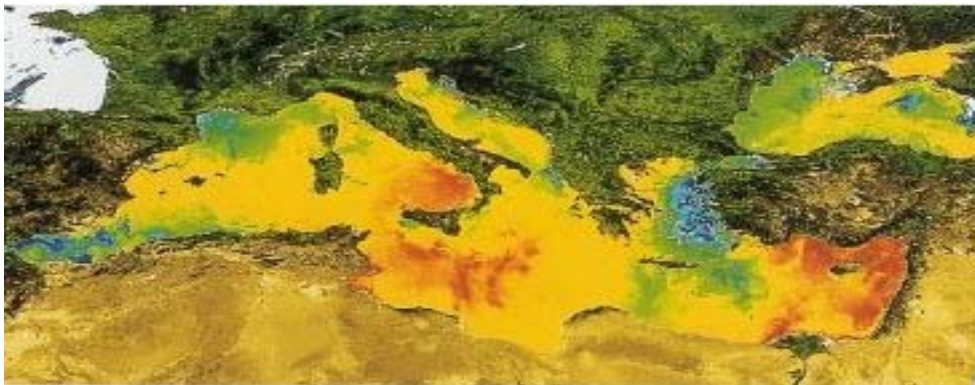




## **EURO-MED PARTNERSHIP**

### **ALGERIA**

**National Indicative programme  
2005-2006**



## **I. PRESENTATION**

### **1. INTRODUCTION**

The guiding principles of programming for 2005-2006 were the Commission strategy for financial cooperation with Algeria 2002-2006 (CSP), and recent policy framework developments including the new Neighbourhood Policy. These have been meshed with Algeria's own agenda, the needs arising from the implementation of the future Association Agreement, and experiences of past cooperation. Since the mid-term review of the CSP coincides with the 2005-2006 programming exercise, it was decided to incorporate adjustments to the CSP in the 2005-2006 national indicative programme (NIP) and the advance stages of the 2002-2004 NIP, thus striking a coherent balance between the political (partnership/neighbourhood) framework and programmed operations over the whole period 2002-2006. Recent developments were to a great extent anticipated in the CSP and consequently the current strategy paper covers all planned operations. In addition, the Programme Accompanying the Association Agreement (P3A) will cover any measures geared to start-up of the New Neighbourhood Policy Action Plans.

### **2. CSP AND 2002-2004 NIP GUIDELINES**

Meda got off to a difficult start in Algeria, since terrorism had drastically affected its administrative structures and security conditions were not conducive to cooperation. The economic reform process was also lagging behind schedule.

Today, things have moved on: Algeria has signed the Association Agreement, cooperation has become more efficient (the rate of payments improved significantly at the end of 2003, reaching 28% of the amounts committed under MEDA, up from 14% at end 2001, in other words approaching the norm) and its quality has improved (third-generation programmes dealing with good governance, the rule of law and civil society are operational: Justice, NGO, and Media programmes).

The cooperation objectives of the CSP are set out as follows:

- Support for economic reforms and for measures to strengthen the institutional foundations of the market economy with a view to integrating Algeria into the world economy and helping its businesses adapt to the future Euro-Mediterranean free-trade area.
- Development of economic infrastructure with a view to increasing private involvement, improving the environment for productive enterprise and strengthening economic integration with other Mediterranean countries and the EU.
- Development of human resources, with a view to helping people to take part in working life and bringing about a sustainable improvement in the lives of vulnerable communities.
- Consolidation of the rule of law and sound government, with the aim of supporting the return to peace and internal stability creating a better climate for business development including the return of foreign investors.

With an indicative overall budget of €150 million, the 2002-2004 national indicative programme (NIP) focuses activities in the following areas:

- Consolidation of the rule of law: a) support for the reform of justice; b) rehabilitation of the areas affected by acts of terrorism.

- Strengthening of market economy institutions: a) programme accompanying the Association Agreement; b) help towards modernisation of the Finance Ministry; and c) support for urban solid waste management.
- Development of human resources: a) local development programme in the north-east of the country; b) support for reform of elementary teaching; c) support for higher education by giving Algeria access to the Community TEMPUS programme.

For the period 2002-2004, Algeria is eligible for the European Initiative for Democracy and Human rights (EIDHR). Civil society is the main beneficiary, dovetailing neatly with MEDA, where assistance is generally channelled through government departments.

The future P3A will provide for specific measures in relation to JHA (legal system, migratory flows, new forms of crime) and others which meet the needs of the Doha agenda. It will also be able to deal with measures geared to start-up of the Action Plans post-enlargement.

### **3. MID-TERM REVIEW**

#### **3.1 Preamble**

Country Strategy Papers (CSPs) are intended as an instrument for guiding, managing and reviewing EU assistance programmes. They are essential management tools to ensure that external assistance reflects the EU's policy objectives and priorities. The completion of the 2002-2006 CSPs for the MED region took place in December 2001.

With a view to the continuous improvement of the quality of the CSPs, the Council in March 2003 adopted conclusions on the use of the Common Framework for CSPs.<sup>1</sup> In these conclusions, the Council invites the Commission to undertake a mid-term review (MTR) of each CSP in accordance with existing rules and lays down key guidelines for the CSP review. Four parameters have been identified as basic reference points for the review process: (i) new developments in the country, (ii) new EC/EU policy objectives and commitments, (iii) results and performance, and (iv) lessons learnt and potential improvement.

As far as the MED region is concerned, the general conclusion is that there is no need for an extended review, given the rather general content of the 2002-2006 CSPs and their recent adoption. Minor revisions in the CSPs relate to already identified sectors corresponding to new EU/EC policy objectives and commitments (*see below*). Since the MTR coincides with the 2005-2006 programming exercise, it was decided to express the CSP adjustments through the 2005-2006 NIP and the advance stages of the 2002-2004 NIP.

#### **a) Context of the country since 2001**

The political situation in Algeria has not changed substantially and developments on the economic and social scene should not entail any fundamental reorientation in programming. On the political front, two elections have taken place in the last two years: the general election on 30 May 2002 and municipal elections on 10 October of the same year. During legislative elections a European Parliament delegation visited Algeria at the invitation of the Algerian government. Also, 2002 witnessed the adoption by the Algerian Parliament of a constitutional amendment recognising Tamazight (the Berber language) as a national language. On the

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<sup>1</sup> Council Conclusions on the Progress Report on the Implementation of the Common Framework for Country Strategy Papers, adopted by the General Affairs and External Relations Council on 18 March 2003.

whole, the political situation has remained stable, despite the cabinet reshuffles in 2003. The next major political hurdle for Algeria will be the presidential elections in April 2004. In the run-up to the elections, the government's room for manoeuvre over reforms is limited, particularly in the face of social discontent. In this context, privatisation and the opening of the market to international competition are making slow progress.

The country has also undergone two major natural disasters, mainly affecting Algiers and the surrounding wilayas: floods in November 2001 and an earthquake in May 2003. These two disasters led to the loss of more than 3.500 lives and considerable damage to property. Terrorist attacks continued in 2003, but compared with 2002 there was a significant reduction in the number of civilian victims of those attacks and an increase in the number of terrorists killed in confrontations with the armed forces. There has been a marked fall in terrorism since 1999, and it has been confined to rural areas, threatening to a lesser extent the stability of the state institutions.

On the economic front there has been a resumption of GDP growth with relative macroeconomic stabilisation and inflation has been brought under control. The level of foreign debt fell and there are almost 2 years' worth of foreign currency reserves. The economic impact of the war in Iraq has been slight (increase in the cost of oil). Unemployment remains high at around 30% and the problem of poverty persists. According to the latest estimates, 14% of the population is living beneath the poverty line, up by 8% from 1988. 70% of the poor are in the countryside and the illiteracy rate is highest for rural women (46%).

#### **b) New EU policies/initiatives**

In the course of 2002-2003, the Commission adopted a number of policy orientations which will have an impact on our relations with the Mediterranean partners in the near future. Most significantly, the communication on "*Wider Europe and the New Framework for Relations with our Eastern and Southern Neighbours*" sets out a new framework for relations with the Southern Mediterranean over the coming decade (**New Neighbourhood Policy**). The communication notes the growing interdependence between the EU and its neighbouring partners in terms of stability, security and sustainable development. Over the coming decade, the EU should aim to work in partnership with its southern neighbours to develop a zone of prosperity and a friendly neighbourhood - a "ring of friends" - with whom the EU enjoys close, peaceful and cooperative relations. In return for concrete progress reflecting shared values, and effective implementation of political, economic and institutional reforms, neighbouring countries can be offered the prospect of a stake in the EU's internal market, coupled with further integration and liberalisation to promote the free movement of persons, goods, services and capital (four freedoms). For the period up to 2006, Southern Mediterranean countries will be invited to participate actively in MEDA neighbourhood programmes, currently being developed, with the aim of strengthening the impact of cross-border cooperation with the Mediterranean countries of the Union.

The 2005-2006 NIP was drawn up in the light of this new policy. The Programme Accompanying the Application of the Association Agreements (P3A) should cover any measures geared to start-up of the European Neighbourhood Policy Action Plans and support good governance.

Other relevant policy orientations include: trade and the Doha round, JHA related issues, better governance, human rights and democratisation in the MED region, and environmental initiatives agreed at the Johannesburg Summit on Sustainable Development.

The launch of the new WTO Round - **the Doha Development Agenda** - comprises both further market openings and additional regulatory initiatives, underpinned by commitments to strengthen capacity-building assistance to developing countries. The main objective of the new round is to assist developing countries' integration into the world trade system in a way that will help them combat poverty. This aspect is amply reflected in the current 2002-2004 programming exercise for the modernisation and administrative reform programme. Trade promotion features strongly in the 2005-2006 programming exercise (see trade facilitation and P3A programmes).

The conclusions of the Tampere (1999), Santa Maria da Feira (2000) and Seville (2002) Councils defined a common policy regarding the integration of **Justice and Home Affairs** issues in EU external policy. The Action Plan adopted in Valencia (2002), in addition to the Barcelona Declaration, set further guidelines for reinforced cooperation in the MED region in three main sectors: migration, reform of the judiciary and the fight against crime. In Algeria JHA issues are well covered by programming for 2002-2004, with programmes for reform of the justice system and rehabilitation of terrorist-hit areas, and 2005-2006 (Police II, P3A, Rural Proximity).

**Better governance**, promotion of **democracy** and respect for **human rights** are core objectives of the EU's external policies. In line with the conclusions drawn up in the 2002 UNDP Report on Human Development in the Arab World, the Commission recently adopted a Communication on *"Reinvigorating European Actions on Human Rights and Democratisation with Mediterranean Partners"* which aims at maximising the effectiveness of the instruments available to the EU and its Mediterranean partners in the field of human rights and democracy. The communication sets out working guidelines to promote human rights and fundamental freedoms in cooperation with the Mediterranean partners. It proposes 10 concrete recommendations to improve the political dialogue between the EU and its Mediterranean partners, and EU financial cooperation on human rights issues. Their implementation will be enhanced by three levels of complementarity: between the political dialogue and financial assistance, between the MEDA programme and assistance under the European Initiative for Democracy and Human Rights (EIDHR), and finally between the national and regional dimensions. The 2003 World Bank report on better governance in the MENA region is another important point of reference. These key issues are amply represented in programming for 2005-2006 in the form of the economic management, NGO II, Police II and Rural Proximity programmes.

A global commitment to the cause of **sustainable development** was restated at the Johannesburg Summit, in the form of an ambitious action-oriented programme with clear and measurable objectives, demonstrating the increasing importance of **environmental issues** in achieving the Millennium Development Goals. The key areas for EU action are water and energy. In Johannesburg, the EU launched two partnerships, one on water and sanitation and one on energy for the poor. The **EU Water initiative** ("Water for Life") will help coordinate existing financing mechanisms with a focus on three parameters: supply, sanitation and integrated resources management. At the moment, concrete follow-up for the Mediterranean countries is taking place under the existing financing instrument (MEDA), but follow-up on other developments, including aid for transboundary river basins, is expected shortly. The

programming for 2005-2006 includes several environmental operations, specifically the Rural Proximity and water programmes.

Thus the new EU policies have been incorporated into CSP programming exercises under way and these areas are covered in the strategic approach of the 2002-2006 CSP. They are therefore of less significance in relation to the MTR.

### **c) Results**

As noted in the introduction, implementation of MEDA got off to a difficult start in Algeria.

Things have now moved on, however:

- Cooperation has become effective: The payment rate improved markedly at the end of 2003, reaching 28% of the sums committed under MEDA (up from just 14% at end 2001), reflecting a real improvement in the situation. The improvement was achieved despite the absence of quick-disbursing sectoral adjustment operations in recent years. After actual start-up, programmes are progressing reasonably well.
- High-quality cooperation: So far the Algerian authorities have been fairly open and receptive in the context of MEDA cooperation (Justice, NGO and Media programmes, etc.). The same is true for the current 2005-06 programming exercise (NGO II and Economic Management programmes in particular). The identified cooperation sectors match CSP priorities and the recent framework developments.

### **d) Lessons**

Algeria's specific circumstances, the lessons of the past and the needs expressed by the Algerian authorities influence programming for 2005-2006, in particular as regards the appropriate scale of operations (in relation to specific absorption capacity):

- The third generation programmes (NGO type) are generally of modest size. They are extensions of existing programmes, which makes appraisal easier.
- The over-ambitious scale of the three earlier upgrading programmes partly explains the start-up problems with MEDA in Algeria. This was confirmed at a local coordination meeting with the Member States on 9 December 2003, with the scale of programmes under the current NIP being judged "effective and realistic". The earlier mistake had in any case been corrected in the 2002-2004 NIP.
- Budgetary aid (support for macroeconomic or sectoral reform) is not suited to the current context.
- Operations meeting the needs expressed by Algeria and confirmed by the programming exercise (TA, training, twinning, studies/surveys, small-scale investment projects, small diagnostic equipment, etc.) dictate a realistic scale (implementation and absorption capacity).

## **4. PROGRESS OF THE ASSOCIATION AGREEMENT**

The Association Agreement with Algeria, signed in April 2002, is at the ratification stage. It constitutes the best instrument for advancing relations between Algeria and the European Union.

## **5. PRIORITIES OF THE 2005-2006 NIP**

The total for this programming exercise is €106 million. The 2005-2006 NIP builds on the previous one. The guiding principles of programming were the 2002-2006 CSP and recent policy framework developments including the new Neighbourhood Policy, the 2002 UNDP report on human development in the Arab world (though this has not been accepted by all Arab countries), the 2003 World Bank report on better governance in the Middle East and North Africa (MENA), the communication on human rights and democracy in the MEDA countries, migratory flows and other JHA issues, conflict prevention (UNSCR 1373) and the repercussions of 9/11 (dialogue of cultures and civilisations), the Doha and Johannesburg agenda and of course support for reform in the sectors involved in the implementation of the future Association Agreement, including aspects relating to good governance. The CSP anticipated most of these points and consequently the current strategy paper covers all the planned operations.

The communication entitled "*Reinvigorating EU actions on Human Rights and democratisation with Mediterranean partners*" sets out practical measures to facilitate more far-reaching and effective integration of human rights and democracy issues at all levels of political dialogue with MEDA partners. The proposed measures comprise the development of national and regional action plans on human rights and democracy with those MEDA partners that so wish. Recommendation 7 of the communication envisages an allocation for countries which adopt national action plans in 2004, enabling partners who make progress in this direction to get additional funding not necessarily connected with human rights and democracy projects. This additional facility will be allocated in 2005, as part of the review of the 2006 programming exercise.

The 2005-2006 programming exercise also takes account of the priorities identified when the framework and methods for the mid-term review of the CSP were defined. For the record, when the CSP was presented the revisions to be considered were found to be minor, given the relatively recent adoption of the 2002-2006 CSP (in December 2001) and the general content of the guidelines laid down. Since the mid-term review coincides with the 2005-2006 programming exercise, it was decided *to express the adjustments to the CSP in the 2005-2006 NIP and the advance stages of the 2002-2004 NIP*. The priorities identified during the definition of the CSP mid-term review exercise are therefore reflected in the NIPs.

The 2005-2006 programming exercise merged the priorities of the 2002-2006 CSP and the recent political framework developments with Algeria's agenda and the experiences of past cooperation:

### **5.1 Economic reform component**

#### *Governance, market economy institutions, Doha Agenda*

Two projects have been brought together under a single programme intended to foster administrative modernisation in the run-up to entry into force of the Association Agreement; the first is designed to strengthen the influence of economic information in the medium-term decision-making process and the second is a capacity-building project for the Trade Ministry to help it perform its future tasks.

**a) Administrative modernisation (€35 million)**

- Economic management (€20 million): Office of the Prime Minister/Planning Commission: set up a Forward Studies Unit to provide input to Algeria's decision-makers and thus help the government to formulate medium-term strategic and sectoral policies.
- Trade facilitation (€5 million): support for the Trade Ministry on competition issues: economic control and consumer protection, market supervision, alignment on European standards, quality services.

**b) Programme accompanying the Association Agreement (P3A) (€10 million)**

This is a continuation of the administrative modernisation programme and aims specifically to provide related expertise and resources to (i) help align Algeria's legal and regulatory framework with the EU's and strengthen the institutional framework for its effective application, (ii) support implementation of the Association Agreement as a whole and (iii) support the conclusion and implementation of regional free trade agreements with other Mediterranean countries.

## **5.2 Rule of law component**

*Governance, Migration, Human Rights*

**a) NGO II (€10 million)**

Extend NGO I, address sustainability (consolidate the growing role of the voluntary sector), stress promotion of dialogue and alignment between civilisations and peoples on both sides of the Mediterranean.

**b) Police II (€10 million)**

Extend and supplement Police I in line with the justice programme (rules of evidence, criminology, professional standards, etc.), and aid to help manage migratory flows in a way that respects human rights (training border police, exchange of case law, IT networks and monitoring equipment, prevent and fight against illegal immigration through information exchanges including the tracking of migratory movements and concrete measures at dissuasion).

**c) Rural Proximity (€11 million)**

Support for the Rural Development Ministry and programme for area(s) of primary migration with high unemployment and fragile ecosystems. Improvement of living conditions and stabilisation of population. Aims at creation of viable economic activities. Renewable energy, water, anti-erosion measures.

## **5.3 Economic infrastructure component**

*Environment, Johannesburg Agenda*

**a) Economic infrastructure programme**

- Transport (€20 million): support for liberalisation and reform of the transport sector: reorganisation of the harbour system, maritime safety, rationalisation and opening up port

activities to competition; development of the railway and urban network; liberalisation of airport activity.

- Water (€20 million): updating the resource inventory; support for reform of supply and demand management; support for integrated management of a catchment area.

#### **5.4 Evaluation of human resources**

During the 2006 programming revision (to be carried out at the beginning of 2005) the amount allocated to the Tempus programme will be decided, taking into account performance indicators of the Algerian programme and the budgetary availability.

### **6. FEMIP (EIB)**

As part of the Barcelona Process, the EIB has strengthened its financial partnership with the Mediterranean Partner Countries (MPCs) through the creation of a specialised instrument, the Facility for Euro-Mediterranean Investment and Partnership (FEMIP - October 2002). At the end of 2003, it was decided to reinforce the FEMIP, by adding new financial instruments and changing some organisational features in order to increase activities aimed at the private sector and cooperation with Partner Countries.

Under FEMIP the annual volume of EIB lending in all partner countries will gradually increase from €1.4 to €2 billion. These resources are to support a much-broadened activity range, with priority going to private sector development. Also of prime importance are environment and human capital projects and those either of mutual interest to the EU and MPCs or designed to foster South-South cooperation. Own-resources financing will be supplemented upstream and downstream by EU budgetary resources for technical assistance. These will help with the preparation and implementation of investment projects. In addition, the EIB will continue to make extensive use of risk capital resources for private sector development.

Among the priorities selected, the EIB and the Commission have jointly set the following objectives:

- Reducing the negative impact of human activity on the environment.
- Bringing environmental standards into line with international agreements and treaties (European directives, Kyoto, etc.).

## **II. PRESENTATION OF THE PROJECTS**

### **1. ADMINISTRATIVE MODERNISATION**

Two projects have been brought together under a single programme intended to foster administrative modernisation in the run-up to entry into force of the Association Agreement; the first is designed to strengthen the role played by economic information in medium-term policy decisions and the second is a capacity-building project for bodies coming under the Trade Ministry to help them adapt to the economic liberalisation and trade process on which the Algerian government has embarked.

## **1.1 Management of the economy**

### **a) Context and grounds**

The economic and social challenges facing Algeria are typical of a society undergoing far-reaching changes. In this situation, there is considerable tension between short-term and medium/long-term policy formation: political, economic and social reforms call for a medium- to long-term view, but urgent problems (unemployment, housing, etc.) divert the attention of political decision-makers. Here *forward studies* represent the ideal method for designing and framing maximally constructive compromises between medium- to long-term and short-term objectives. Raising awareness among economic actors and decision-makers, identifying the levers of change, helping situate today's choices in the context of future possibilities is a huge challenge calling, in political terms, for the long view.

Changes in Algeria's economic and institutional context (the State's regulatory role, a plethora of economic operators) and concern for good governance dictate a step change in the very nature of decision-making tools and the structure of statistical data-gathering systems. The challenge is to move from analytic tools geared to direct management to instruments that can measure the impact of macroeconomic, sectoral or regional policies. Similarly, data-gathering systems have to cover new fields and evolve to collect data from the growing numbers of entities that do not form part of larger bodies. Again, the bodies responsible for carrying out analysis and studies must be able to channel to decision-makers and opinion-formers economic information that allows the right decisions to be taken.

The most recent surveys of the country's statistical system show up deficiencies in statistical data gathering, particularly in line departments. They relate not only to coverage but to the unsuitability of the data collected to support the necessary analysis, and an inability to respond to specific requests in the context of cyclical analysis. Further shortcomings have been identified in the ability of line departments' study units and even central forward-planning bodies to make use of *statistical data*, essentially in relation to their capacity to develop *analytical models and tools* matching requirements for decision-making in areas with a direct economic or other type of impact.

### **b) Objective**

The programme aims to strengthen the role of economic information in the decision-making process, specifically for the purpose of macroeconomic, sectoral and regional policy formation.

It will thus help strengthen the decision-making process and make it easier to carry out structural reforms, particularly in connection with the future association agreement, while making it possible to take account of cyclical aspects.

The economic data collection, analysis and modelling system will be developed both at the consolidated (central) and sectoral level.

### **c) Expected results**

The expected results are the following:

- Improvement in reliability and relevance of economic information produced.
- Greater reliance on economic information by decision-makers and opinion-formers.
- Enhanced capacity to provide training and disseminate economic analysis and surveys.

**d) Performance indicators**

The indicators to be developed will cover fields such as:

- Production of statistics (relevance of data collected, reliability of data, capacity to respond to specific requests etc).
- Data analysis and modelling capacity (setting up sectoral models and analysis and simulation tools, integration of economic considerations into the decision-making process, etc).
- Suitability of training (introduction of new courses, number of educational establishments modernising the curriculum, number of students following new courses, etc).
- Relevance of the economic information produced (information used in policy development and the decision-making process).
- Dissemination of economic information (press, television, specialist press, publications and circulars issued by specialist bodies).

**e) Brief description of the programme**

Community intervention will concentrate on:

- Adapting *statistical data-gathering* structures at sectoral level to develop data-collection capacity reflecting changes linked to the liberalisation of economic activities (growing number of actors, systematic non-reporting, reliability of data) and set up a capability to respond to one-off specific requests.
- Building capacity for surveys and census-taking, standardisation of statistics and cross-checking of data sources, in particular as regards economic censuses and surveys on wages and construction and service sectors.
- Developing analytical tools and models matching sectoral requirements, so that existing data can be fully exploited.
- Aligning the national accounts on international standards and developing economic accounts and tables, in accordance with e.g. standard SCN93.
- Developing cyclical monitoring activities based on enhanced analysis and forecasting techniques and the construction of economic indicators.
- Making data on financial transactions compatible with national accounts.
- Improving the ability of the various sectoral and central departments' study teams to undertake modelling, develop analysis and simulation tools, and produce forward studies.
- The programme can also contribute to the acceleration of reforms, particularly in the transport and energy sectors. For the energy sector, the reform of the electricity sector is of particular importance, similarly, the promotion of a more efficient management of energy demand and harmonisation of rules and standards with those of the European Union. For the transport sector, reforms should cover all means of transport as well as the harmonisation of standards and measures regarding security and safety.
- Developing the *communication capacities* of the main analysis and economic survey bodies.
- Improving the dissemination and flow of economic information within government departments.
- Giving opinion-formers such as the social partners and the media better access to economic information.

- Stimulating media interest in the periodic publication of certain economic information.
- Modernising *university courses* on modelling and economic analysis.
- Encouraging research projects serving the needs of the sectoral and central departments' study units.
- Strengthening the links between university institutes, research centres and bodies and departments directly involved in decision-making processes.
- Improving publication of economic information.
- Training specialist economic journalists.

Partnerships with new Member States, such as Hungary or the Czech Republic, could be envisaged.

**f) Beneficiary institution**

The Planning Commission, which comes under the Prime Minister. Technical assistance, training, surveys, equipment.

**g) Institutions involved**

Study and data-gathering units in various ministries (finance, trade, etc), the Ministry of Health, the National Office of Statistics, the National Strategy Institute, the National Economic and Social Council, the Bank of Algeria, the National Planning and Statistics Institute, economics faculties of the major universities, associated research centres, the media, specialist press.

**h) Indicative budget**

€20 million.

**1.2. Trade facilitation**

**a) Context and grounds**

The Algerian Government has embarked on a process of economic and trade liberalisation which led to the signing of the Association Agreement in April 2002 and an application for WTO membership which is now in its final phase. This liberalisation process should make it possible to integrate the Algerian economy into the FTA with the EU, and ultimately into the world economy.

In this connection, the department responsible for trade is faced with the task of applying the Association Agreement and the various agreements arising from Algeria's accession of to the WTO in the near future. It also has to devise and apply the associated flanking reforms and measures this entails, in particular as regards *market surveillance* (malfunctions), *quality*, fraud prevention (*economic control*), and *consumer safety* and protection.

The Trade Ministry says it needs capacity-building measures to enable it to prepare for implementation of the Association Agreement, fulfil the obligations arising from prospective WTO membership, cope with known market malfunctions such as the proliferation of informal activities and counterfeiting, promote product quality and ensure consumer safety and protection.

## **b) Objective**

The programme aims at building capacity in the Trade Ministry to help it adapt to the economic and trade liberalisation process to which the Algerian government is committed. It will strengthen economic control, consumer protection and product quality and will make it possible to correct market malfunctions.

The programme will thus foster the liberalisation of the Algerian economy and further its integration into the world economy.

## **c) Expected results**

The expected results are likely to include:

- Enhanced capacity to implement regional or multilateral trade agreements.
- Consolidation of market control and supervision bodies.
- Better consumer protection and safety.
- Availability of better quality products in Algeria.

## **d) Performance indicators**

The indicators to be developed will cover fields such as:

- The Ministry's pro-active capabilities for implementation of trade agreements (negotiating capacity, organisational aspects, identification of needed reforms etc).
- Effectiveness of control and supervision (geographical coverage, quality of controls, number of control points, laboratory capacity etc).
- Effective consumer protection (complaints, consumers' associations, setting up referral channels etc).
- Product quality (quality promotion structures, exported products, etc).

## **e) Brief description of the programme**

The Community intervention will concentrate on:

- *Building capacity in the Trade Ministry* to enable it to play an effective part in the development and implementation of regional and multilateral trade agreements.
- Improving the Trade Ministry's negotiating capacity for trade agreements.
- Developing the Trade Ministry's capacity to formulate and implement trade reforms and devise and introduce the necessary complementary measures.
- Devising and adopting a *system for planning and managing control operations*.
- Strengthening fraud prevention and anti-dumping machinery.
- Modernising investigation techniques and supporting the creation of a centre for basic, advanced and specialist training of control personnel.
- Building up laboratory capabilities for analysis and testing in the textile, leather, plastics, home appliance and construction material sectors, and for detection of aflatoxins, GMOs, heavy metals and pesticide residues etc.
- Design and adoption of a consumer health risk prevention system.
- Building capacity for the effective implementation of competition law.
- Strengthening complaints procedures, in particular by encouraging the setting up of consumer associations.
- Improving labelling and traceability systems.
- Encouraging media coverage of consumer protection issues.
- Introducing a system to foster *product quality*.

- Helping the CACQE (the body that monitors quality and packaging) secure accreditation as a recognised certifying body.
- Building up the export promotion system to ensure that Algerian products meet the quality requirements of European and other markets.

**f) Beneficiary institution**

The Trade Ministry and subordinate departments, test laboratories, the CACQE and the National Competition Board. Technical assistance, training, equipment, studies.

**b) Indicative budget**

€5 million.

**2. P3A (PROGRAMME ACCOMPANYING THE ASSOCIATION AGREEMENT)**

**2.1 Context and grounds**

In addition to tariff dismantling and the elimination of restrictions on trade in goods, Algeria, under the Association Agreement, has entered into commitments or adopted principles on trade in services and trade-related issues, in particular regulations on current transactions, direct investment, right of establishment, competition, property rights, public procurement, standards and certification. Under the Association Agreement Algeria has not entered into commitments or adopted principles or regulations on government aid. However, this programme could cover exchange of information on policy, implementation and notification procedures relating to state aid.

The legislative and regulatory framework needs to be upgraded in all these areas, as well as capacity-building for implementing bodies and those responsible for steering the reform strategy.

In addition, the Association Agreement envisages a strengthening of economic cooperation in a large number of fields.

The new international trade liberalisation round launched at the Doha conference in 2001 requires a specific follow-up to facilitate the country's integration into world markets. Trade-related technical assistance can support this process.

The European Neighbourhood Policy concept envisages the possibility of integrating neighbouring countries into the single market - the "everything but institutions" formula. The prospect of participating in the four freedoms - free movement of goods, services, capital and ultimately persons - will require great efforts on Algeria's part to create the necessary legislative and institutional conditions.

This programme aims to help Algeria fulfil its commitments within this framework of international integration agreements, give concrete expression to the strategic prospects and potential that they offer, help it in its policy of greater openness and back its efforts towards South-South integration at the subregional level.

Upgrading of the legislative and institutional framework forms part of the action plan adopted by the Valencia Conference of Euro-Mediterranean Foreign Ministers in 2002. The

programme is consistent with the communication on the Euro-Mediterranean partnership and the Single Market.

## **2.2 Objective**

The general objective is to promote the success of the partnership established between the European Union and Algeria by the Association Agreement, by helping Algeria adjust its economy to the provisions of the Agreement which, in particular, envisages the establishment of a free trade area between the two parties, recognition of the right of establishment and liberalisation of services, adoption of rules to protect competition and intellectual, industrial and commercial property, and promotion of European technical regulations and standards.

Ancillary measures can be envisaged to intensify cooperation and to bring the parties more closely together in all the fields covered by the Association Agreement, including: cultural cooperation, social cooperation, education and training, scientific and technological cooperation, environment, industry, promotion and protection of investments, approximation of legislation, agriculture and fishing, transport, telecommunications and information technology, energy, tourism, customs cooperation, statistical cooperation, money laundering, and the fight against drugs.

The specific objective of the programme is to support the Algerian administration and all the institutions involved in the implementation of the Association Agreement by offering them the expertise, technical assistance and working tools necessary for carrying out the objectives laid down by the Agreement.

## **2.3 Expected results**

Activities under the programme will be demand-led. Needs will be specified as they arise. Results are likely to be achieved in the following fields:

- Legal and regulatory framework for trade; customs cooperation; implementation of the rules of origin necessary for pan-Euro-Mediterranean cumulation.
- Preparation for liberalisation of capital as defined in the Association Agreement.
- Support for liberalisation of services.
- Upgrading of internal market regulations, in particular legislation on competition, government aid, industrial standards, consumer protection, industrial and intellectual property, right of establishment and investment.
- Organising economic cooperation activities under the Association Agreement.
- Implementing cooperation on justice and security; dialogue on migration; the fight against money laundering and the financing of terrorism; implementation of the law on terrorism; fight against drugs and organised crime.
- Strategic capacity-building, in particular in relation to the statistics system and support for the development of sectoral policies and analyses.
- The programme can also contribute to the acceleration of reforms, particularly in the transport and energy sectors. For the energy sector, the reform of the electricity sector is of particular importance, similarly, the promotion of a more efficient management of energy demand and harmonisation of rules and standards with those of the European Union. For the transport sector, reforms should cover all means of transport as well as the harmonisation of standards and measures concerning security and safety.

The following types of activities could be financed:

- Short- and/or medium-term expertise.
- Exchange of officials.
- Public service twinning.
- Studies.
- Participation in technical meetings.
- Training (workshops, seminars).
- Information/dissemination.
- Equipment.
- Other.

Eligibility criteria for financing measures:

- Direct link with implementation of the Association Agreement.
- Consistency with other activities/measures under way or planned under other cooperation projects.
- Conformity with the guidelines identified by the Euro-Mediterranean cooperation authorities.

#### **2.4 Performance indicators**

For each field identified: completed studies; adoption of new laws or regulations; effectiveness of laws/regulations; accession to international agreements and adoption of related standards.

#### **2.5 Brief description of the programme**

The programme targets the public sector. Recipients will be ministries and public bodies concerned with the implementation of the Association Agreement. The coordinator will be the Ministry for Foreign Affairs.

The aim of the programme is to make available to the government an "operational fund" on which it can draw flexibly and simply for resources to help with the implementation of the Association Agreement. The mechanism will have to be flexible enough to allow rapid mobilisation of high-quality expertise. Support will take the form of technical assistance in the short and medium term, studies, public service twinning, training, participation in seminars, organisation of conferences, and equipment.

A study fund will be created under the programme to provide expertise in fields relevant to implementation of agreements and development of sectoral strategies.

The programme will be implemented in close coordination with the regional programmes.

#### **2.6 Beneficiary institution**

Key recipients would include: the Finance (customs, etc), Industry, Trade, Agriculture, or Economic Development Ministries.

#### **2.7 Institutions involved**

Occasional programme beneficiaries can channel applications through the lead administration.

## **2.8 Specific conditions**

Continuation of the policy of opening towards the outside and rapprochement with the EU.

## **2.9 Indicative budget**

€10 million.

## **3. NGO II**

### **3.1 Context and grounds**

The voluntary sector is a recent phenomenon in Algeria, starting in 1987 and gaining strength as from 1990. It is currently facing three types of (inter-related) difficulties.

#### **a) Structural, organisational and managerial shortcomings**

These difficulties and shortcomings are due in part to the recent emergence of the sector but are essentially attributable to the lack of organised training for members or managers of the organisations concerned. This lack of suitable training is at the root of the chronic instability affecting most of these bodies, their irregular activities - by fits and starts - an excess of "voluntarism", and the relative ineffectiveness of their work in spite of the often huge amount of effort they put into it.

Very few organisations have clearly established aims and objectives, work to a coherent vision and a consistent approach, or are managed in such a way as to integrate "project thinking" with evaluation.

Quite a few of the organisations are seen by their founders and promoters as vehicles for individual or group strategies. This often gets in the way of inter-organisational exchanges at the national level, networking, coordination and synergy.

To remedy these defects, training needs to be organised, in particular on the design and mounting of projects, the development of inter-organisational exchanges at national and international level and fostering the emergence and effectiveness of networks.

#### **b) Limitations connected with the context and inadequate knowledge of the voluntary sector**

Nearly 66.000 voluntary associations have been set up since October 1988. Their interests are as varied as their membership and target populations, covering every area of life - social, cultural, religious, citizenship, environment, development, etc.

After more than a decade, however, it is now time not only to update our information on the emergent voluntary sector but to ask questions about its future and its impact on society. After the initial enthusiasm, are we witnessing a shake-out or shakedown that could herald a slow but sure process of demarcation allowing a real voluntary sector to become established, reflecting the emergence of a genuine modern civil society?

Ten years on, the legal and regulatory framework governing the activities of voluntary organisations should also be revisited, analysed and reappraised.

**c) Scant resources, derisory funding**

All except a very small proportion of organisations suffer from a scarcity of financial resources in particular and inadequate means. Combined with other factors, the virtual absence of resources is a genuine handicap to the organisations' development and to the realisation of their projects. It must be underlined, given the Algerian context and in view of the current situation of the voluntary sector, that identifying sources of funding is very rarely included in the activities of organisations. What resources there are come from:

- State or local authority subsidies. These subsidies, as a general rule, are allotted to organisations with proven management capacity.
- External financing from international or regional institutions such as the EC's *NGO I* programme (first programme of its kind and scale in Algeria which made a major contribution to the voluntary sector by funding NGO projects).
- Private contributions of financing or equipment. This aid is on a very limited scale and generally granted to organisations involved mainly in charity and religious works.

In the specific context of the ongoing *NGO I* programme, the operational capacities of the limited number of organisations selected for financing will be improved in the areas of project preparation and implementation. Taking the two groups together, approximately 80 organisations will benefit from training and support measures in relation to organisational improvements and their capacity to manage projects. In view of the considerable requirements which have to be met for the genuine emergence of civil society, such support deserves to be continued.

In addition, there are only very few intermediate-type organisations (associations, interest- or region-based groups). The movement gives priority to exchange by network rather than to a pyramid organisation. In fact the movement is in a consolidation phase. By giving an impetus to intermediate organisations and networks, one corollary result sought by the current programme is a greater concentration of efforts.

The organisations' internal shortcomings and lack of coordination and legal restrictions on the process of consolidation mean that this can only be achieved through a medium-term effort. The continuation of Community support beyond the allotted timeframe of the *NGO I* programme would make it possible to match the time required to gradually increase the impetus (and therefore improve the chances of achieving the results concerned) to a corresponding cycle for the allocation of resources.

The *NGO II* Programme is an opportunity to help ensure by information and training that organisations fully take on board the activity of identifying sources of funding at national and international level and that this is reflected in terms of action targeted at potential donors.

On the basis therefore of the experience acquired, the lessons learned and the new requirements (*dialogue of cultures*), the *NGO II* programme proposes not only continuing the action started by the *NGO I* Programme, but also, and in particular, extending it and lending it a new dimension, i.e. youth exchanges between Europe and Algeria in order to develop the trans-Mediterranean dialogue of cultures.

The NGO II Programme should therefore:

- Accompany and support the organisations selected for the NGO I programme to ensure the viability/sustainability of their ongoing projects (84 projects).
- Provide training for roughly 100 organisation leaders in the design and mounting of projects as well as in communications and administrative and financial management of organisations.
- Provide funding for more than 30 of the most viable organisation projects, once the above leaders have been selected and trained.
- Develop exchanges between young people in Europe and Algeria to promote the trans-Mediterranean dialogue of cultures, thus contributing to building links and dispelling prejudice.
- Encourage the development and consolidation of organisation networks.
- Enhance knowledge of the voluntary sector in Algeria.

### **3.2 Overall objective**

The overall objective is to continue promoting the role of civil society in the development process of Algeria.

### **3.3 Specific objective**

The specific objective of the programme is to build Algerian organisations' capacity to prepare and implement development projects and to step up youth exchanges and cultural partnership between Europe and Algeria so as to establish a dialogue that will bring cultures on either side of the Mediterranean closer together.

### **3.4 Expected results**

- Support to the organisations selected for the NGO I programme with a view to ensuring the viability/sustainability of their projects.
- Consolidation of the internal organisation of a hundred (new) development organisations.
- Capacity of more than 30 new organisations to prepare and implement development projects increased.
- Better understanding of their peers amongst more than 700 young people on both sides (+/- 30 European and 30 Algerian organisations with some 12 young people each).
- Interest-based organisation networks encouraged and boosted.
- Knowledge of the Algerian voluntary sector enhanced.

### **3.5 Performance indicators**

- Number of viable projects under the NGO I Programme.
- Number of organisations trained to mount projects, in communication, administration and accounts management.
- Training sessions in the area of local development for those responsible in the organisation, particularly cooperation with local public authorities and the private sector, are organised.
- Number of projects implemented under the NGO II Programme.
- Number of cultural events and focus groups organised and of young people concerned.
- Number of organisation networks supported and encouraged.
- Quality of the study carried out.

### **3.6 Brief description of the Programme**

The NGO II Programme is an extension of the NGO I programme "Support for Algerian development organisations" (DZA/B74100/IB/1999/0172 Project) which is due to be completed in March 2004. The NGO I programme aimed "to promote the role of civil society in the development process of Algeria (overall objective) and "to build NGOs' capacity to implement development projects". This programme continues and builds on the previous programme.

### **3.7 Beneficiary institution**

The voluntary sector. Financing of projects, assistance, training, studies.

### **3.8 Indicative budget**

€10 million.

## **4. POLICE II**

### **4.1 Context and grounds**

For ten years or so Algeria has seen terrorist attacks on the general public, government officials and infrastructure. At its height this terrorism also began to spread into Europe. Generally speaking, however, observers agree that the terrorist threat has substantially receded.

Moreover, whilst the security forces were busy fighting terrorism, all manner of common crime has developed. There is a danger that armed terrorist groups may take advantage of the more liberal economic climate and measures to appease them and become part of the large international terrorist brotherhood, threatening the day-to-day security of the Algerian people and the internal security of the Mediterranean and European Union countries. The hypothesis of interconnected criminal networks (drugs, trafficking in human beings and illegal trafficking of migrants, etc.) seems increasingly plausible.

By virtue of its geographical position Algeria already has problems controlling cross-border crime which is rising with the increase in movements of goods and individuals and in juvenile delinquency.

Since the end of the nineties, Algeria has embarked on a programme to modernise its police force. The Commission contributes to this by means of a substantial bilateral programme. Moreover, the Directorate-General of National Security (DGSN) is involved in the JHA's regional training and exchange programme. Member States are also carrying out cooperation activities with the Algerian police.

Algeria has become a transit zone for clandestine African immigrants. The majority of them settle temporarily in the country, long enough to earn money and get false travel documents. In most cases, the EU countries are their ultimate destination.

## **4.2 Overall objective**

The overall objective of the project is to foster good governance. It will help to strengthen Algeria as a constitutional state, enhance good governance and ensure that personal freedoms are respected during police activities. It will also help the man in the street to feel safer, a feeling which encourages social and economic development. The project will support the Algerian authorities in controlling cross-border migration with due regard for human rights. The project will also help to prepare the security services to tackle the crime generated by the wider movement, especially cross-border, of goods and services.

## **4.3 Specific objective**

The specific objective of the project is to raise the level of controls on migratory flows and the professional calibre of Sûreté Nationale officers and border police, so that amongst other things they respect human rights in the performance of their duties.

## **4.4 Expected results**

The Police II Programme will extend and supplement Police I in line with the programme to reform the judiciary. The anticipated benefits of the programme will be threefold:

- The ability to obtain reliable criminal evidence will be improved.
- Theoretical and practical knowledge of criminology will be improved.
- Institutional and professional awareness will be strengthened.

Police II will improve management of *migratory flows* with due regard for human rights by:

- Improving the professional qualifications of border police agents (training for the border police, training for instructors, technical assistance).
- Setting up special sections dealing with illegal immigration in police training institutes and schools.
- Strengthening the culture of human rights in the treatment of illegal immigration.
- Better comprehension and control of migratory flows (forward study on migratory flows and pockets of migration to the EU considered positive).
- Aligning the texts in force and the way they are applied on international standards (case law, professional practices, codes of practice, etc).
- Increasing the effectiveness of prevention of illegal immigration: creating networks of border posts (in the south) and small diagnostic or mobile equipment (detection of forged documents, contributions to laboratories and control centre).
- Improving the capacity to fight criminal networks which exploit illegal immigration, including international or transnational aspects, in particular in the context of appropriate investigations resulting in legal proceedings against the perpetrators.
- Adopting a specialised information network for greater control of migratory flows

## **4.5 Performance indicators**

The indicators to be developed will cover fields such as:

#### **a) Component 1**

- Contribution to police training to develop the Algerian police force's technical and scientific capacity and better information to partners in the judiciary.
- Monitoring of trends in the various forms of crime with a view to permanent changes in policing in an evolving society.
- Increase in the operational capacity of the police force and in its professionalism (including respect for human rights), within the framework of the process of democratic transition and consolidation of the rule of law.
- Provision to the judicial system of legal evidence which is objective and obtained by purely scientific methods.
- Purchase of judicial identification and modern scientific testing facilities for police scientific and technical laboratories (including regional laboratories). Improved working conditions and training for the agents working there.
- Training for crime-scene technicians responsible for collecting fingerprints and clues in the methods made necessary by the new analytical techniques.
- Revision of training syllabuses.
- Provision of training for instructors.
- Production of teaching manuals and other aids.
- Supply of more modern teaching aids to teachers.
- Evaluation of the instruction provided modified. Holding of international seminars.
- Creation of a strategy planning unit in the Police Judiciaire.
- Development of an internal and external communication strategy.
- Involvement of seasoned professionals in theoretical instruction.
- Training/further training courses held in Europe and Algeria.
- The technical assistance necessary for the scientific research studies mobilised by the programme.

#### **b) Component 2**

- Increase in the effectiveness of immigration services in the identification of illegal immigrants. Involvement of seasoned professionals in theoretical instruction.
- Coverage of sensitive border posts improved and organisation adapted.
- Identification of illegal immigration channels.
- Increase in the level of detection of forged travel documents and forgeries in general.
- Adoption of a police strategy in cooperation with the legal authorities aiming at criminal proceedings against the leaders of illegal immigration networks: number of cases brought, international letters rogatory, liaison with police and legal authorities of neighbouring countries.

#### **4.6 Brief description of the programme**

Notwithstanding all the difficulties of their fight against terrorist groups, Algeria's security forces show a very real desire to restructure their services as part of a constitutional state and with due respect for human rights.

The latest operations to restructure the Algerian police force focus on procedures which use exact science in their investigations in the interests of a better administration of justice. Henceforth, police training forces mention respect for the individual and the proper conduct to be adopted in dealings with the public. Algeria's police force aims to change from a repressive

force to a people-friendly force. The professional level and standard of police operations forms an integral part of improving police professionalism. In supplementing "Police I", the project will thus be in keeping with the programme for the modernisation of justice (rules of evidence, criminology, professional standards, etc).

As part of the implementation of Police I, the DGSN will receive scientific equipment for the regional laboratories, training in Europe for technicians and training in Algeria for its managerial staff. These components are all at the contract-award stage. In the meantime, several police expert missions have been financed by the programme. These missions have helped shape the teaching programmes, in particular in human rights and institutional communication.

It will also contribute to the management of migratory flows with due regard for human rights through better control of clandestine immigration, modernisation of the special services and better organisation: the project may comprise activities such as the creation and implementation of a special training scheme for dealing with clandestine immigration in Algeria; training for instructors in the field of combating clandestine immigration in Algeria; technical assistance to develop skills so as to improve the capacities and organisation of the services involved in combating illegal immigration; and the adoption of an specialised information network for greater control of migratory flows.

#### **4.7 Beneficiary institution**

The Directorate-General of National Security. Training, technical assistance, light equipment, studies.

#### **4.8 Indicative budget**

€10 million.

### **5. RURAL PROXIMITY**

#### **5.1 Context and grounds**

Rural areas, in particular those located in mountain areas and the high plateaux, have the highest poverty levels in Algeria. Poverty levels have been exacerbated in recent years by the effect of the security situation in the country and the immediate trade liberalisation measures. Under-employment is linked to inappropriate, sometimes irrational use of the land and fragile ecosystems which make up a large part of these regions. These regions are major zones for the primary migration of young people to the North of the country or beyond, i.e. outside the country.

The sectoral initiatives of the public authorities have had a negligible impact on the alleviation of poverty levels and stemming migratory flows: reforestation, major works to tackle erosion, social support projects. However, limited experiments conducted as part of small local programmes have shown that it is possible to achieve positive results through other forms of action. Indeed, these regions conceal pockets of productivity and major, but as yet untried potential.

Based on these findings, the Commission has contributed to alleviating poverty and has supported rehabilitation in the areas affected by terrorism through two cooperation

programmes launched respectively in 2002 and 2003; these two programmes are limited to the North-East and North-West regions of the country. Without prejudging their results, monitoring of the first programme shows a high level of acceptability of these activities amongst the final beneficiaries.

The Ministry of Agriculture and Rural Development has undertaken a wide-ranging programme to revitalise rural areas entitled the National Rural Development Plan (PNDR). This programme endeavours to take two factors into account:

- The shortcomings identified in previously adopted poverty alleviation programmes.
- The possible use of funding to support the productive agricultural sector directly.

The Government has recently contracted a loan with the World Bank for the implementation of a development programme inspired by the PNDR which focuses on increasing employment in rural areas. The Ministry is closely monitoring the outcome of programmes under the Leader + initiative financed by the Commission in Member States with a view to learning from them.

## **5.2 Objective**

Based on a territorial approach involving integrated and participatory proximity, the programme aims to support efforts at central level and especially in the regions of primary migration to create a demand-led rural development dynamic in disadvantaged rural areas based on management and control of the natural potential.

The specific objective of the programme is support for local initiatives for rural development and development of productive areas with due regard to protection of ecosystems and conservation of scant resources. These initiatives are confined to regions in similar socio-economic situations.

The programme will thus contribute, by creating employment and through the appropriate use of natural resources and sources of productivity, to generating own sources of income for the inhabitants based in these regions. The programme will strengthen the pivotal role of the intersectoral and local public authorities in running the rural development programme.

The programme will also be a tool for rural environmental management, in particular as regards combating erosion, fires and pollution of groundwater and water-catchment areas.

## **5.3 Expected results**

The expected results are:

- Effective operational planning of rural development schemes.
- An exhaustive inventory of land resources in programme application areas.
- Mobilisation of the main natural productive proximity resources in programme areas.
- A mechanism for effective and sustainable management of the resources mobilised.
- Improved poverty alleviation indicators.
- Reduced migratory flows.

## **5.4 Performance indicators**

The performance indicators to be developed will enable measurement of:

- The number of direct and indirect programme beneficiaries.
- The immediate growth in incomes and the post-programme growth forecasts.
- Trends in productivity parameters in the areas affected by the programme.
- Mainstreaming of the results of the programme.

### **5.5 Brief description of the programme**

The Community action will complement the operations launched by the Ministry of Agriculture and Rural Development. It will be different to the first two local development and poverty alleviation programmes:

- The programme will identify a small number of locations as "proximity and rural development project areas". These locations will be areas with similar ecosystems. They will be selected according to criteria for measuring poverty, migratory flows, the fragility of the natural environment, the readiness of the local inhabitants to take part in the design and implementation of the development of their proximity zone, the multiplier effect produced and the potential feasibility of the project. The inhabitants will indicate their prior agreement to participate in the project through their locally elected representatives.
- The programme will pay close attention to income-generating activities intended for the most disadvantaged sections of the population.
- The programme will in particular support productive activities of rural women.
- In each area, the programme will evaluate the productive natural resources to be improved and establish a local development plan.
- The programme will establish the local development plan through participatory planning workshops.
- The programme will contribute to the financing of schemes to mobilise resources and adopt procedures for their management in cooperation with the beneficiaries.
- It will also finance operations to help improve the quality of life, market local produce and protect the environment.
- The programme will put a technical assistance team in overall charge of operations and train ministry officials in the use of mainstreaming tools.

### **5.6 Beneficiary institution**

Rural communities in primary migration areas through the Ministry of Agriculture and Rural Development. Technical assistance, equipment and small investments, training, study.

### **5.7 Other donors**

World Bank, IFAD.

### **5.8 Indicative budget**

€11 million.

## **6. PIE (ECONOMIC INFRASTRUCTURE PROGRAMME)**

The development of public infrastructures and services is a key factor for attracting external investment, competitiveness and job creation.

### **6.1. Transport**

#### **a) Context and grounds**

In order to address the constraints which hamper the transport sector, the Algerian Government embarked on the consolidation and adoption of a legislative framework to liberalise transport and encourage the participation of the private sector. At the same time, the Government is making a sustained effort to modernise transport infrastructure.

With the support of the World Bank, via a USD 8.2 million loan (2002), the Ministry of Transport:

- Adopted an institutional framework and sectoral policy to facilitate the participation of the private sector in the management of transport infrastructure.
- Launched two BOT operations concerning a port and the Algiers underground railway.
- Began rehabilitation of the railways.

This support, covering a two-year period, will enable the nature and responsibilities of the administrative and management structures necessary for application of the new legislative framework to be defined. The Ministry of Transport has requested additional assistance to back up the World Bank's action, on the one hand to strengthen the existing structures or those created as part of the completion of the reforms and, on the other hand to provide the Ministry with technical assistance to help meet the urgent needs which have been identified, in particular as regards safety and security and management of port infrastructure.

#### **b) Specific objective**

The programme aims to strengthen the structures under Ministry of Transport control which have a direct impact on the effectiveness of the application of the recently announced legislative framework.

The programme will thus contribute to liberalisation of the transport sector and to the increased participation of the private sector. It will strengthen the regulatory role of the public authorities and help improve transport services for operators both at national level and from a regional and trans-Mediterranean perspective.

#### **c) Expected results**

The expected results include:

- Increased effectiveness of the management bodies for ports, logistical platforms, airports and railway operators.
- Strengthening of the regulatory and control function of public authorities.
- Increased safety of transport systems, including sub-regional transit systems.

- Sustainability of the Ministry's actions through institution-building and upgrading the training centres under its auspices.

**d) Performance indicators**

The indicators to be developed will cover fields such as:

- The performance of management bodies (response and processing times, workload, cost of services, financial results, etc.).
- The degree of liberalisation of the sector (number of regulatory bodies set up and operational, ratio of private operators, number of operators per liberalised activity, etc.).
- The effectiveness of controls (coverage of operators, geographical coverage, quality of controls, number of control points, etc.).
- Safety levels of transport systems (number of incidents, nature of incidents, distribution of the safety systems, etc).
- Reinforcement of the Ministry (tailoring structures to functions, new modules and courses introduced in the training curriculum).

**e) Brief description of the programme**

The Community action will complement the measures on which the Ministry of Transport has already embarked with the support of the World Bank and will also respond to the immediate needs expressed by the Ministry as regards improving the safety of transport systems and the sustainability of the Ministry's actions.

The activities of the programme will cover:

- Reinforcement of the management bodies of the main Algerian ports with support in particular for integration of the new organisational plans, upgrading of management systems, retraining and training of port company managers and introduction of effective information systems.
- Support for the introduction and implementation of modern rail transport techniques, in particular in terms of management, marketing, finances and accounting, management control, rolling stock management and information systems; adoption of a system to analyse road traffic flows of containerised goods.
- Reinforcement of the maritime and port authorities; support for setting up a supervisory framework for freight and passenger transport by road; support for the development of multimodal systems both as regards operational aspects and recommendations on reception infrastructure and platforms; possible development of piggy-back transport on the busiest link (Oran-Algiers-Annaba); support for the creation of a civil aviation authority.
- Improvements to maritime safety by support for the creation of a coastal network for tracking and inspecting vessels and improved capacity in shipwreck prevention and handling; building capacity for sea-search and rescue and marine environmental protection; evaluation of the airport security systems.
- Support to Ministry bodies taking on new areas of responsibility; reinforcing training centres under Ministry auspices to tailor the training offered to the requirements of the sector and, in particular, to new career possibilities; building capacity in the Ministry to support the opening-up of the capital of rail transport related activities.

**f) Beneficiary institution**

The Ministry of Transport. Technical assistance, equipment, training, studies.

**g) Other donors**

The World Bank (support for the first phase of the reforms, USD 8.2 million); EIB.

**h) Indicative Budget**

€20 million.

**6.2 Water**

**a) Context and grounds**

Faced with a chronic shortage and inability to meet requirements, in 1995 the water supply sector embarked on a major overhaul of its organisation and management system. A new water policy was adopted in 1995, based on the new principles of:

- A single resource.
- Integrated management at catchment area level.
- Coordinated economic and environmental management.

The broad goals of this policy can be summarised as follows:

- Protection and safeguarding of the existing resources.
- Mobilisation of as many resources as possible.
- Development of dynamic planning and management tools.
- Demand control.
- Use of non-traditional resources.
- Institutional, legal and organisational reforms.

The current situation highlights the fact that the new water policy in the sector has not yielded the expected results on the ground, eight years after it was announced; the national water plan has not led to the long-awaited planning of resources, and it is now going through a series of regional adjustments which are undermining its overall consistency. The catchment area agencies are not yet fully operational and their tasks and powers are still unclear. Responsibilities are scattered among the various authorities and institutions involved, and the development and pricing policies are either ill-defined or inappropriate.

The water sector is of strategic significance to Algeria and undoubted significance to the EU within the framework of the EU water initiative launched at the Johannesburg summit in 2002. Integrated management of water resources is one of the three pillars of the initiative, alongside ensuring the supply and safety of water. The initiative provides in particular for the development of integrated water resource management plans in every country between now and 2005.

This programme responds to a crucial need for guidelines, takes Algeria's water policy on towards greater effectiveness and represents an extension of the EU's aid policy.

## **b) Objective of the programme**

The objective of the programme of assistance and support to the water sector is to make the new water policy operational through integrated, coordinated and decentralised management of water resources at catchment area level.

## **c) Expected results**

- Promotion of a more programmed approach to the necessary institutional changes in the sector (round table).
- Operational implementation of the National Water Plan throughout the country, maintaining its balance and overall coherence.
- Decentralisation of integrated management to catchment area agencies and water departments in the wilayas.
- Reinforcement of the catchment area agencies at institutional level and improved staff competences.
- Networking and exchanges of experience between the various catchment area agencies.
- Integrated water resource development plans prepared for each beneficiary agency on a participatory basis.
- Pilot projects on drinking water supplies, irrigation, sanitation, preserving water quality, water saving and combating floods.
- Adoption and implementation of pricing policies as a means of action to reduce, moderate and lower demand for water.
- Clarification of the solutions and policies for water resource development.
- Overhaul of the water sector to turn it into a flexible, tailored and effective organisation.
- Reinforcement of the operational structures (ANRH, ANBT, ADE, ONIDE, ONA) in their role of executive agencies in their respective fields of competence.
- Action to raise awareness and inform the public and the institutions involved in the water sector at local level.
- Twinning schemes and partnerships with counterpart agencies in Europe.
- Development of synergies between the various actors involved in the water sector.
- Training and strengthening of engineering potential in the water sector.

## **d) Performance indicators**

- Overall control of water resource planning.
- Strengthening of the role of catchment area agencies.
- Faster pace of implementation of the development and investment programmes.
- Improvements to water quality.
- Effluent treatment rate.
- Reduction in water consumption.
- Synergy, coherence and coordination between the actors involved in the water field.

## **e) Description of the programme**

Support will consist of technical assistance, training, studies, equipment and work on the demonstration projects and investment schemes. It will include five types of action:

- Consolidation, finalisation, extension and updating of the National Water Plan on a national scale (concept of integrated water planning, centralised on-board command strategy).

- Decentralisation of integrated water management to catchment area level (concept of integrated and coordinated water management).
- Demonstration projects and policy implementation measures, in particular in the areas of sanitation and water quality, water saving and anti-flood measures.
- Implementation of pricing policies (water demand scheme).
- Institutional and organisational reform in the water sector with a view to improving handling of water problems (organisational overhaul of the resource sector towards an organisation based on catchment areas, not administrative divisions).

**f) Supervisory authority**

Ministry of Water Resources. Reforms, technical assistance, training, twinning, studies.

**g) Beneficiaries**

The beneficiary will be the Ministry of Water Resources which will delegate implementation of the sectoral and regional measures to the executive and catchment area agencies.

**h) Specific conditions**

Respect for agencies' financial and technical autonomy. Allocation by the state of the planned resources to catchment area agencies. Collection and availability of abstraction and use charges for the agency's actions. Implementation of a policy to adjust and align charges on the cost prices of the resource and services rendered.

**i) Indicative budget**

€20 million.

**7. HORIZONTAL ISSUES**

As in the previous programming exercise, the reduction of gender inequalities is an issue that will be closely monitored by Commission services in the identification of cooperation programmes. Particular attention will be given to the question of women's rights.

Good governance, sustainable development and environmental protection are also horizontal issues common to all programmes.

## Table of commitments

STRATEGIC PRIORITY/ PROGRAMME	INDICATIVE AMOUNT	COMMITMENT		% BUDGET
		2005	2006	
<b>ECONOMIC REFORMS – GOVERNANCE, MARKET ECONOMY INSTITUTIONS, DOHA AGENDA</b>	<b>€35m</b>			<b>33%</b>
Administrative modernisation (economic management, trade facilitation)	€25m	€20m	€5m	
P3A (Programme accompanying the Association Agreement)	€10m		€10m	
<b>RULE OF LAW-GOVERNANCE. MIGRATION - HUMAN RIGHTS, COMBATING POVERTY</b>	<b>€31m</b>			<b>29.20%</b>
NGO II	€10m	€10m		
Police II	€10m	€10m		
Rural proximity	€11m		€11m	
<b>ECONOMIC INFRASTRUCTURE, JOHANNESBURG AGENDA - ENVIRONMENT</b>	<b>€40m</b>			<b>37.80%</b>
Economic infrastructure programme (Transport and Water)	€40m	€20m	€20m	
<b>TOTAL</b>	<b>€106m</b>	<b>€60m</b>	<b>€46m</b>	<b>100%</b>

## Indicators related to the Millennium Declaration

Indicators	1995	1999	2000	2001	2002
1. Proportion of one population Less than \$1 per day	2	2	2	2	Na
2. Prevalence of child malnutrition (% of children under 5)	6	6	6	6	Na
3. Under-five mortality misses (per 1,000)	Na	Na	Na	49	Na
4. Clear ratio enrolment in primary education	Na	Na	98%	98%	Na
5. Percentage of cohort reaching grade 5	Na	97%	97%	Na	Na
6. Ratio of girls to boys in primary and secondary education	Na	Na	0.97	Na	Na
7. Proportion of births attended by skilled health personnel	92%	92%	92%	92%	Na
8. Proportion of 1 year old children immunised against measles	Na	Na	Na	83%	Na
9. HIV prevalence among women 15-24 year old	Na	Na	Na	Na	Na
10.. proportion of population with sustainable access to an improved water source	Na	Na	82%	Na	Na
			94%		

Sources: World Bank/MDG, UNDP, UNICEF, UNESCO, UNAIDS.

## Economic situation

### Algeria - Selected Economic Indicators, 1997-2002

	1997	1998	1999	2000	2001	2002
Real GDP growth (in %)	1,1	5,1	3,2	2,2	2,6	4,1
Unemployment rate	28,0	28,0	29,2	29,5	27,3	26,7
CPI inflation (avg; in %)	5,7	4,9	2,6	0,3	4,2	1,4
Broad money (M3, end of year; % change)	18,6	18,9	13,7	13,2	24,8	24,3
Consolidated government balance (% of GDP)	2,4	-3,8	-2,0	9,7	3,4	0,2
Current account balance (% of GDP)	5,8	-1,9	0,0	16,9	12,9	8,0
Official net international reserves (end of year)						
In billions of US dollars	8,0	6,8	4,5	12,0	18,1	23,2
in months of imports	8,9	6,8	4,6	12,2	18,1	19,1
External debt (% of GDP) (end of year)	65,2	64,3	58,0	46,4	41,1	40,5
Debt service (in % of exports of GNFS)	29,3	46,3	40,3	20,3	22,8	22,6
Exchange rate (dinar/euro) (end of year)	52,9	51,7	69,0	81,0	88,3	76,0
Real effective exchange rate (1995=100) 1/	119,55	114,04	109,3	102,9	113,1	94,6
Population (million)	29,1	29,5	30,8	30,3	30,7	31,2
GDP per capita, in USD	1632	1590	1576	1737	1660	1680

Source : IMF, various national sources.

1/ A negative sign implies a real depreciation and, therefore, a gain in international competitiveness.

**Community and Member States cooperation with Algeria - Planned disbursements for 2003 (€M, grants and loans)**

<b>Sectors</b>	EC.	B	DK	D	EI	E	F	IR	I	L	NL	A	P	FI	S	Th e U. K.	<b>Total</b>
Education	4.67	0.16				0.389	5.9										
Health																	
Water supply and sanitation						0.229	0.15										
Government and civil Society	3.09	0.08				0.1											
Transport and storage	4.5596	7.37															
Communications																	
Banking and financial services	4.5865						3.4										
Business/Private sector	10						1.5										
Energy																	
Agriculture, forestry, fishing						0.8											
Industry, Mining and construction						0.12											
Trade and tourism																	
Environmental Protection																	
Gender																	
Commodity aid		0.1															
Support/SAP budget	11.66																
Food aid																	
Debt relief																	
Emergency assistance	1	0.25				0.349	1.1 (earthquake)										
Support to NGOs	2.65																
Others	1.45					0.04									0.05		
<b>Total</b>	<b>43.67</b>					<b>2.117</b>	<b>12.05</b>								<b>0.05</b>		