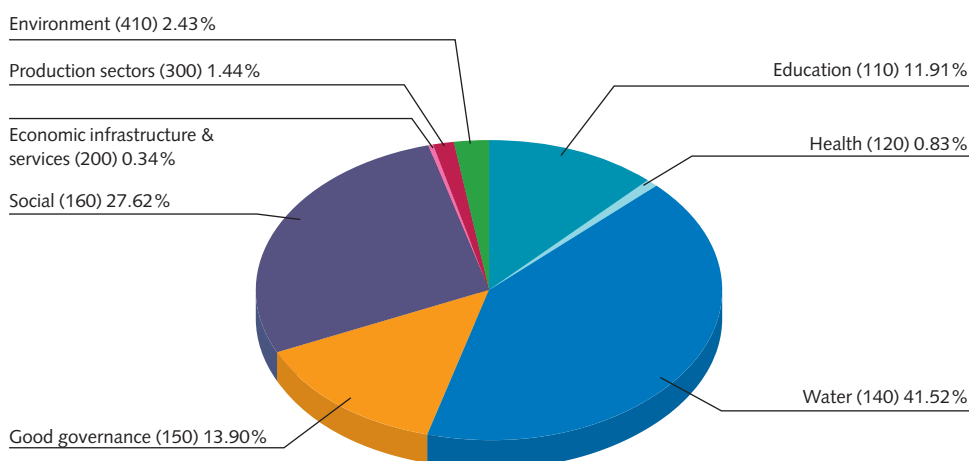


Development policy in context

The Republic of Moldova still rates as the poorest country in Europe, with a per capita GDP of US\$ 860 (2005). According to unofficial estimates, approx. 1 million inhabitants have left the country temporarily or permanently in search of a better life and well-paid work. This is why Moldova is heavily dependent on remittances from migrant workers (30 per cent of GDP). The ongoing conflict with the Transnistrian Republic hampers national development and impairs the investment climate in particular. The Republic of Moldova has been an ADC priority country since 2004.

Cooperation priorities

- Water/sanitation
- Private sector development and employment promotion with the focus on vocational training (interface between initial/further vocational training and the labour market)



DISTRIBUTION OF ADC FUNDS TO MOLDOVA BY SECTOR IN 2006

The 'economic infrastructure & services' item for Moldova is made up entirely of assistance to the 'energy' sector. The 'production sectors' heading is made up of assistance to the 'agriculture' sector.

Drinking water supply sector

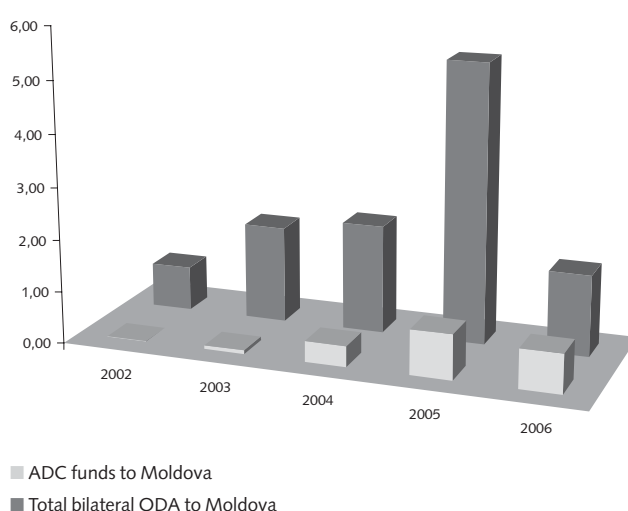
Access to clean drinking water is vital for the population but also for industrial and economic development. Only 43 per cent of the urban and 40 per cent of the rural population have access to running water. Besides Switzerland, Austria is the only donor in Moldova operating in water/sanitation in the infrastructure sector and on a grant basis. To enhance the visibility and efficiency of the assistance provided, ADC cooperates in Moldova very closely in this sector with the office of the Swiss Agency for Development Cooperation (SDC).

In 2007, the Moldovan government will consider a draft strategy for drinking water supply and sanitation for 2008–2012 with a timeframe up to and including 2025. The first phase envisages providing 231 localities with a total population of 2.2 million (60 per cent of the Moldovan population) with water supply/sanitation facilities. Altogether, investments in urban areas of approx. EUR 44 million will be needed for medium-term goals and about EUR 340 million for long-term objectives in rural areas.



Water supply facility for Carpineni

Since 2005, the Swiss Agency for Development Cooperation has been implementing water projects in the Hincesti region with cofinancing from ADC. On the one hand, cooperation aims at improved sanitary conditions (outside the capital) in central Moldova, and on the other, at raising the number of municipalities that can be assisted in the WatSan programme. For the efficient and cost-effective operation of the facility after project completion, a water consumers association has been established in the municipality to take charge of invoicing, fee collection, water quality monitoring and system upkeep, etc. The facility was commissioned in October 2006. Individual meters and an affordable price for the population assure system sustainability and self-finance. As part of the project, altogether 509 service connections could be installed in the Gagarin and Satul Nou districts, also including the connection of an infirmary with 120 beds, a boarding school with 500 children and a secondary school with 412 pupils. Water pipelines totalling 19 km in length, a 100 m³ water catchment and a 28 m high watertower have been built.



ADC FUNDS AND BILATERAL AUSTRIAN ODA TO MOLDOVA

Net disbursements in EUR mill.

The year 2006 marks a break in the time series of total bilateral ODA: Instead of being assigned to the country of origin, expenditure for asylum seekers is subsumed in the statistics under costs in the donor country.

Official Development Assistance

- Austrian ODA to Moldova 1997–2006: EUR 2.10 mill.
- ADC funds (PPA) to Moldova 1997–2006: EUR 12.15 mill.

Austrian ODA to Moldova

	2002	2003	2004	2005	2006
Total ODA to Moldova in EUR mill.	0.85	1.85	2.08	5.35	1.56
as a % of bilateral ODA	0.22	0.92	0.73	0.54	0.18
ADC funds to Moldova in EUR mill.	0.01	0.07	0.40	0.86	0.76
ADC funds to Moldova as a % of ADC funding (ODA)	0.01	0.10	0.55	1.02	0.80

International ODA to Moldova

	2003	2004	2005
Total net ODA received (in US\$ mill.)	118	120	192
as a % of GNI	5.3	4.1	5.8
of which Austrian ODA (in US\$ mill.)	2.1	2.6	6.7

Source: OECD: Aid at a Glance, Aid Chart Moldova (www.oecd.org) and ADC statistics. The OECD figures are as at August 2007 and replace those previously published.

ODA to Moldova: main donors in US\$ mill.

Average 2004–2005

United States	32
European Commission	25
IDA	21
France	15
Sweden	8

Source: OECD: Aid at a Glance, Aid Chart Moldova (www.oecd.org).







South Caucasus

key region

The South Caucasus region encompasses Armenia, Azerbaijan and Georgia. All three states attained their independence with the demise of the Soviet Union in 1991 and have had to contend with large social and economic problems since. With the greatest regional ethnic and linguistic diversity in Europe, a number of unsettled territorial disputes are still ongoing.

The prime aim of ADC cooperation with the region now underway is to secure long-term peace. The ADC programmes and projects implemented concentrate on strengthening rule-of-law and human security, developing local civil society and conflict prevention and resolution. ADC also adopts a regional approach here and cooperates closely with multilateral partners and civic organisations.



