

ICEIDA

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2004



ICELANDIC INTERNATIONAL DEVELOPMENT AGENCY

ICEIDA

Annual Report 2004

Icelandic bilateral development assistance from 1 January to 31 December 2004.

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Contents

Foreword by the Director General of ICEIDA	4
1. Highlights from the Home Office	6
Decision on Continued Increase	6
Change of Minister	6
New Policy for ICEIDA	7
New Partner Countries	8
New Sector - Geothermal Energy	8
Co-operation with Institutions and NGOs	9
Personnel	10
Internship Programme	10
Scholarships	10
New Housing	13
2. Financial Statement 2004	14
Malawi	15
ICEIDA's Development Co-operation	17
Support to the Health Sector	19
Support to Education and Social Development	20
Support to the Marine and Fisheries Sector	25
Mozambique	27
ICEIDA's Development Co-operation	29
Support to the Fisheries Sector	31
Support to the Social Sector	35
Support to the Health Sector	37
Support to the Transport Sector	38
Namibia	39
ICEIDA's Development Co-operation	41
Support to the Fisheries Sector	44
Support to the Ministry for Fisheries and Marine Resources	45
Support to the Social Sector	46
Uganda	49
ICEIDA's Development Co-operation	51
Support to the Social Sector	53
Support to the Fisheries Sector	55
Support to the Energy Sector	55
Support to Private Sector Development	56
ANNEX 1:	58
Administration and ICEIDA's Employees in the Year 2004	62
ANNEX 2:	60
Annual Accounts for 2004	60
ANNEX 3:	64
Abbreviations	64

Iceland Continues to Increase State Allocations to International Development

**Foreword by
Sighvatur Björgvinsson,
Director General of ICEIDA**



The year 2004 was both a satisfying year for ICEIDA and a difficult one. It was satisfying because the government of Iceland resolved to continue to increase state allocations to international development. This decision had the result, among other things, that the Agency began preparations for activities in additional countries to the four - Namibia, Malawi, Mozambique and Uganda - in which the Agency was already operating. A study was made of other countries that have requested development co-operation with Iceland and the decision was made to select two new partner countries from that group. The selection process was conducted in consultation and collaboration with the Foreign Ministry. The decision of the government to continue to increase allocations to international development aid also had the result that support for projects in existing partner states could be increased as well.

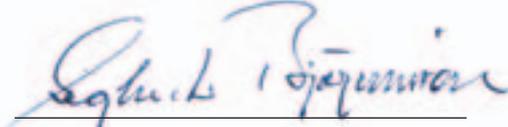
The increased scope of activities has also entailed considerable difficulties. ICEIDA operates exclusively on the basis of the project-based approach, which means that each new project requires extensive preparation. In line with the Agency's rules of procedure, all projects need to originate with the government of the partner state in question and proceed in compliance with that government's policy. A separate agreement needs to be signed concerning each project describing the objectives of the project, both specific and general; joint project management is negotiated, specifying the respective contributions of the partners; a project plan is prepared with a budget and implementation schedule; and progress reports and reviews are scheduled. This procedure inevitably requires extensive and sometimes lengthy preparations, but since the legislation governing the activities of ICEIDA, which dates from 1981, does not permit the Agency to contribute funds to projects except under the financial control of the Agency itself, the Agency is not left with many other options. The rapid increase in the allocations to development projects has therefore intensified the demands on the staff of ICEIDA for preparatory work.

During the year the decision was also made by the Icelandic government to introduce a new accounting and human resource management system - ORACLE - for the administration, book-keeping and financial reporting of government agencies. At the same time it was decided that ICEIDA should take charge of all its own accounting work from the State Accounting Office, which had previously kept the Agency's accounts. The aim was to enter into a centralised database, in real-time mode, all the Agency's accounts, both the home office accounts and those of the regional offices. The purpose of this was to make the Agency's accounts more accessible in the course of its day-to-day operation and use them more efficiently as a management tool. This proved to be fraught with difficulties. To some extent the difficulties were technical, resulting from poor network connections with the Agency's field offices, which obstructed and seriously delayed all accounting work, in addition to the fact that the software system was not fully compatible with the Agency's needs. Financial reporting for 2004 suffered serious delays, with the result that the publication of the ICEIDA Annual Report dragged on to the end of 2005. Numerous Icelandic government agencies experienced similar problems and delays as a result of the

implementation of the new accounting system, and it is likely that it will be quite long before a final solution is found.

The policy and working procedures of ICEIDA are under constant review. A new strategy and a new and comprehensive Plan of Operations were approved in 2004, and a detailed Gender Equality Policy was introduced in August of the same year. Guidance for the Agency's policy derives from the United Nations Millennium Goals. The Plan of Operation is based primarily on requirements for quality management on the basis of the project-based approach, and the Gender Equality Policy rests on the assumption that equal rights are a prerequisite for just and effective development. Also, the Agency is focusing more and more on reducing the number of Icelandic project personnel in the partner countries, relying instead on the appointment of short-term consultants and local experts. Thus, the number of permanently employed Icelandic employees involved in project management has fallen by 25% since 2001 at the same time that funding for projects undertaken by the Agency has grown by more than threefold.

A significant and positive change was made in the operating procedures of the Agency in 2004, when the Foreign Ministry decided to grant embassy status to ICEIDA's regional offices. This decision of the Foreign Ministry has transformed the working environment of the Agency and greatly facilitated relations with the local governments and with other donors. As a result of this measure, the working environment of ICEIDA has become similar to that of other development agencies which form a part of their respective foreign services or work under their auspices. However, ICEIDA remains an independent agency, although co-operation with the Foreign Ministry is constantly growing and strengthening, as evidenced by this decision of the Ministry.



Sighvatur Björgvinsson

Highlights from the Home Office

The year 2004 saw a continued increase in allocations from the Icelandic State Treasury to international development. Icelandic international development aid was incorporated formally into law through the Act on the Icelandic International Development Agency in 1981. Public allocations to development at that time, and for the following 16 years, languished at between 0.07% and 0.1% of Gross Domestic Product (GDP), notwithstanding the fact that Iceland's legislature, the Althing, had resolved more than once that Iceland should aim for the target set by the United Nations of allocating 0.7% of GDP to development aid. Changes in this regard did not become apparent, however, until 1998, following a comprehensive review of Icelandic development aid, undertaken on the initiative of the Foreign Minister at the time, Mr Halldór Ásgrímsson. On his recommendation, the Icelandic government resolved that over the next five years, i.e. up until the year 2003, public allocations to development aid as a percentage of GDP should be doubled. This objective came close to being achieved, as in 2003 allocations from the State Treasury to development aid amounted to approximately 0.19% of GDP.

Decision on Continued Increase

During the year, the government, on the recommendation of the Foreign Minister, Mr Halldór Ásgrímsson, decided to continue to increase still further the state allocations to development aid. It was agreed that by the years 2008-2009 the aid should amount to 0.35% of GDP, and in the State Budget for 2004 an increase in funding was approved which was consistent with the stated objective. Approximately 85-87% of Iceland's bilateral aid, which is channelled through ICEIDA, is tied up in agreements which are invariably denominated in US dollars. The Icelandic economy has flourished in recent years, and continued economic growth is projected in the coming years. Iceland's Gross Domestic Product is, therefore, growing rapidly while the Icelandic króna has gained significantly in strength against foreign currencies, including the US dollar. The decision of the government to raise Iceland's international development allocations, weighed in the currency in which Iceland negotiates its agreements, therefore represents a much greater increase in real terms than the increase in the proportion of GDP would indicate. Based on official projections of the increase in GDP until 2008/2009 it may therefore be assumed that the financial scope of the Agency will increase by up to threefold from the year 2004 to 2008/2009. Since the Agency operates exclusively on a project-based approach, and since the legislation governing the Agency renders extremely difficult any participation based on silent partnership, it is clear that the massive proposed increase in funding will not be without difficulty and will require careful and extensive planning and preparations on the part of ICEIDA's staff.

Change of Minister

On 15 September, the Icelandic Cabinet underwent a reshuffle which had been agreed at the time that the Cabinet was formed following the parliamentary election in 2003. The Cabinet represents a coalition government of two political parties, the Independence Party and the Progressive Party. Mr Halldór Ásgrímsson, Chairman of the Progressive Party, who had served as Foreign Minister since 1995, took over the office of Prime Minister, while Mr Davíð Oddsson, Chairman of the other party to the coalition, the Independence Party,

The government decided to continue to increase still further the state allocations to development aid.

who had been Prime Minister in all Icelandic government coalitions since 1991, took over as Foreign Minister. Mr Oddsson has enjoyed an illustrious career in politics. Only 34 years of age he took the office of the Mayor of Reykjavík, the Icelandic capital, one of the most influential and coveted political positions in the country. In 2001, he was elected Chairman of the Independence Party which has been, and still remains, the most influential political party in Iceland. A few months later, he formed his first cabinet in coalition with the Social Democratic Party. That government left office following the parliamentary elections of 1995, after which Mr Oddsson formed a coalition government with the Progressive Party, which was renewed under his leadership following elections in 1999 and again following elections in 2003. No Icelandic politician has served as long in the office of Prime Minister as Mr Davíð Oddsson. The cabinet reshuffle involved no changes in government policy, as in fact the same parties remained in power, maintaining an unchanged policy. It, therefore, remained the steadfast resolve of the Foreign Minister to reinforce Icelandic international development aid and to continue to carry out the foreign aid policy previously agreed.

New Policy for ICEIDA

A revision of ICEIDA's Policy was undertaken in 2004. Guided by the UN Millennium Development Goals (MDGs) adopted at the UN's 55th General Assembly in September 2002 and the policy of the Icelandic government in international development cooperation, a new Policy and Plan of Operation for ICEIDA was completed in early¹ 2004. The new plan is focused on economic development, environmental sustainability, gender equality and support of grass root activities and democratic development in partner countries. The new Policy and Plan of Operation furthermore provides guidelines for the selection of partners, co-operation and co-ordination of development aid, financial administration, dissemination of information in Iceland about development cooperation and involvement of NGOs and various institutions in Iceland in the implementation of development work. ICEIDA's Policy and Plan of Operation was published in Icelandic and English later in the year and is available at ICEIDA's offices and on ICEIDA's website - <http://www@iceida.is>.

ICEIDA's Gender Equality Policy

Gender equality is accepted as a basic human right in Iceland, as reflected in statutory law. Thus, gender and gender equality is an important component that must be taken fully into account in all aspects of ICEIDA's planning and operation.

A new gender equality policy was formulated specifically for ICEIDA in 2004. It is founded on the current policy and plan of operation for ICEIDA and stipulates that gender and gender equality should be mainstreamed into all institutional activities, planning and implementation. The policy was developed by a team of ICEIDA staff led by an external consultant and approved by the Board of ICEIDA in August 2004². ICEIDA's Gender Equality Policy was published in Icelandic and English later in 2004 and can be obtained from ICEIDA's offices and its website - <http://www@iceida.is>.

Adaptation to DAC procedures and reporting

In 2003, the Ministry for Foreign Affairs initiated the preparations for Iceland to join the Development Assistance Committee of the OECD (OECD/DAC). The OECD/DAC were quite willing to accept Iceland as a member, but called for a number of amendments in the reporting structure for the Official Development Assistance (ODA) in Iceland. In early 2004, the ICEIDA home office began revising its accounting and reporting system in order to conform to DAC requirements.

A new Policy and Plan of Operation was formulated. The new plan is focused on economic development, environmental sustainability, gender equality and democratic development.

¹ ICEIDA's Policy and Plan of Operation. Approved by the Board of ICEIDA at its 267th meeting in March 2004.

² ICEIDA's Gender Equality Policy, Approved by Board of ICEIDA at its 271st meeting in August 2004.

This coincided with the introduction of a new web-based accounting system for the home office and the country offices in partner countries. This work was completed by mid-2004, by which time the reporting and accounting had been fully harmonized with OECD/DAC procedures.

Towards the end of the year, the Ministry for Foreign Affairs decided to postpone Iceland's entry into OECD/DAC to a later date. Nevertheless, ICEIDA's reporting and accounting structure will continue to be harmonized with that of OECD/DAC and Iceland will continue to report to DAC on ODA as a non-DAC member.

New Partner Countries

Coinciding with the decisions to increase the level of Icelandic development cooperation in the coming years, it was also decided to increase the number of partner countries from four to six. This decision was jointly taken by the Ministry for Foreign Affairs and the Board of ICEIDA. On the basis of a political analysis carried out by the Division for International Co-operation in the Ministry for Foreign Affairs, which looked initially at 25 potential partner countries, four countries were selected for more detailed consideration. A representative from



Photograph: Kristján Sigurjónsson

The Board of ICEIDA agreed that preparation for development co-operation with Sri Lanka and Nicaragua should begin.

ICEIDA travelled to two of these countries, Nicaragua and Sri Lanka, in September and October 2004, to evaluate the possibilities for co-operation and the prospects of successful operation for ICEIDA in these countries. The reports were favourable and recommended that Nicaragua and Sri Lanka be considered as potential partner countries for Iceland. The Board of ICEIDA, therefore, agreed at its meeting in December 2004 that preparation for development cooperation should begin in 2005. The focus of the cooperation will be on the fisheries sector in Sri Lanka and the geothermal energy sub-sector in Nicaragua.

New Sector - Geothermal Energy

Owing to its small size and other factors, ICEIDA has observed a policy of limiting its international aid to a relatively limited number of sectors, focusing on areas where Iceland possesses special experience and expertise. For a considerable time, ICEIDA's development aid was limited almost exclusively to fisheries, but in recent years a greater emphasis has been placed on support in the health sector, where Iceland has achieved notable results on the home front, as well as the education and social sectors, particularly in the field of adult education. Development aid in these new sectors has since been growing rapidly. Iceland is one of the leading nations in the world when it comes to the utilisation of

geothermal energy. Geothermal zones are widespread in Iceland and geothermal energy is utilised in a wide variety of ways for the generation of electricity, residential heating, to melt snow, in fish farming, manufacture of biological compounds, for swimming pools, and even to heat up sea in a bathing area at a small beach located in the capital, Reykjavík. Also, the United Nations University's Geothermal Training Programme, the only school of its kind in the world, is based in Iceland. Concurrently with the preparation of a new comprehensive policy for ICEIDA, which was approved in 2004, the Board of Directors of the Agency approved a formal decision to add geothermal energy to its sphere of activities, although the Agency had in fact been involved earlier in minor projects in that sector. Among the first geothermal projects undertaken by ICEIDA was a co-operation project with the government of Uganda concerning basic research and a pre-feasibility study of the potential utilisation of geothermal energy in 2-3 geothermal zones in Uganda, which are regarded as quite promising. In addition, the Agency participated in the preparation of a joint project of six states in north-western Africa, together with the United Nations Environment Programme, the KfW Bank in Germany and Global Environment Fund, together with other donors, relating to the research and utilisation of geothermal energy in the northern reaches of the East African Rift, which is believed to be one of



Photograph: Guffi

the major geothermal zones in the world. The project has been given the name of ARGeo. Furthermore, the Agency has begun preparations for geothermal support to the government of Nicaragua. ICEIDA will engage in its geothermal projects in co-operation with geothermal organisations in Iceland, such as the National Energy Authority, Icelandic Geo-Survey, the UNU Geothermal Training Programme and the Icelandic Ministry of Industry.

A formal decision was made to add geothermal energy to ICEIDA's sphere of activities

Co-operation with Institutions and NGOs

Efforts were continued to build up a co-operation network with institutions and non-governmental organisations, both in Iceland and in the partner countries. Formal partnership agreements have now been concluded with two Icelandic universities, the University of Iceland and the University of Akureyri. In addition, similar formal agreements have been concluded with other organisations, such as Icelandic Geo-Survey and the Fisheries Association of Iceland, and there are plans to enter into further such partnership agreements with other Icelandic organisations working in the sectors where ICEIDA is active, including the Icelandic Fisheries Laboratories and the Icelandic Marine Research Institute. The same applies to other Icelandic universities, such as Reykjavík University and the Iceland University of Education. These agreements enable ICEIDA to take

advantage of the expertise available in these institutes of education and research for the benefit of development projects and to obtain personnel from these parties to serve as consultants and conduct professional audits of the Agency's projects. In the same way, ICEIDA has strengthened its links with both Icelandic and foreign NGOs. Thus, the Agency is already co-operating on development projects with the Icelandic Church Aid, the Icelandic Federation of Labour, the Association of Lions Clubs, the Rotary Movement, ABC Children's Aid and Soroptimists, to mention only a few examples. In addition, the Agency co-operates with NGOs in its partner countries, and this co-operation has been increasing.

Personnel

In spite of the rapidly increasing scope of ICEIDA's activities, the number of employees in permanent positions has been falling. In 2004, there were only 15 permanent staff members of the Agency, down in that year by 4.5 full-time positions. This means that the number of Icelandic employees in partner countries has fallen by 11 from its historical peak in spite of the Agency's activities doubling in scope over the same period. However, the number of staff members at the home office has increased from three to six over the same period. The reason for the reduction in the number of permanent Icelandic ICEIDA experts in the field is the deliberate decision of the Agency to appoint local experts where possible and, in addition, to make greater use of Icelandic short-term consultants rather than permanently employed experts where possible. At the same time that the number of long-term Icelandic experts working for ICEIDA has been going down, the number of local consultants on the staff of the Agency has grown, as a much greater number of people are now being hired on a short-term basis as consultants for the Agency, i.e. with employment terms of one to six months.

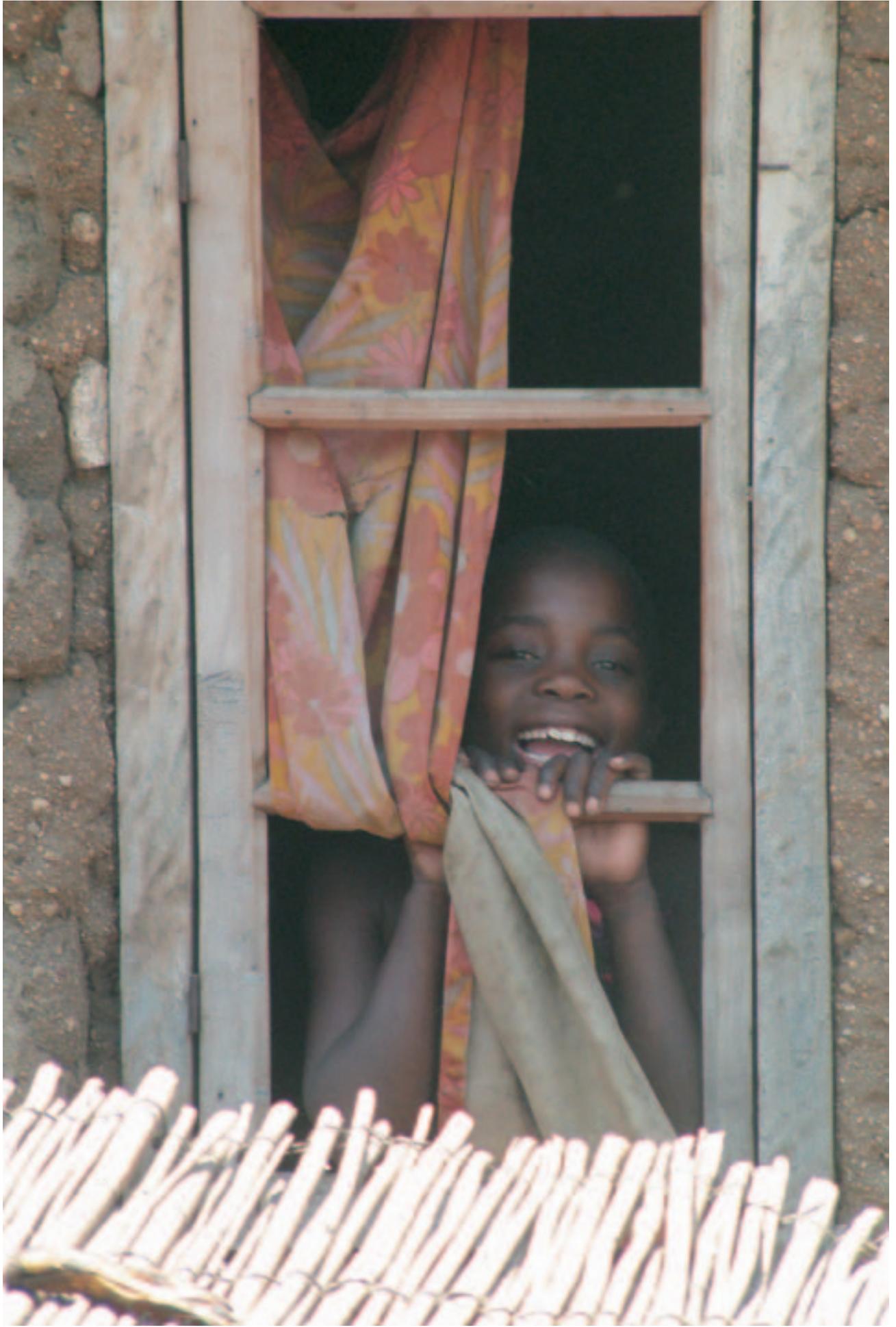
Internship Programme

Interest in ICEIDA's work and in development issues in general, although widespread before, is growing steadily. This is reflected, among other things, in the number of applicants for every employment position advertised by the Agency and by the substantial attendance at meetings and conferences on development affairs hosted by the Agency in co-operation with partners such as the University of Iceland and the Nordic Africa Institute. In order to provide young Icelanders with an opportunity to gain first-hand knowledge of development aid, the Board of Directors of ICEIDA resolved to embark on the experiment of inviting young university-educated people to internship positions in two partner countries, Mozambique and Malawi, in 2004. Following the internship term, ICEIDA's directors in the countries in question were asked to evaluate the results of the experiment. Their conclusions prompted the Board of Directors to publish a call for applications for training posts in all four ICEIDA partner countries next year, and it now appears likely that on-site training of this kind will be a permanent aspect of ICEIDA's activities in the future.

Scholarships

ICEIDA continued to offer scholarships in the same form as in previous years. Students were granted scholarships for studies in the United Nations University's Fisheries Training Programme in Iceland, one student from Mozambique pursued a masters degree in nutrition, another from Uganda studied for a masters degree at the University of Iceland in connection with the Agency's geothermal project in that country, teachers from the Aquaculture Department of Bunda College in

Efforts were continued to build up a co-operation network with institutions and non-governmental organisations, both in Iceland and in the partner countries.



Photograph: Guffi



Photograph: Guffi

Malawi received support for postgraduate studies, teacher training was provided to instructors at the Namibian Maritime and Fisheries Institute (NAMFI), in addition to various long and short-term courses offered in connection with the Agency's projects in partner countries. A new feature of the Agency's scholarship offerings was the offer of grants to Icelandic Masters and PhD candidates, with two grants offered to students at the masters level and one to a doctoral candidate; these scholarships are intended to support research projects in the developing countries which have the potential of being useful to ICEIDA in its future activities in the countries in question.

New Housing

The increased scope of ICEIDA's activities has resulted in an increased need for staff and workspace at its headquarters, which is responsible for preparations and supervision of all the Agency's projects. The Agency's offices at Þverholt 14 in Reykjavík had become far too small to house its activities and the staff required for its work, so that ICEIDA was moved to much more spacious and convenient housing on a lower floor in the same building at Thverholt 14. The premises were furnished in accordance with ICEIDA's needs and will foreseeably

Photographs: Elin R. Sigurðardóttir

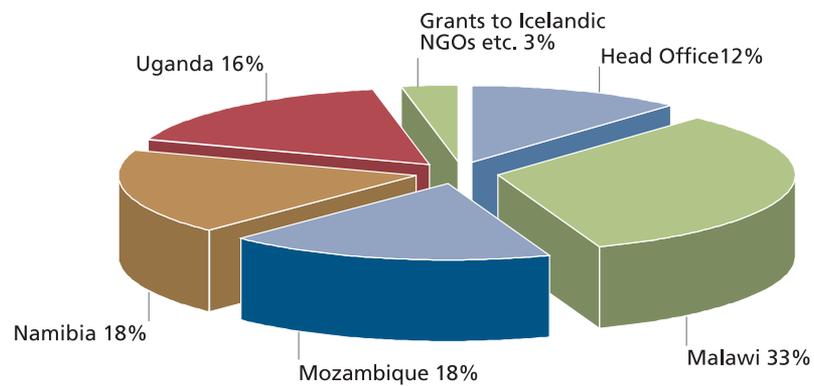


serve the Agency's purposes in the coming years. At the same time, measures were taken to permit further expansion of the present housing if necessary. Also, all furnishings, computer equipment and office equipment was renewed. As a matter of policy, efforts are always made to keep the number of office staff at a minimum, so that in spite of the substantially increased, and still growing, scope of operation there were only six permanent staff members at the Agency's headquarters.

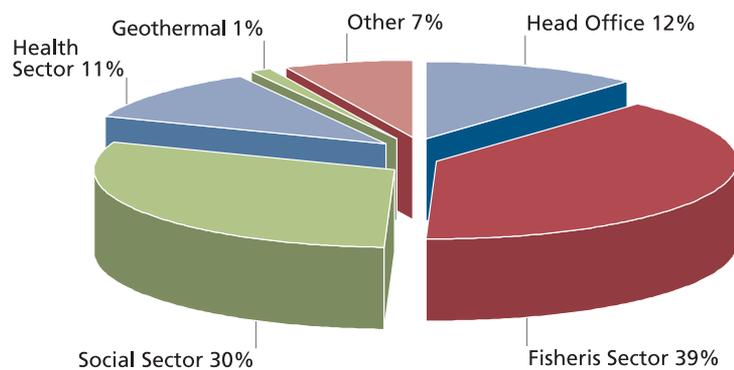
Financial Statement 2004

Icelandic development aid as a ratio of GNI was 0.18% in the year 2004. Approximately 33% of the total budget went to bilateral aid administered by ICEIDA, or US\$³ 6,686,113.

Expenditures-Geographical Distribution US\$



Expenditures-Sector Distribution



Partner Countries



The focus of the development co-operation between Iceland and Malawi is on health, education and fisheries.





The economic performance of Malawi has varied in recent years and the economic growth has fluctuated between positive and negative figures. There has not been significant improvement in the standard of living of most Malawians and the country continues to be among the poorest in the world. The problems of food shortage and malnutrition have repeatedly affected the people, in particular the rural population. Towards the end of 2004, the food security situation deteriorated yet again, especially in the populous southern region where there was a late start to the rainy season.

The HIV/Aids epidemic has reached devastating proportions in Malawi and is now a major risk to public health and socio-economic development of the country. It is estimated that the infection rate for the population group of 15-49 is 16%⁷. The disease spread, touching the lives of citizens across the country. The productive age groups are most at risk and increasingly large groups of orphans are created. The disease represents one of the most serious threats in regard to reaching the UN Millennium Developing Goal of halving the poverty in Malawi by the year 2015.

The economic policy of Malawi is highly influenced by international donors, in particular the World Bank and the International Monetary Fund (IMF), who have

MALAWI

MALAWI^a – Key Figures

Land area	118.484 km ²
Population ⁴	12.4 million
Population growth rate	2,2% (2003 - 2015)
GDP per capita	156 US\$
GDP per capita PPP ⁵	605 US\$
GDP growth rate ⁶	4,0% (estimated)
Adult literacy rate (age 15 and above)	64.1%
Icelandic aid	2,270,276 US\$

^a a Statistical sources if not otherwise specified: **Human Development Report 2005**. Published by the United Nations Development Programme (UNDP).

⁴ **Country Report Malawi, January 2005**. The Economist Intelligence Unit.

⁵ Purchasing Power Parity. A rate of exchange that accounts for price differences across countries, allowing international comparisons of real output and incomes.

⁶ **Country Report Malawi, January 2005**. The Economist Intelligence Unit.



provided financial support to the country's adjustment strategies. These strategies place emphasis on restoring and consolidating economic stability and increasing spending on human capital to alleviate poverty. Malawi's performance in 2003 and the first half of 2004 went off-track and consequently the IMF suspended its disbursements to the government.

The third multiparty presidential and legislative elections were held in Malawi on 20 May. The elections provided a wide choice of political contestants. Mr Bingu wa Mutharika, the candidate of the ruling United Democratic Front, was elected as Malawi's third president, for a five-year term. At the legislative election, the Malawi Congress Party won 60 seats, the United Democratic Front won 49 seats, the Mgwirizano Coalition won 28 seats, and independents won 38 seats. Independent electoral observers noted considerable inadequacies in the run-up to the polls⁸. The observers accepted, however, that voters were free to express their wishes on election day and the results of the elections were internationally accepted.

Despite winning only 49 parliamentary seats, the United Democratic Front attained a parliamentary majority via alliances with other parties. The former president, Mr Bakili Muluzi, retained the position of party chairman of United Democratic Front.

⁷ The Impact of HIV/Aids on Human Resources in the Malawi Public Service. A study commissioned by the Government of Malawi, 2002.

⁸ Country Report Malawi, July 2004. The Economist Intelligence Unit.



In his inauguration speech, Mr Mutharika pledged to put economic reform at the heart of his agenda. His plans included agricultural reform to improve food security, reducing government spending, an improvement in capacity in the civil service and zero tolerance for corruption. Since election, the president has adopted an independent course, which has caused serious split within his party, the United Democratic Front. However, it has boosted his standing among the general public.

International donors have been encouraged by the performance of the new government during the first months. Already in July, the IMF reached an agreement with the new government on a programme focussing on improved fiscal performance. Other donors have also stepped up their support and have begun to disburse aid that was suspended under the previous administration.

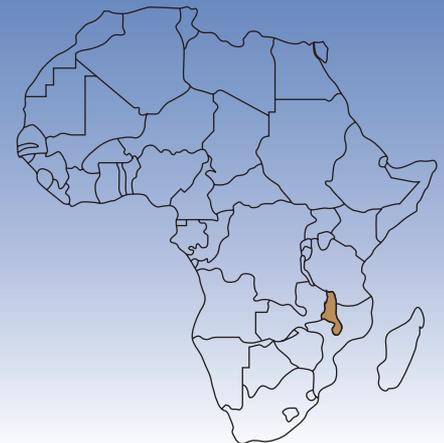
ICEIDA's Development Co-operation

The development collaboration between Iceland and Malawi entered its fifteenth year in 2004. The Icelandic support to Malawi has increased significantly during the years and Malawi continues to be the main partner country of ICEIDA.

MALAWI



Photograph: Kristján Sigurjónsson



All activities supported by ICEIDA in Malawi are aimed at combating poverty. The focus of the development co-operation between Iceland and Malawi is on three sectors, health, education and fisheries. The strengthening of these sectors is considered essential for sustainable social and economic development in the country.

To further consolidate and develop the relations between Iceland and Malawi, the Ambassador of Iceland, Mr Benedikt Ásgeirsson, who resides in Maputo, presented his credentials to the President of Malawi on 16 March. In continuation thereof, preparations started to designate the ICEIDA head office in Lilongwe as a diplomatic mission. The inauguration of the Embassy took place on 30 June. The Minister of Social Affairs in Iceland, Mr Árni Magnússon, represented the Government of Iceland at the occasion. The operation of the Embassy went on smoothly during this first year of its existence. Having an Embassy status has been an advantage for the ICEIDA operation in Malawi.

The Policy of ICEIDA, adopted by the Board of ICEIDA in 2004, the UN MDGs, adopted by the United Nations' General Assembly in 2000 and the Malawi Poverty Reduction Strategy (PRS), launched in 2002, form the foundation of ICEIDA's support to Malawi. All activities are carried out under the General



Photograph: Guffi



Agreement on Bilateral Cooperation between the governments of the two countries. Most of the activities are being implemented in the district of Mangochi in the southern region of Malawi.

Support to the Health Sector

The overall goal for the public health service in Malawi is to raise the levels of health of the population through a delivery system capable of promoting health, as well as preventing and reducing the occurrence of premature deaths. However, Malawi is facing various constraints in achieving its goal and the Malawians have to deal with grave health challenges. Life expectancy at birth in the country has been decreasing over the last decade and is now less than forty years.

In recent years, ICEIDA has placed increased emphasis on improving the conditions of the poorest in Malawi. Accordingly, special emphasis is placed on support to the Ministry of Health to deliver essential health services. ICEIDA has supported health care in Monkey Bay Health Zone of Mangochi District since 2000. A new project document, Support to Monkey Bay Health Care 2004-2007,

MALAWI



Photograph: Kristján Sigurjónsson



Photograph: Guffi

was signed in June 2004 by representatives from the Ministry of Health and ICEIDA. The new project document is in accordance with the Malawi Essential Health Package (EHP) which in turn is part of Malawi's Poverty Reduction Strategy Paper. The EHP strategies are aimed at three main objectives; improving quality and availability of essential health care inputs, improving access to and equity of essential health care and strengthening administration and financing of essential health care services. The EHP addresses the major causes of morbidity and mortality, such as lack of acute services for women in labour, immunizable childhood diseases, malnutrition, malaria and other infectious diseases, sexually transmitted diseases, including HIV/AIDS, drug supply, limited access to health services in general and other related issues.

In preceding years, new hospital facilities have been built in Monkey Bay, consisting of an out-patient department, maternity ward and general wards. Planning is underway for the building of a surgical theatre which will greatly improve services to women in labour. An ambulance is currently run by ICEIDA servicing the five health centres within the zone and forms a gateway for referral to Mangochi District Hospital. Wireless communication is in place at all health centres which is fundamental for the functioning of a referral system. Integrated services are now being offered at Monkey Bay Community Hospital (MBCH) and

ICEIDA's support to the health services in the Monkey Bay area was extended. Integrated services are now being offered at Monkey Bay Community Hospital.



clinicians have been trained in use of the Integrated Management of Childhood Illness protocols.

A laboratory is now in full operation with a full-time laboratory technician. Currently, he is making, on average, 50 analyses a day and consequently the quality of the hospital services has improved. The need for referral to Mangochi District Hospital has been reduced due to the fact that complicated analysis, such as a full blood count, analysis of spinal fluid and blood transfusions can now be conducted at MBCH.

A systematic registration of patient flow through MBCH is now done on a daily basis and shows an increase in the utilization of the hospital wards and OPD. Construction of a surgical theatre is expected to further increase the patient load, fully utilizing the existing structures.

Much emphasis has been on training and supervision of Traditional Birth Attendants (TBAs) as statistics show that 50% of expectant mothers eventually give birth with the assistance of a TBA. The importance of trained TBAs has also been acknowledged by health authorities as an intrinsic part of maternity services.

Plans are underway to open a Voluntary Counselling and Testing Centre in an effort to curb the spread of HIV and increase knowledge of the disease in the community. Parallel to that, health professionals will need to be trained in the diagnosis and treatment of other common sexually transmitted diseases.

Family planning is being addressed with training of Community Based Distribution Agents who are volunteers operating at village level, educating their peers about family planning options as well as distributing condoms, birth control pills, etc.

Medical research is an essential part of the project. In 2004, two Malawian fourth year medical students conducted their medical research in Monkey Bay, addressing prevalence of family planning usage and the implementation of the new Health Management Information System.

In 2004, preparations started for a project on improved access to safe drinking water and sanitation in the Monkey Bay Health zone. Water and sanitation problems are widespread in the area. In many villages, the drinking water source is very poor and many are prone to surface water pollution, especially during the rainy season. This leads to regular outbreaks of water born diseases, e.g. diarrhoea and cholera. In October, two individuals were recruited to conduct a survey on the water and sanitation situation in the zone. They submitted a report in December which will be discussed and decided upon by the Board of ICEIDA in 2005.

In addition to the support to the Monkey Bay health zone, ICEIDA has been providing funds to a local NGO in Lilongwe, working in the health sector, since 1995. The funds have been allocated to the upgrading, rehabilitation and maintenance of health facilities at Bottom Hospital in Lilongwe. In 2004, ICEIDA supported the upgrading of the main water supply to the hospital.

Support to Education and Social Development

Increased education is one of the most important means of reducing poverty. Recognizing that one of the keys to empower the poor in Malawi is through basic education, ICEIDA started to support the National Adult Literacy

Life expectancy at birth in Malawi has been decreasing and is now less than forty years.



In recent years, ICEIDA has placed increased emphasis on earmarking funds to primary education in Malawi.





Programme (NALP) in rural villages in the Monkey Bay zone in 2001. Literacy level is low in Malawi. About 40% of the adult population is illiterate according to Malawian authorities. Adult literacy is thus an integral component of the Malawi Poverty Reduction Strategy.

The project has used the REFLECT⁹ approach with good results for three years. In the REFLECT methodology, one of the fundamental idea is empowerment. Therefore, participants are encouraged to discuss their social and economical situation and find solutions as well as being trained in reading, writing and arithmetic.

During the year 2004, the main focus was on training activities and capacity building for the staff posted at the Monkey Bay office, as well as for the literacy facilitators and literacy committees. 23 circles were operated at the beginning of the year with the average enrolment of 575 learners and five new literacy circles were opened in May.

REFLECT facilitations manual was published in 2004 and the staff at the Monkey Bay office facilitated training for the facilitators to teach them to use the

MALAWI



Photographs: Guffi

The Adult Literacy Project was evaluated externally. The results indicate that many of its objectives have been reached.

manual. Facilitators from the 28 REFLECT circles in the Monkey Bay area participated in a week-long workshop where they were trained in the management of rural information centres. In the villages, the post-literacy material and booklets are kept in specific post-literacy (library) boxes produced by the project in 2002. The facilitators supervise the borrowings of booklets and other post-literacy material in the villages.

The district network committee on "against gender-based violence" conducted meetings in the REFLECT circles for the guest speaker programme. The main purpose was to inform the communities on the impact of gender-based violence. The participation in the discussions was in general very good and both men and women were able to reveal some of the violence experienced in their communities.

An Icelandic student in social sciences carried out a qualitative pilot study on the National Adult Literacy Programme in Monkey Bay. The study's main objective was to view the "empowerment component" of the project. In the interviews, many of the learners expressed that the participation in the circles had changed their life in a positive way.



The project contract between the Ministry of Women, Child Care and Community Services and ICEIDA came to an end in 2004. To measure the progress and to get guidelines for the future co-operation an external evaluation of the project was carried out in August and September. The results indicate that many of the objectives have been reached and that there is a need for the project activities to continue in the area. The evaluation team recommended that the project would be extended to a second phase, involving both consolidation and expansion. The report presented very useful recommendations and preparations are underway for project extension, as well as an expansion to a neighbouring area.

In recent years, ICEIDA has also placed increased emphasis on earmarking funds to primary education in Malawi. Historically, Malawi has one of the lowest enrolment rates in Sub-Saharan Africa. In 1994, the Malawi government adopted a policy of free primary education. This resulted in a massive increase in the number of primary school pupils, which has placed severe constraints on the financing of the primary school system.

The primary education sector in Malawi is currently guided by two education policy documents, one of which is called the Policy and Investment Framework, and the

MALAWI



other is the Poverty Reduction Strategy Paper. The main objectives of these papers are to increase access for all children attending primary schools, to make school attendance available for all groups of society, including the marginalized people, increase the significance of education and improve the quality of education. ICEIDA's objective is to assist the Malawian government in implementing these goals by providing funds to the construction of primary schools.

Six primary schools were supported by ICEIDA in the Mangochi District.

In the year 2004, a total of six primary schools were supported by ICEIDA in the Mangochi District. The second phase of Msaka Primary School was finalized, but the first phase had already started in 2003 and was finished the same year. Facilities were extended at Namazizi Primary School, which ICEIDA has been supporting since 1995. A new primary school was built in an isolated village called Zambo. Administration blocks were built and old school blocks renovated in Monkey Bay Primary School, Navy Primary School and St. Louis Primary School. Pit latrines were constructed at St. Louis Primary School. Finally, all the six schools were supplied with furniture. ICEIDA's input has been very visible and goes hand in hand with the goals of the Government of Malawi.

During 2004, an agreement was also made between ICEIDA and the District Education Office in Mangochi, where it was agreed that ICEIDA would provide

funds for training in capacity building, teaching practices, community participation of gender equality, and training on enhancement awareness in reducing girl's dropout rate.

A workshop was conducted among ICEIDA employees and personnel from the Ministry of Education to make a prioritized plan for the coming five years, so that once funds are available the preparation work has already been done.

In addition to the educational projects described previously, which all involve active participation of ICEIDA in the implementation, ICEIDA continued to facilitate the support of the non-governmental Soroptimist Club of Reykjavik during 2004. The club provides scholarships to needy students in the Lisumbwe Secondary School in Monkey Bay. Scholarships were provided for the second year for twenty female students.

Support to higher education

ICEIDA has been supporting the Aquaculture and Fisheries Science Department (AFSD) of Bunda College of Agriculture for ten years. The developmental objective of the support is to increase food security in Malawi through support to the aquaculture and fisheries sector. During the support period, the Aquaculture Programme at Bunda College has grown from being an option within Animals Science Department, with one staff member, to a full department. It now offers BSc and MSc programmes in aquaculture and fisheries, and it has 12 academic staff members. The project is coming to an end in 2005 and the support has reduced as planned. The Project Co-ordinator, who was employed by ICEIDA, finished his term of service with AFSD at the middle of the year.

A total of 18 students finished their BSc degrees in Aquaculture and Fisheries science. Three of these graduates were Zambians Mature Entry students on full scholarship, the rest were Malawians one of whom was on full scholarship while the rest were on a study grant. 17 students proceeded from year 3 to year 4, the final year of BSc in Aquaculture and Fisheries science. Six of these students are on full scholarship while 11 of them on a study grant. The fourth year students are the last group on ICEIDA scholarship.

The three students from the first group of MSc students finished their MSc degrees. The second group of MSc students was in its final stages of thesis write-ups by the end of the year 2004. Two MSc students who had started with research had finished their field research work and started their course work in their second year, together with two other students in their first year during the 2004-2005 academic year. Three of these students are on ICEIDA scholarship. All their courses were covered according to plan without any disturbances.

Using ICEIDA funds, the AFSD engaged one part-time lecturer to teach a project management course. One technician in fish breeding and hatchery management was recruited as well. The department also advertised for two staff positions: lecturer in fish biology and senior lecturer in fish production systems.

Although the number of staff in the AFSD has increased there are a lot of variations in the number as some leave after having taught short courses or to continue their own studies. For these reasons, the on-going hiring of part-time lecturers is a necessity.

An external evaluation of the project was carried out towards the end of 2003. It revealed remarkable development of the AFSD during the past ten years, from a single course to a full department with fully-fledged BSc and MSc programmes.

ICEIDA has supported the Aquaculture and Fisheries Science Department of Bunda College for ten years. At that time, the Department has developed from a single course to a full department with fully-fledged BSc and MSc programmes.

Notwithstanding, the evaluation team identified some areas that needed further support, including the MSc programme, awareness of the programme within the SADC region and participation of more female students in the programme. On the basis of these findings, a proposal was submitted to ICEIDA in August to wrap up ICEIDA's support to Bunda. A final decision on the extension of the project will be made by the Board of ICEIDA in 2005.

Support to the Marine and Fisheries Sector

Lake Malawi is the most significant natural resource available to Malawi. It has provided a means of transport along the length of the country and nourished the inhabitants by providing them with a source of protein. Fish from Lake Malawi is a major source of the population's protein intake, and the industry provides direct and indirect employment for about 300 thousand people.

The need for technological intervention to encourage the small-scale fisheries on Lake Malawi to move offshore has been recognised for many years or since research in the mid-1990s showed that more fish could potentially be harvested from the under-exploited offshore pelagic and deep-water demersal fisheries of the lake. The development and expansion of the local fishing industry is one of the priorities of the Poverty Reduction Strategy of the Malawian government. To achieve this, the Director of Fisheries requested the assistance of ICEIDA to launch a new technical project. This pilot project was under preparation during the year 2004. The overall objective of the project is to improve food security and income of rural fishing communities in target villages in Namkumba Peninsula. This will be done by aiding in the development of an offshore small-scale fishery in order to allow small-scale fishers to expand their operations to under-exploited resources in the deep-water demersal and pelagic zones of southern Lake Malawi.

The completion of the draft Project Document and Plan of Operations was the main target for the year 2004 as the project will be launched in 2005. Extensive community consultations within the Nankumba Peninsula were undertaken, which showed serious constraints to the development of the small-scale fisheries. To support further development of the project, an Icelandic gear technology expert was contracted, who performed a rapid assessment of the current gear and vessel technology. A regional expert from the Department of Ichthyology and Fisheries Science at Rhodes University in South Africa was recruited as well to act as an independent reviewer and advise on the planning process. It is estimated the first phase of the project will take five years with the possibility of extension if it turns out to be successful.

ICEIDA also supports the Marine Sector of Malawi in the project Charting of Lake Malawi. The project is drawing to a close, having started in February 2001. The activities in 2004 were mainly focussed on winding up unfinished remaining work in regard to the project and to prepare a short extension of it. ICEIDA has accepted to continue with some financial support to the project for the next two years. The Malawian contribution to the project was considerable in 2004 as well. The inputs from the government together with those from ICEIDA made the year one of the most productive in the history of the project.

Hydrographic survey in the Likoma-Nkhata Bay area, which started in 2003, was completed as well as data processing at the office in Monkey Bay. This covered four charts. These charts will be produced using the new automated chart production software, CARIS. The last two charts made by manual production were printed locally and therefore increased the number of published charts to

A new project within fisheries was under preparation. The overall objective is to improve food security and income of rural fishing communities in target villages.



six. Following a request from the Survey Department, the project management took up discussions with the Icelandic Coast Guard to extend the trilateral technical agreement signed in 2002 for further two years. The conclusion of these discussions is promising. Continuation of the co-operation is important to secure the sustainability once the project has ended.

The sustainability of the survey work after the project has come to an end will hopefully partly be solved by the project extension agreement, which is under preparation. There is willingness on the half of both partners to develop further the capacity, infrastructure and financial independence of the Hydrographic Survey Department. Still the future of the activities will rely on continued input from the Government of Malawi, especially to secure funds to continue the work already done.

ICEIDA has requested an internal evaluation of the project to be carried out in 2005. The evaluation is meant to give guidance for the future of the hydrographic work in Malawi and assess the results of the project in view of the objectives and planned inputs and outputs, in order to make recommendations which are expected to facilitate a satisfactory completion of the project.

MALAWI



Photographs: Guffi

The year was one of the most productive in the history of the project Charting of Lake Malawi.



MOZAMBIQUE

Iceland's co-operation with Mozambique includes the fisheries, health and social sectors.





In spite of being one of the poorest countries in the world, over the last few years, Mozambique has made considerable progress in the fight against poverty and improving human development. The current poverty reduction strategy paper (PARPA) is set out for the period 2001-2005 and incorporates the Government's strategic vision for poverty reduction, as well as being a tool for the preparation of the Government's budgets, programmes and policies.

The provision of aid in Mozambique has over the past few years increasingly, although not exclusively, been moving in the direction of a direct budget support (DBS) with 15 partners engaged in DBS in 2004. The purpose of this is to harmonise the interventions of various donors and align these with government policies and systems.

In April, a joint review of the performance of programme aid partners took place, followed by the signing of a Memorandum of Understanding with the Government. The partners pledged more than US\$ 240 million in 2004, or one-third of the total aid and one-fifth of the government budget. This is one of the largest joint programmes in Africa, both in terms of volume and donor agencies involved.¹⁵ The main objective of the Memorandum of Understanding is to build

MOZAMBIQUE



MOZAMBIQUE^b – Key Figures

Land area	802,599 km ²
Population ¹⁰	19.2 million
Population growth rate	1.8 (2003 - 2015)
GDP per capita	230 US\$
GDP per capita PPP ¹¹	1,117 US\$
GDP growth rate ¹²	8.2% (estimated)
Life expectancy at birth	41.9 years
Literacy rate (age 15 and above)	46.5%
Icelandic aid	1,236,548 US\$

^b Statistical sources if not otherwise specified: **Human Development Report 2005**. Published by the United Nations Development Programme (UNDP).

¹⁰ **Country Report Mozambique, March 2005**. The Economist Intelligence Unit.

¹¹ Purchasing power parity. A rate of exchange that accounts for price differences across countries, allowing international comparisons of real output and incomes.

¹² **Country Report Mozambique March 2005**. The Economist Intelligence Unit.

a more solid partnership based on the approach to support the government's poverty reduction strategy.

When comparing the figures from household surveys 1996-1997 with the 2002-2003 survey, the review found that there was a substantial fall in poverty or from 69% to 54%, combined with a strong growth rate and that most targets in the priority sectors had been achieved. Areas that still need improvement include road rehabilitation, procurement, anti-corruption, legal and judicial reform and audit.¹⁶

Another important aspect of the joint review was to evaluate donor performance. The review noted that the major weakness is in the area of transparency. Only a few donors comply with the government reporting requirements and the government's administrative burden continues to be substantial, especially in terms of visiting donor missions. In addition, aid flows remain late and unpredictable with large proportion of total assistance made up of a multitude of uncoordinated development and technical assistance projects.¹⁷ Although ICEIDA does not participate in the DBS, the mechanisms established in relation to the agreement are a valuable tool for monitoring and planning purposes.

The HIV/AIDS pandemic continues to pose enormous challenges to Mozambique as

¹⁵ <http://www.scm.uem.mz/pap/>

¹⁶ Joint press release: Joint Review of PARPA implementation of 5 April 2004.

¹⁷ **Baseline survey on PAP Performance in 2003**. Richard Gerster and Alan Harding, September 2004.



most countries in sub-Saharan Africa. The Government has adopted a multi-sectoral approach with the aim of involving all sectors of society in the fight against AIDS. Nevertheless, the national response does not seem to be proportional to the scale of the epidemic. The national average of HIV/AIDS infected people is estimated around 15%, with sharp regional differences. The impact on the economy is estimated to be a decrease in the annual rates of economic GDP growth between 0.3% to 1.0% during the period between 1997 and 2010.¹⁸

The performance of the economy has been steady with an estimated growth rate of 8.2% and inflation of 12.8% in 2004.¹⁹ The main growth sectors are agriculture, commerce, especially transport and communications, as well as services.

General elections were held in Mozambique 1-2 December. As projected, FRELIMO won a landslide with 62% of the vote and 160 deputies out of 250 in the parliament. The RENAMO-EU coalition received 29.7% of the vote and 90 deputies, the remaining vote going to smaller parties. Election monitors from various countries and organisations monitored the election campaign and voting and reported that the elections had been mostly free and fair. Election turnout was relatively low, only around 36%.

MOZAMBIQUE



Photograph: Elin R. Sigurðardóttir



President Chissano stepped down and Mr Armindo Guebuza will take over the presidency in early 2005. Amongst the main issues on his agenda is integrated rural development based on the establishment of social and economic infrastructures in order to equip the rural population with better living conditions and increase productivity. A central point on the agenda will be to combat corruption and crime by strengthening the institutions responsible for public security and the administration of justice. Mozambique will also continue to welcome foreign investments and foster a good relationship with the donor community.

In spite of generally favourable political and economic conditions and the rapid economic growth, Mozambique remains one of the poorest countries in the world and it is the poorest and lowest ranking country in the SADC area according to the UNDP's Human Development Report.²⁰

ICEIDA's Development Co-operation

Iceland's co-operation with Mozambique dates back to 1995 and the focus was in the beginning on the fisheries sector. Now, the co-operation includes the social

¹⁸ The Economic Impact of AIDS in Mozambique. Lori Bollinger and John Stover, 1999.

¹⁹ Country Report Mozambique, December 2004. The Economist Intelligence Unit.

²⁰ Human Development Report 2004. UNDP.



Photographs: Elin R. Sigurðardóttir



and health sectors. During 2004, there were three Icelandic staff members working in Mozambique. In January 2004, ICEIDA and the Icelandic Ministry for Foreign Affairs concluded an agreement establishing the ICEIDA offices in Africa as diplomatic missions. The purpose of the agreement is to facilitate ICEIDA's work in the co-operating countries and increase co-ordination and co-operation between the ICEIDA offices and the relevant directorates in the Ministry for Foreign Affairs. The agreement does not entail any institutional changes for the ICEIDA office in Mozambique, other than the Maputo office which now constitutes a part of the Embassy.

The annual monitoring visit by from the ICEIDA headquarters took place in October. The co-operation agreement with the Ministry for Women and Co-ordination of Social Action was renewed for a four year period. The delegation visited all ICEIDA's projects in Maputo City and Maputo Province.

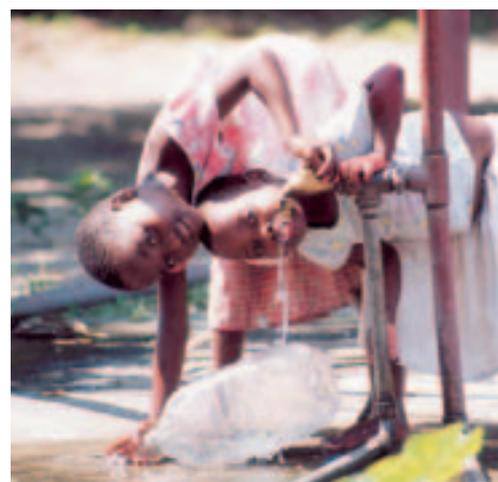
Support to the Fisheries Sector

Fisheries are an important sector in the struggle against poverty and the

MOZAMBIQUE



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promotion of economic growth. In addition to being a major source of food for the population, export of fisheries products provides a large proportion of Mozambique's foreign exchange earnings. In order to ensure access to international markets, Mozambique has to have an effective quality assurance system in place. ICEIDA has co-operated with the Ministry of Fisheries since 1995 and, currently, the bulk of the resources are dedicated to strengthening this quality control system through the Department of Fish Inspections.

Export of fisheries products provides a large proportion of Mozambique's foreign exchange earnings.

Support has been provided to the Department of Fish Inspection for some years. A new Project Document, signed in October 2003, entered into force in the beginning of 2004. The Document lays down that the funds pledged for the Ministry of Fisheries shall be disbursed through the Fisheries Development Fund that, upon request from the Ministry, transfers them to the Inspection Department. This is a new approach for the partners, whereby more administrative and financial responsibility is transferred to the Ministry.

Preparations to separate the Fish Inspection Department from the Ministry in administrative and management terms by forming a special institute have been ongoing. An important milestone was reached in mid-2004 when a structure was set up for collecting fees for the service provided by the Department of Fish



Photograph: Þórunn Sigurðardóttir



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Inspection. This stabilises the work of the fish inspections and the laboratories and is an important step towards their sustainability as it will generate income for the fish inspection system. Once the institution has been established, ICEIDA will finance the rehabilitation of an office facility.

In August, two consultants from Iceland carried out an assessment on the financial set-up and income needs of the Fish Inspection Department, based on current and future activities of the Institute for Fish Inspections. This work included analysis of the real cost of all the activities of the inspection system, in order for the management to plan their work in accordance with the available funds deriving from the system. Further work is planned in this area when the new Institute has been set up.

One of the vital goals for the management of the fish inspection is to establish a database in which the data collected will be amassed in order to monitor the system in an efficient manner. This will be conducted in early 2005. The Head of the Fish Inspection Department visited Iceland in November to study how fish inspections in Iceland are conducted. During her visit she was able to see and discuss how a similar database is used by the Directorate of Fish Inspections in Iceland as well as by the inspection offices. In November, a meeting was held with all the inspectors to finalise the Inspection Manual and prepare it for publication. The content of the Manual has been continually under review by all staff involved in the inspection system since 2001 when the first draft was introduced.

The Ministry of Fisheries has requested further assistance for the laboratories, especially with the training of staff in order to strengthen the procedures and methods of the laboratory testing. A tax levied on the industry for services at the laboratory was introduced in the second half of 2004, securing an income for the laboratories.

At the annual meeting between the Ministry and ICEIDA in October 2004, the Ministry submitted a request for the purchase of a generator for the laboratory, which was approved. The Head of the Laboratory, who is studying for her Master's degree at the University of Iceland, continued her work on the thesis. It is foreseen that she will defend it in early 2005.

Support was also provided to the Information and Training Centre for the Fisheries Sector. This project is divided into two components; the establishment of an information centre within the Ministry of Fisheries and of a centre for the co-ordination and of training and training needs in the Ministry. The main emphasis was placed on the information component which came to an end in December 2004.

Work in 2004 was focused on finalising any outstanding activities relating to the information component based on an assessment conducted in late 2003. The ITC website is now in its final stages and it will include a complete list of information material available at the Centre. Other activities included publishing the first issue of the Fisheries Magazine and preparation of other publications, cataloguing of new information material and continued capacity building of the staff. The Ministry has now allocated funds to the Centre in order to secure its sustainability and continuity.

The training component has not started, in spite of the assessment conducted in December 2003. The environment around this component has changed considerably during the past years. With the formation of the Ministry of Fisheries in 2000, a Human Resources Department was established, which is more apt to deal with training issues, whereas the Centre is under the Department of

The bulk of the resources provided by ICEIDA are dedicated to strengthening the quality control system through the Department of Fish Inspections.



Economics. It is therefore necessary for the Ministry to take a formal decision as to where the Centre is to be located. This was not resolved before the end of the year mainly due to general elections in December, which slowed down most of the work relating to any formal decision-making within the administration.

The construction of a laboratory and fish administration building in Quelimane, funded by DfID and ICEIDA, progressed well during 2004 and preliminary hand over of the building took place in September. Four laboratory technicians have been recruited for the laboratory and are being trained in Maputo and Beira. The Memorandum of Understanding between ICEIDA and DfID expired on 30 June and was extended until 30 June 2005.

Funds from the sale of the research vessel Fengur were installed into a two year research and monitoring of the Kapenta fisheries in the Cahora Bassa reservoir in the Tete Province. The project is now in its second and final year and activities have been ongoing. Stock assessment and mapping of major fishing areas on the lake were made, in addition to routine activities. The project was to be completed at the end of 2004 but because of delays, the estimated completion is now scheduled for May 2005.

MOZAMBIQUE



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ICEIDA is acting as a Lead Agency in the investment component of the Mozambique Semi-Industrial Fisheries Project.

ICEIDA is acting as a Lead Agency in the investment component of the Mozambique Semi-Industrial Fisheries Project. The component is financed by the Nordic Development Fund and implemented by GAPI, a Mozambican investment institution. The business environment in the semi-industrial fishing sector in Mozambique has been difficult, which has hampered the use of the funds. The sector faces problems due to lack of shore infrastructure (water, ice, port accessibility etc.) as well as incentives such as a more effective licensing system. Nevertheless, as a result of continued efforts of GAPI, some investment opportunities have been identified and loans disbursed to operations in the fields of processing, conservation and commercialisation of fishing products, supply of fishing materials. Most of the operations are producing and exporting products for the regional markets, thus creating jobs in rural areas.

One of the new project ideas that the Ministry and ICEIDA have been discussing is support to Fisheries School (Escola da Pesca). The idea is to set up a new line at the school with special emphasis on the production of fisheries products and the running of fisheries companies. Representatives of the school have also outlined the need for buying new equipment and material. It was decided that ICEIDA would provide two consultants, one to assess the need for equipment and the



other to assess the possibilities for drafting new curricula for education in the production of fisheries products. The former consultancy was carried out in November 2004 and the latter will take place in 2005. The project is meant as a continuation of the current co-operation in quality assurance and will be important for the industry to be able to fulfil the requirements of the authorities.

The Ministry has also requested support to the artisanal fisheries sector. The idea is to twin the projects in the fisheries and the social sectors and move closer to the grass-root. It was decided to draft a concept note in order to prepare for a preliminary assessment of the possible co-operation.

Support to the Social Sector

The state has special responsibilities to those citizens who for various reasons may be classified as vulnerable. The PARPA states that the promotion of education, information and dissemination activities regarding the rights of the target groups is of highest importance. It is within this framework, that ICEIDA and the Ministry for Women and Co-ordination of Social Action have identified capacity building at all levels as the focal point of their co-operation.

MOZAMBIQUE

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As the co-operation agreement signed in 2000 came to an end in September, a new agreement was signed, which defines the institutional relationship between the partners in the fields of social action and gender. A project document is being prepared, detailing the activities and expected outputs.

During 2004, ICEIDA continued to support the inner capacity of the Ministry, in particular the National Directorate for Women (DNM). The English courses were expanded considerably and the courses are now running at both central and national levels in the provinces of Maputo City, Maputo Province and Gaza Province. ICEIDA continues to support computer courses and other training that vary from the basic computer education to more advanced courses. In addition, two of the staff members pursued university courses during 2004.

During the first half of 2004, the provinces of Inhambane, Manica, Nampula and Zambezia were visited, completing the field work for the base-line studies. The purpose is to identify the weak and strong points of the technical capacities in the Provincial Directorates in general in order to collect information for the Ministry's databank on income generating projects directed towards women with low income in the provinces in particular.

ICEIDA continued to support the inner capacity of the Ministry for Women and co-ordination of Social Action.



Photograph: Þórunn Sigurðardóttir



Photograph: Elin R. Sigurðardóttir



A workshop was held at the ICEIDA office in July, with all who had participated in the study for the past three years. The team concluded after analysing the reports that the Provincial Directorates have very limited capacity due to lack of funds and manpower, specifically the Women and Family Departments. The reports were published in both Portuguese and English and the findings will be used to reinforce the technical capacity of the Provincial Directorates, in particular regarding the integration of gender aspects, violence and HIV/AIDS into all their plans and programmes.

Djombo ya Warime, is a small project within Maputo city. It aims at supporting fishery women and agricultural workers within the district to sell their products in better condition at the markets. The project is implemented in co-operation with DNM, Maputo city, district authorities and ICEIDA. It involves training the workers as well as the technicians from DNM, Maputo city and the district, and has a strong capacity building element at all levels.

A new co-operation agreement with AVIMAS was concluded at the end of 2004. A Project Document was drafted, entering into force at the beginning of 2005. AVIMAS is becoming a strong adult education centre, specifically targeting women-headed households. In addition, the centre focuses on young people, volunteers and trainers to provide peer-to-peer education on health prevention programmes in the neighbourhood. During 2004, an annex was constructed, that houses the sewing studio, the sewing classes, a small shop where they sell their products and in the future a small kitchen to train young people in cooking and nutrition. A Brussels based charity group, Association Femmes d'Europe, supported two sub-groups of AVIMAS during 2004. The support focused on adult education and empowerment of women who are heads of households. AVIMAS is a growing association and has been recognised by the Ministry for Women and Co-ordination of Social Action as an exemplary organisation and has thus become a model for similar projects at national level. The work carried out by the staff of the Ministry touches upon many socio-economic aspects of Mozambican realities, one of which is domestic violence.

In 2003, the Minister submitted to ICEIDA a request for support to set up a shelter for women who have been victims of domestic violence. In August 2004, the intern working at the ICEIDA office conducted a study of the situation and key players in the field. The study outlined the main objectives for such a centre in line with the overarching policy of strengthening good governance, human rights and the rule of law, gender equality and poverty alleviation. The outcome of the study was that as long as there is no guaranteed funding from any of the other international donors, ICEIDA should for the time being not be part of preparations for setting up a centre for domestic violence victims.

The Organisation of Disabled in Iceland approached ICEIDA in early 2004 with a proposal to provide funds for the purchase of special equipment that would facilitate the daily life of a group of disabled and thus improve their quality of life.

One of the projects that the Ministry supports is the Centro Padre André, which is a Centre for disabled adults and children. The Centre accommodates both mentally and physically disabled persons, mostly women and children. The funds provided by the Icelandic Federation of the Handicapped will be used to buy the equipment and to train the designated persons in physiotherapy.

Support to the Health Sector

The PARPA identifies the health sector as a direct contribution to the

A new cooperation agreement with AVIMAS was concluded. AVIMAS is an adult education centre, specifically targeting women-headed households.



improvement of the welfare of the population, as well as playing a role in the redistribution of income and wealth. It contributes to the creation and preservation of human capital, as a key element in a strategy for economic growth and poverty reduction.²¹ Many of the priority areas that the government has identified in the health sector are areas where the Red Cross is active, such as community-based health care and prevention.

The Hindane Community-Based Health Programme was initiated in 2000 and is funded in co-operation with the Icelandic Red Cross (IRC), while the Mozambican Red Cross (CVM) is responsible for the implementation. The programme consists of the construction of a health centre in the district of Matutuine, in Maputo Province, south of the capital and community-based health care in seven communities in the area. CVM trains volunteers who educate the local population on health issues and prevention, malaria, cholera, HIV/AIDS, etc. Another component is the construction of health posts, latrines and shallow wells in each community.

As relatively few women chose to give birth at the centre, it was decided in 2003 to construct a house on the premises where pregnant women can wait until they deliver. The house was opened in early 2004 and the number of women giving birth is gradually increasing. Training of volunteers and Traditional Birth Attendants (TBAs) continued in the seven communities in and around Hindane. In addition to receiving training in matters related to birth, the TBAs were trained in the promotion of individual and collective hygiene. Members of the Red Cross District Commission in Matutuine were trained in leadership and management. The programme dedicates a part of the budget to institutional support within the Red Cross headquarters and the Provincial Delegation in Maputo Province in order to strengthen their capacities.

It was foreseen that the programme would be halted at the end of 2004. Upon request from CVM, it was decided to prolong the community-based activities for another two years so as to give CVM time to develop sound income generating activities to ensure the sustainability of the programme.

In 2004, CVM submitted a request to ICEIDA and IRC to continue the co-operation. Contact was made with the Ministry of Health that was requested to identify its priority areas for the build-up of health services in Maputo Province. In mid-2004, the Ministry submitted three options, where a community-based health care programme could be implemented. Field visits were made to the communities, and the community of Chibucutsa, around 120 km north of Maputo City was selected. A Red Cross delegate will be recruited in the beginning of 2005 to draft the Programme Document and to make recommendations as to the type of activities to be carried out.

*Support to the Hindane
Community-Based Health
Programme in co-operation
with the Red Cross continued.*

Support to the Transport Sector

The Mozambican Institute for Hydrographic Surveying (INAHINA) approached ICEIDA in 2003 with a proposal to extend the Hydrographic Survey Project on Lake Malawi, implemented in co-operation between ICEIDA and Malawian authorities to the Mozambican side of the lake (Lake Niassa). During the past few years, there has been increased transport on the Lake as Malawian ferry boats are now entering into Mozambican ports regularly and cargo vessels are transporting material from Malawi to Mozambique. Following meetings between ICEIDA and INAHINA, a project identification paper was drafted and submitted to the ICEIDA Board of Directors for approval.



NAMIBIA

The development co-operation between Iceland and Namibia focuses on the fisheries and social sectors.





Namibia is a multiparty, multiracial democracy. When the country gained independence in 1990, the South West Africa Peoples Organization (SWAPO) formed the new Government and was re-elected in 1994 and again in 1999. Sam Nujoma, leader of SWAPO, who has held the Presidency since independence, will step down at the end of his term in March 2005.

On the political scene, the focus in 2004 was on the presidential and legislative elections which took place on November 15 and 16. SWAPO won both elections with almost identical pluralities to those it had gained in 1999, retaining its two-thirds majority in the National Assembly. SWAPO's candidate for president, Minister of Lands, Resettlement, and Rehabilitation, Hifikepunye Pohamba, also performed nearly as well as his predecessor, Mr Nujoma, had in the previous presidential election. International and domestic observers characterized both elections as free and reflecting the will of the electorate despite some irregularities. Turnout, which averaged 84%, was suspiciously high at over 90% in some northern areas. Observers also criticized the inefficient vote tabulation system and the unequal access to media coverage and campaign financing. In the National Assembly, 6 opposition parties won a total of 7 seats.

NAMIBIA

Namibia^c – Key Figures



Land area	825,418 km ²
Population ²²	2.0 million
Population growth rate	1.0% (2003-2015)
GDP per capita	2,120 US\$
GDP per capita PPP ²³	6,180 US\$
GDP growth rate ²⁴	4.8% (estimated)
Life expectancy at birth	48.3 years
Literacy rate (above 15 and above)	85.0%
Icelandic aid	1,264,254 US\$

^c Statistical sources if not otherwise specified: Human Development Report 2005. Published by the United Nations Development Programme (UNDP).

²² Country Report Namibia, January 2005. The Economist Intelligence Unit.

²³ Purchasing power parity. A rate of exchange that accounts for price differences across countries, allowing international comparisons of real output and incomes.

²⁴ Country Report Namibia, January 2005. The Economist Intelligence Unit.

Mr Pohamba had been strongly challenged for the presidential nomination in the contest held at the SWAPO special congress in May 2004. SWAPO's central committee approved in April 2004 three candidates to contest the nomination for the party's presidential candidate in the November 2004 election: Mr Pohamba; the Minister of Foreign Affairs, Hidipo Hamutenya and the Minister of Higher Education, Nahas Angula. Four days before the SWAPO special congress, Mr Nujoma dismissed Mr Hamutenya, ostensibly for clandestine activities contrary to SWAPO's constitution. Mr Hamutenya denied these charges but the sacking damaged his campaign. At the congress, Mr Hamutenya polled well enough to deprive Mr Pohamba of a first round victory. Mr Pohamba went on to win the nomination decisively in a second round. His status as the party vice-president and Mr Nujoma's strong support for him as preferred successor ensured his appeal to the majority pro-SWAPO electorate. Mr Nujoma may continue to exercise some influence as he will remain SWAPO party president until 2007.

Redistribution of land from predominantly white commercial farmers for resettlement by "previously disadvantaged" Namibians continued to be an important political issue in 2004. The government had since 1995 carried out purchases of land on the "willing-buyer, willing-seller" principle. There was widespread concern among white farmers and Namibia's western donor partners



when, in February 2004, the then prime minister, Theo-Ben Gurirab, announced that in order to speed up land redistribution the government would start expropriating farms. He promised that farmers would be paid “just compensation”, without defining what constitutes “just”. No farm had been expropriated by the end of 2004, although 15 owners were served with expropriation notice in mid-2004.

Namibia's market-based economy is heavily dependent on mining, fishing and tourism. More than 50% of the working population is engaged in subsistence agriculture. The per capita income of approximately US\$ 1,870 is masked by an extreme disparity between the income levels of black citizens and white citizens. Real GDP growth was 4.9% in 2004, up from 3.7% in 2003. Mining real value-added rose by an estimated 32% in 2004, offsetting a contraction in fishing output caused by poor catches and a halving in manufacturing growth because of reduced onshore fish processing volumes. South Africa's inflationary environment is the key determinant of domestic inflation, since Namibia imports the bulk of its food and consumer goods from there, and the Namibia dollar and the rand trade at par. The annual average inflation rate fell to an all-time low of 4.0% in 2004, down from 7.5% in 2003.

NAMIBIA



Photograph: Gisli Pálsson



ICEIDA's Development Co-operation

All ICEIDA projects and activities in Namibia are carried out under the General Agreement on Bilateral Cooperation between the Government of Iceland and the Government of Namibia, which was reviewed in 2004 and prolonged until the end of 2007. All projects are implemented on the basis of detailed Project Documents.

Routine management, supervision and monitoring of the various ICEIDA projects and activities were ongoing throughout the year. This prescribed function was primarily carried out through regular formal and informal meetings, site visits and written reporting. Periodic contact was also maintained with those Namibian authorities carrying portfolio relevant to ICEIDA's functions in the country.

When the Icelandic authorities decided in the early months of 2004 to enter into a dialogue with the Namibian authorities about a new General Agreement on Bilateral Development Cooperation, it was furthermore decided to designate the ICEIDA office in Windhoek as a diplomatic mission and the ICEIDA Country Director in Namibia as the Chargé d'Affaires a.i. of the Embassy. The Ambassador of Iceland to Namibia, H.E. Benedikt Ásgeirsson, who resides in Maputo,



Photographs: Gisli Pálsson



presented his credentials to the President of Namibia on 11 August and the official inauguration and opening of the new Embassy took place on 15 October, coinciding with the annual monitoring mission from Iceland. The Permanent Secretary of the Icelandic Ministry for Foreign Affairs, H.E. Gunnar Snorri Gunnarsson represented the Government of Iceland at the occasion.

The mentioned annual monitoring mission to Namibia, from the headquarters of ICEIDA in Iceland, took place 2 to 16 October. The mission was led by ICEIDA's General Director, H.E. Ambassador Sighvatur Björgvinsson, who was accompanied by one member of the Board of ICEIDA and a newly recruited press officer. The Chairman of the Board, Mr Björn Ingi Hrafnsson, was unfortunately not able to lead the mission as planned due to other pressing engagements. Mr Hrafnsson had shortly before taken up the position of political advisor to the Prime Minister of Iceland. Field visits were made by the member of the board and the press officer to all ICEIDA projects in Namibia and meetings conducted with both local and Icelandic project personnel. The main objective of the field visits was to give representatives of the board an opportunity to monitor, first hand, progress made in the various projects and activities making up ICEIDA's portfolio in Namibia. While the field visit took place, the General Director stayed in Windhoek and attended to various technical and procedural matters pertaining to the cooperation between Iceland and Namibia on the one hand and ICEIDA personnel matters on the other. This division of labour had been recommended by the board of ICEIDA in order to increase efficiency and effectiveness of the monitoring missions. This new modus operandi proved very successful and was in fact essential for the General Director to steer difficult and long-winding negotiations for a new General Agreement to a successful conclusion. The new General Agreement was signed by H.E. Gunnarsson on behalf of Iceland and his Namibian counterpart at the National Planning Commission, Mr Samuel H. /Goagoseb, on the morning of 15 October.

The emphasis for the new cooperation period is largely mapped out in two evaluation reports completed in the first half of the year. The evaluation of the NAMFI/ICEIDA Cooperation Project 2002 - 2004 recommended that ICEIDA continue its support to the Namibian Maritime and Fisheries Institute (NAMFI), but that full-time technical support be reduced and eventually withdrawn altogether. It was also suggested that increased emphasis should be placed on capacity building, training of instructors and short-term consultancies. The evaluation of all ICEIDA social sector projects recommended a phased withdrawal from existing projects with reductions in funding in January 2005, July 2005 and January 2006. It was furthermore decided to commence funding of new activities in the social sector, but since the duration of the new General Agreement is only until the end of 2007, identification, design and implementation of new ICEIDA projects was not considered feasible. Instead, ICEIDA will mainly be looking at assisting existing projects in need of topping up. Attempts will also be made to work as directly as possible with those in need of assistance. Lastly, it was decided that throughout the cooperation period, ICEIDA will make available to the Namibian authorities the equivalent of two full-time positions of consultancy/technical assistance, either for short- or long-term assistance. The need for this assistance is to be assessed by the Namibian authorities, which, in turn, will present requests to ICEIDA.

Namibia's market-based economy is heavily dependent on mining, fishing and tourism.

The designation of the ICEIDA office in Namibia as an Embassy called for its relocation from Walvis Bay to Windhoek. A search for suitable premises was difficult and time consuming, as the housing market in the capital was rather tight. Eventually, an ideal location was secured in the centre of the city in a modern edifice, housing several other diplomatic missions.



Unexpected expenditure related to the planned relocation of the ICEIDA office and its upgraded status put some strains on financial management. Despite these financial challenges, all activities were carried out according to plan and all commitments were honoured in full.

Support to the Fisheries Sector

ICEIDA's biggest project in Namibia continued to be at NAMFI. The project is based on a Project Document that was prepared and approved by ICEIDA and the Ministry of Fisheries and Marine Resources in 2002, as cooperation partners, with NAMFI being the main implementation party. One of the main objectives of the project is to respond constructively and methodically to the stated Namibianisation policy of the government of Namibia by building up a high quality indigenous knowledge base and create a sound financial foundation for the institute.

The contract of one of the ICEIDA technical advisors, who had been working at NAMFI from January 2002, came to an end in December 2003. In his place ICEIDA, in cooperation with NAMFI, recruited a captain from the Icelandic Coastguard on a one year contract until the end of 2004. The new recruit had vast experience and served as chief officer and master on board vessels of the Icelandic Coastguard. Throughout 2004, three employees hired by ICEIDA were working at NAMFI. Of them, two are in the navigation department and one in the engineering department. Their duties include teaching, developing teaching material, building up and developing the workshops, cooperate closely with and guide the Namibian instructors. Contracts between ICEIDA and two of the employees expired at the end of December 2004. The contract for one employee was renewed for six months, but the other, who had arrived at the beginning of the year, returned to Iceland after successfully completing his assignment.

Additionally, an ICEIDA provided technical advisor was seconded to NAMFI, as a short-term consultant from February to June, in order to run a GMDSS radio course. ICEIDA and NAMFI agreed in March to redirect funds, set to be used for a four-month consultancy for the engineering department, towards the execution of certain projects with the aim of accelerating improvements of practical training facilities.

ICEIDA's biggest project in Namibia continued to be at the Namibian Maritime and Fisheries Institute.

Beginning in May 2003, ICEIDA sponsored two Namibian instructors from NAMFI's engineering department for, what was thought to be, one-year-long management level studies at an institute in Cape Town. In early 2004 it was discovered that the studies would in fact have to be extended until August 2004 and later on to December 2004. Early in the year one of the instructors unfortunately changed his study plans, without any consultation with NAMFI or ICEIDA.

An instructor from NAMFI, who went to Iceland in May 2003 to gain sea time and study, arrived back in Namibia in February 2004. He had completed his studies at the UN University Fisheries Training Programme in Iceland, specializing in fishing technology. The returning instructor brought back with him solid experience and practical knowledge which immediately became useful when teaching and preparing teaching material.

In March, ICEIDA sponsored participation of the head of the safety department in a safety courses at Warsash in England. After the courses in England, the Maritime Safety and Survival Training Centre in Iceland was visited.



Support to the Ministry for Fisheries and Marine Resources

A Cooperation Agreement between ICEIDA and the Ministry from 2002 acts as an umbrella agreement for all projects in the fisheries sector in Namibia. The main ICEIDA sponsored activity at the Ministry in 2004, was the establishment of the Fisheries Economic Database (ECO). This database is radically changing the working environment for economic and policy analysis in the Ministry, as for the first time consistent and reliable economic data is available. ECO in its final form contains three sets of data: raw material - inflow and utilization; finished products - exports and domestic sales; and employment - at sea and on land. A full-time ICEIDA-provided consultant worked on the database throughout 2004.

Prescribed ICEIDA contribution to the establishment of ECO was completed upon the consultant's departure at the end of the year. Some major changes to the database were carried out in 2004. Firstly, ECO was moved from its original host to a server in the Ministry's domain. Secondly, ECO database was linked to FIMS database and, thirdly, important functionality was added to the ECO client to provide the users with a new and more convenient way to enter or select criteria

NAMIBIA



Photograph: Martha Mutlifa



Photograph: Gislis Pålsson

used by ECO when running reports in the report sections in all three modules of ECO.

The work of linking the two databases, FIMS and ECO, was more complicated and more time-consuming than initially anticipated. Therefore, code-translation tables had to be built into ECO enabling data from FIMS to be correctly retrieved and processed. One of the benefits of linking the databases together is that ECO has now direct access to important information like fishery seasons, fishery types and exploitation rights in FIMS. Many of ECO's pre-existing reports were re-defined and literally re-written to incorporate these new dimensions. New reports were created in ECO to list discrepancies in landings data between the two databases. The Compare FIMS and ECO landings report enables the user to compare landings recorded in ECO against landings recorded in FIMS per vessel, right holder, species and product form for specific years and months. One of the obvious advantages of achieving this is that a direct link can then be established between ECO and the Ministry's Economic Model, where the Model can utilize the landings data without any concern about its credibility. As of mid December 2004, ca. 135.000 records had been entered into the ECO database since 10 March 2003, when the first datasheets were entered.

*Establishment of the Fisheries
Economic Database was
completed.*

The consultant finalized the ECO User Manual at the end of November. The ECO System Manual was also completed. Formal training took place in November and December, where every aspect of ECO was covered, from the data collection itself to the final output of reports. In close co-operation with the Chief Economist, end-users for ECO were identified and their training monitored, where special emphasis was laid on the output of reports and the underlying data.

The ECO database, as well as the client, will be supported by ICEIDA according to the current License Agreement signed between ICEIDA and the Ministry. The support is based on the assumption that within the duration of the Agreement, neither the database nor the client shall be modified or changed in any way without formal approval from ICEIDA. Daily management of the ECO database, e.g. the granting or revoking of rights, creating new users etc. is not considered to be modifications or changes to the database but all such configurations should be done very carefully as it can easily affect the performance of ECO. Support will be provided through email, remote Internet connection as well as on-site support and is limited to 4 weeks remote work through the Internet and 4 weeks on-site work per year for the duration of the License Agreement. Tasks or problems that require work exceeding the above given timeframes are automatically defined as new projects and have to be dealt with separately.

Support to the Social Sector

ICEIDA's development cooperation in the social sector in Namibia has expanded significantly in recent years. Assistance, which started as financial support to a localized adult literacy project in 1993, grew into a programme with five main projects. ICEIDA's social sector programmes have two components. The first component focuses on providing financial assistance and technical support to local communities in establishing and running non-formal educational projects aimed at uplifting the community. The second component focuses on assisting local municipalities and regional authorities in constructing and running community centres. ICEIDA believes that by concentrating on community-based educational projects and community facilities, it is able to reach out to the most disadvantaged groups of the population. And in that way it is allowing the same groups to participate in and benefit directly from its cooperation. The programmes concentrate on the Erongo and Karas regions as the projects are located in the coastal towns of Luderitz, Walvis Bay and Swakopmund, and the inland town of Usakos. The projects follow largely the same model, although with a few variations.

The renewal of the General Agreement, and an increased emphasis on future social projects in ICEIDA's Namibia portfolio, called for the recruitment of a social projects coordinator. The task of the coordinator involves the coordination and monitoring of the implementation of all ICEIDA funded social project activities and resources in the various regions.

The ICEIDA Training Centre/Help Yourself Project in Walvis Bay was established in 1995. The project's main objective was to give unemployed women an opportunity to upgrade their education by attending literacy, English and AUPE (adult primary education) classes, and have practical skills training. Yet, the project goes beyond basic literacy training as it aims at combining literacy classes with development education and practical skills training. The project operated in the ICEIDA Training Centre, a building constructed by ICEIDA in 1997 but donated to the Municipality of Walvis Bay in 2001. In addition to the usual literacy, needlework and kindergarten programme, several other activities were offered at the centre in 2004, such as a Legal Literacy Workshop which was given

in May. A Tendering Procedures and Legislation Workshop were presented in June and two Anti-Corruption workshops were conducted in June. The first phase of a HIV/AIDS awareness sessions and peer educator training commenced at the same time. Also in June, an information day was held for Walvis Bay Women Group - women in small business. Presenters provided an introduction to small income generation projects as well as how to write funding proposals.

Problems concerning lack of commitment by the management committee grew as the year progressed. In the second half of the year, no quorum resulted in three unsuccessful attempts to hold management committee meetings. The chairperson and the entire management committee temporarily withdrew from their management duties in October. Several issues concerning the staff of the centre were outstanding at year's end, as they had not been attended to by the management committee. The overall status of the project activities and management was a matter of concern to ICEIDA, who nevertheless continued with its assistance until the end of the year and encouraged the parties to resolve their differences. At the end of 2004, the future of the project was uncertain.

ICEIDA has funded and supervised the Luderitz Literacy Project (LLP) for more than ten years. The project is targeted at the most disadvantaged population of Luderitz: children, out-of-school youngsters and unemployed women in the Benguela suburb. Its main objective is to empower these groups by giving them the opportunity to attend pre-primary, literacy, English, AUPE or skills training classes. 100 children enrolled from January, of which those aged 2 to 4 years old were registered at the Kindergarten, while the ones 4 to 6 years of age registered for the bridge class. The majority of the latter group is working towards admittance to one of the government schools in the area. The LLP is operated in the Benguela Community Centre whose construction was completed in 2001 and co-financed by ICEIDA. The After School Programme benefited between 30 and 40 children, who could not be admitted into local schools either due to lack of classroom space, income to afford school fees, late applications for school admission, poor performance, etc., as well as those who are attending full time primary and secondary schools, but needed assistance with certain subjects or just needed teachers' help when studying for examinations. The Ministry of Basic Education, Sport, and Culture also continued running adult literacy classes. Participants registered for the following subjects: English, mathematics, know your land and people, environment and entrepreneurship, as well as reading and writing. Several new classes were offered in 2004 such as sewing, legal literacy, HIV/AIDS and home-based care workshop, in addition to language training in Afrikaans, German and Oshiwambo. The clear support and dedication by the management committee and excellent participation by the community in ICEIDA funded activities, was an important contributing factor and indication of success in 2004. The project is set to continue as per recommendations set out in the evaluation report.

Evaluation of ICEIDA's social sector projects recommended a phased withdrawal from existing projects.

In October 2000, ICEIDA signed a cooperation agreement with Swakopmund Town Council to support the Mahetago Community Project for four years. It is a community-based educational project operating in a new community centre in the Mondesa suburb. The project's objective is twofold. Firstly, to get the community involved in the running of the community centre, and second, to provide educational and training programmes for pre-school children and adults. ICEIDA's role in the project is to provide technical support and funds for coordination costs, equipment, and teaching material. Problems encountered in 2003 were largely overcome in 2004. Project activities were successfully implemented as per the activity plan during the second half of the year. Some disruption was to the adult literacy classes as employment commitments kept participants away from classes from time to time. 54 children benefited from the



kindergarten project. Two early childhood promoters were recruited under the supervision of the parents committee, that also oversaw funds generated from registration fees. 30 learners started the after school programme, but the number grew to 70; 10 children per each school grade. Progress in children's school work performances were remarked upon by school teachers. The increase in the number of participating children, created some problems as classroom space was limited. This activity has played a major role in helping children improve their grades and keeping them off the streets. There were 20 participants in the paper technology project, which included training in making various products such as chairs, tables, ornaments and flower pots out of recycled newspapers. ICEIDA donated to the needlework project, 5 sewing machines and one over-locker. The project also managed to get additional funding from other sources for the purchase of more machines. The project ran for six months and was followed up with training in marketing of needlework products. The project's fast recovery in 2004 is remarkable, and mainly due to high commitment by the management committee and its chairperson, the Mayor of Swakopmund, and close cooperation with the benefiting community. The cooperation is set to continue.

NAMIBIA



Photograph: Halldóra Traustadóttir



Photograph: Martha Mutlifa

ICEIDA believes it is important to reach out to the most disadvantaged groups of the population.

Formal and budgeted assistance from ICEIDA to the Hakhaseb Community Centre in Usakos was completed in 2003. ICEIDA decided early in the year to support the Together Kindergarten directly with non-perishable foodstuffs on a monthly basis. The foodstuffs are used to prepare hot meals for approximately 65 children attending the kindergarten. A fixed amount has been set aside for this assistance and purchase is done by ICEIDA based on a monthly request from the kindergarten. The lunch at the Centre is for many of the children the only hot meal of the day. Although the community was unable to assist the project with funds, they were committed to run the project with very limited resources and little support from the Town Municipality that owns the building.



Cooperation between ICEIDA and Uganda within the social and fisheries sectors continued and new sectors were opened up.





The second revision of the Uganda Poverty Eradication Action Plan (PEAP) for the financial years 2004/5 to 2007/8 was approved in 2004 and it aims at contributing towards transforming Uganda into a middle-income country. Uganda does not have substantial natural advantages in wages, geography or other resources that can drive high levels of growth. Therefore, improved productivity will need to come from other advantages created by better workforce skills, technical skills and assimilation of knowledge.

Realising that investment in education is essential to achieve higher incomes and sustain income growth, Uganda has made serious efforts in expanding the services and put in place a Universal Primary Education (UPE) strategy in 1997. Recent years have seen major improvement in education and by 2004 net enrolment under the UPE had quadrupled. However, the retention of children in the education system remains a serious challenge as does the quality of education. Furthermore, about one third of the adult population remained illiterate, proving the importance of strengthening the Functional Adult Literacy Programme (FALP).

Uganda demonstrated continued good economic performance with an annual growth of 5 % in 2004. However, this growth has been highly unequal. Income

UGANDA

UGANDA^d – Key Figures

Land area	241,139 km ²
Population ²⁵	26.5 million
Population growth rate	3.7% (2003-2015) (estimated)
GDP per capita	249 US\$
GDP per capita PPP ²⁶	1,457 US\$
GDP growth rate ²⁷	5.0% (estimated)
Life expectancy at birth	47.3 years
Literacy rate (age 15 and above)	68.9%
Icelandic aid	1,144,188 US\$

^d Statistical sources if not otherwise specified: **Human Development Report 2005**. Published by the United Nations Development Programme (UNDP).

²⁵ **Country Report Uganda, January 2005**. The Economist Intelligence Unit

²⁶ Purchasing power parity. A rate of exchange that accounts for price differences across countries, allowing international comparisons of real output and incomes.

²⁷ **Country Report Uganda, January 2005**. The Economist Intelligence Unit.

poverty in Uganda rose when compared with the year 2000 and proportion of people below the poverty line increased from 34 to 38%. Regional inequality was also evident. The most dramatic source of inequality in Uganda was the poor economic performance of the North, caused largely by prolonged armed conflict in the region. In the North, 64% of the population lived in poverty. It must be noted that even with this latest poverty setback, things have improved significantly when compared with 1993 when over 50% of the population was living in absolute poverty.

HIV/Aids remained one of the biggest challenges. Even though prevalence rates appeared to have levelled off at around 4-5%, some signs of reduction of awareness were recorded. Some of the highest recorded levels of HIV prevalence were in the North, reinitiating the insecurity and poor public services and information in that region.

Uganda remained an overwhelmingly rural and tribal society, with 88% of the nation living in rural areas. Agriculture continued to be the mainstay of Uganda's economy, food production being the primary activity. Export crops (traditionally coffee, cotton, tea and tobacco but increasingly supplemented by vanilla, flowers and cocoa) represented only about 10% of the production. Export of fish and fish products (particularly of Nile perch) has been increasing steadily and in 2003/04



were over 10% of total exports, second only to coffee.

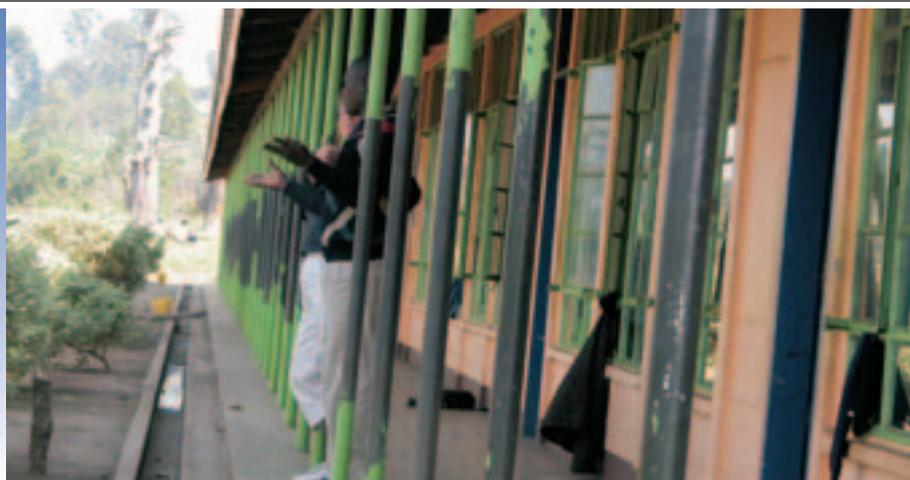
More than 90% of energy requirements were met from sources other than oil or electricity, mainly fuel wood and charcoal. Only about 5 or 6% of the population had access to electricity. Furthermore, because of unusually low water levels in Lake Victoria in 2004, the amount of electricity generated by the hydropower plants fell drastically, causing consistent power shortages and subsequent rationing (load shedding). Preparations for the next hydropower plant to be built on the Nile continued in 2004 and geothermal prospects received worthy attention.

The East African Community (EAC) which is the regional inter-governmental organisation of its three member states, Kenya, Tanzania and Uganda, was re-launched in 2001. The EAC aims eventually at creating a common market but the progress has been slow. The members of the EAC signed a customs union agreement in March 2004.

Uganda is expected to return to multi-party democracy before the elections in 2006. The year 2004 saw very significant development in the run up to the multi-

UGANDA

Photograph: Agústa Gísladóttir



party elections when the ruling National Resistance Movement (NRM), known as the Movement since 2001, reverted to a political party and three opposition groups merged and formed a new party (a legal ban on the activities of opposition groups was imposed by the NRM in 1986). The proposed removal of term limits for the presidency, however, sparked much debate and criticism.

Uganda progressed steadily in the last decade towards the boundaries of Medium Human Development (HDI 0.50). The 2004 UNDP Development Report classifies Uganda with HDI rank of 146 with a level of 0,493 up one place from 2003.

The core challenges for Uganda continue to be the restoration of security in the North, dealing with the consequences of conflict, and improvement of regional equity by rural development.

ICEIDA's Development Co-operation

The ICEIDA office in Kampala has now been in operation for three years. During that time, the operations have been steadily increasing in volume and scope. The year 2004 was no different and significant efforts were put into preparations for new projects. Whereas the initial emphasis was on projects within the social and



Photograph: Kristinn Kristinsson

Uganda demonstrated continued good economic performance in 2004. However, the growth has been highly unequal.



Photograph: Ágústa Gísladóttir



fisheries a sector, in the year 2004 a project in energy was initiated and wider cooperation explored at district level and in private sector development.

An annual monitoring delegation from Iceland visited Uganda in late June. The Delegation visited the ICEIDA projects in Uganda and attended meetings with representatives of the Ugandan Central Government and district officials. In June, the ICEIDA mission in Kampala was formally appointed an Embassy of Iceland.

In 2004, ICEIDA made changes to its personnel in Uganda and recruited a new Country Director in January and a new Project Manager (social sector) in June.

Support to the Social Sector

Strengthening of the Functional Adult Literacy Programme (FALP), which is run by the Ministry of Gender, Labour and Social Development, is one of the priorities set in the Ugandan Poverty Eradication Action Plan. Support to the implementation of FALP was chosen as a core activity in ICEIDA support to Uganda, right from the beginning of the co-operation. Furthermore, it was concluded that support to the implementation of FALP in fishing communities would be an appropriate niche for the agency.

The FALP co-operation with Kalangala district (Ssese Islands) on Lake Victoria entered its second year in 2004 and was already showing great progress. The programme that started off with just 2 classes in 2002 had 112 registered classes by the end of 2004. Most of the classes covered basic literacy and numeracy skills but a growing number taught more advanced subjects, by popular demand, such as business and English. The programme covered all sub-counties in the district although a few remote islands and villages have not been reached. The total number of learners at any given time was on average about 2% of the population and well over 120 instructors had received training. A major indicator of the success of the programme was the participation and results from the first ever literacy proficiency tests held in the district. A total of 302 learners passed the tests that were held in January 2004.

Apart from training the instructors for their basic literacy teaching, the programme also provided them with a number of scholarships since many of them lacked the formal education necessary to teach advanced subjects. Furthermore, since those community-based instructors were seen as a vital link in the sustainability of the programme, they were supported in their efforts to form an instructors association (KAFIA). Human resource capacities of the district staff were strengthened by offering the Community Development Workers, responsible for the support and monitoring of the programme, scholarships for higher education.

A major highlight of the year was the opening of a FALP Resource Centre in Kalangala Town Council in June. The purpose of the centre is to provide the programme with equipment and space for various training and dissemination activities, and serve as a focal point for the implementers and beneficiaries. This centre, which might be described as an offshoot from the main programme, was handed over fully furnished and equipped with computers, communication equipment, television and video, and powered by solar energy. A local resource manager was employed by ICEIDA to develop and coordinate activities at the centre.

Another notable innovation of the project is the FALP radio show. A weekly programme on a commercial radio station concentrating on Kalangala FALP

A major highlight of the year was the opening of a FALP Resource Centre in Kalangala Town Council



activities has been hugely successful and helped informing and empowering the island communities.

Following the successful implementation of the project in Kalangala, the district authorities of Mukono requested assistance from ICEIDA in 2003 to implement their FALP in hard-to-reach areas, namely in the islands of the district. These islands are located just east of the Ssesse Islands and had been left behind other parts of the district when it comes to development and the implementation of FALP. The inhabitants of the islands constitute only 7% of the total population of the district. This request was received favourably and in 2004 preparations began for a new FALP project in the islands of Mukono District. A Needs Assessment Survey was carried out in April and a Project Identification Document was ready in June. Following approval of the Project Identification Document a Logical Framework Workshop was conducted in August (with the stakeholders) and compiling and writing of the Project Document started in November. According to plan, the implementation of the project will start in April 2005 and continue for five years or until the end of 2009.

When the implementation of the FALP programme was firmly in place, the

UGANDA



Photographs: Ágústa Gísladóttir

Following the successful implementation of the Functional Adult Literacy Programme in Kalangala, preparations began for a new project in the islands of Mukoni District.

Kalangala district requested ICEIDA to expand the cooperation framework to other areas of service delivery, outside the formal education sector. This request was contained in a memorandum presented to the Foreign Minister of Iceland when he visited Kalangala in October 2003. Project preparations began after a roadmap for a new comprehensive cooperation framework was agreed by ICEIDA in June 2004. To secure the ownership of the programme, the reigns of the preparation process were handed over to the district officials. Needs assessment study for the health and education sectors was prepared in late 2004 and administration infrastructure requirements were assessed. Project preparations were expected to take about 12 months.

ICEIDA continued to support two NGOs in Uganda working in the social sector. Candle Light Foundation (CLF) was established in May 2001. The Foundation's main objective is to give vulnerable girls in Kampala an opportunity to improve their lives and to become accepted members of the community, through offering work in a non-profit candle making workshop, education and social counselling, including preventive HIV/AIDS education. In 2004, 23 girls were associated with CLF, of them twelve participated in the candle making workshop and eleven girls were studying, two in a primary school, five in secondary schools and six undertaking vocational training. The Foundation received fixed monthly



contributions from ICEIDA towards operational costs, school fees and medical expenses.

Through the Uganda Australia Foundation, ICEIDA supported the construction of a girls dormitory block at the Comprehensive College in Kitetika, in Wakiso District. About 200 girls will benefit from these dormitories and most of them come from the war affected areas of northern Uganda. The building of the dormitory took longer than planned and construction work continued throughout 2004.

Support to the Fisheries Sector

Fish from Uganda lakes have become an increasingly important resource and the export of Nile Perch was in 2004 competing with coffee to be Uganda's most important export commodity. Since Europe is the most important market, the local products have to comply with European standards and the Competent Authority (CA) must ensure that these standards are met. Because of these requirements, the Department of Fisheries Resources (DFR) saw the need for additional support in Quality Assurance matters, and requested assistance from ICEIDA through its Ministry. The support commenced in mid-2002 and one year later, when the infrastructure was in place, the biggest component of the project, Uganda Fisheries Laboratory (UFL) was inaugurated. The next step was to build the capacity of the laboratory up to international standards, and in 2004 the focus was on training the staff, quality assurance procedures and preparation for commercial operations. The main emphasis was on the microbiological section of the laboratory and an external consultant was commissioned to complement the in-house training of the laboratory staff. Furthermore, the laboratory manager commenced her Masters studies in Food Safety. The scope for the laboratory was completed and approved by the Fisheries Resource Department's authorities in February 2004. Yet another important milestone was reached when the first "real" fish samples were analysed in the laboratory in November 2004. According to plan, the laboratory will be able to achieve national recognition by mid-2005, and international accreditation fairly soon after that. As an effort to ensure the sustainability of the laboratory, the project facilitated the making of a business plan for the UFL.

In 2003, ICEIDA and the DFR decided to embark on project preparations for Quality Awareness Training Programme where the main emphasis would be on educating people in the fishing communities. Kalangala district was chosen as a starting point area for the project. The project was due to commence in 2004 but project preparations have been delayed due to various reasons. The first step in the preparations, a Fish Quality Awareness Survey, only commenced in October 2004 with a report expected in January 2005.

Support to the Energy Sector

The main purpose of an ICEIDA-supported one year geothermal project, which started in February 2004, was to complement previous geophysical and geological work carried out by the Ministry of Energy and Mineral Development, in order to finalize a pre-feasibility study on three prospective geothermal sites in western Uganda. The Icelandic contribution was focused on the Kibiro prospect and consisted of technical expertise and capacity building. The major bulk of the project activities were finalised in the first half of 2004. Geophysical measurements were carried out and an area of 40 km² covered in a geological investigation. The conclusion was that the Kibiro area showed promising low resistivity anomalies but some additional geological and geophysical studies

Support to the Uganda Fisheries Laboratory continued with focus on training of the staff, quality assurance procedures and preparation for commercial operations.

were needed to finish the pre-feasibility study. Because of the promising results of the survey carried out, the Ministry of Energy and Mineral Development submitted a request to ICEIDA asking for further technical assistance from ICEIDA. A 15 month extension to the project was approved in December 2004.

Support to Private Sector Development

During the visit of Uganda Investment Authority (UIA) to Iceland in November 2003, the group was impressed with the entrepreneur training options encountered in Iceland. UIA was, for example, introduced to women's entrepreneurship programmes run in association with Reykjavik University and showed immediate interest in promoting similar programmes in Uganda. In March 2004, UIA requested assistance from ICEIDA in order to explore such possibilities where the focus would be on delivery of entrepreneurship skills to small and medium size enterprises. Significant number of enterprises in Uganda could be classified as medium, small-scale or micro, and they provided 12% of employment in rural areas and 40% in urban areas. The most recent PEAP highlighted the need for a cost effective way of delivering services to them, particularly in regard to business skills.

UGANDA



Photographs: Ágústa Gísladóttir

A project in energy was initiated and wider co-operation explored at district level and in private sector development.

A fact finding mission was carried out in May and the report from the mission was received favourable. The Board of ICEIDA gave its approval of further project preparations, but they were postponed until 2005.



The ICEIDA-supported one year geothermal project focused on the Kibiro area and consisted of technical expertise and capacity building.



Photographs: *Ágústa Gísladóttir*

Administration and ICEIDA's Employees in the Year 2004

Board of Directors

Six Board members and alternate members are elected by Parliament for a term of four years. The Chairperson is appointed by the Minister for Foreign Affairs. The present board was last elected in the spring of 2001 and will serve until 2005. The members of the Board are the following:

Mr Björn Ingi Hrafnsson, *Chairman, appointed by the Minister for Foreign Affairs*
Ms Bryndís Friðgeirsdóttir, *Project Manager, Social Democratic Alliance*
Rev Hjálmar Jónsson, *Minister, Independence Party*
Mr Jón Skaptason, *General Manager, Independence Party*
Ms Margrét Sigurgeirsdóttir, *Teacher, Independence Party*
Ms Valgerður Guðmundsdóttir, *Sales Manager, Social Democratic Alliance*
Ms Valgerður Jónsdóttir, *Nurse, Progressive Party*

Observer

Mr Jörundur Valtýsson, *Ministry for Foreign Affairs*

Head Office

Mr Sighvatur Björgvinsson, *General Director*
Mr Árni Helgason, *Executive Officer*
Ms Helga Sigurðardóttir, *Finance Officer*
Ms Lilja Jónsdóttir, *Secretary*
Ms Sjöfn Vilhelmsdóttir, *Information Officer*
Ms Telma Tómasson, *Press Officer*
Ms Valgerður B. Gunnarsdóttir, *Librarian*

ICEIDA - Malawi

Ms Þórdís Sigurðardóttir, *Country Director*
Mr Guðni M. Eiríksson, *Technical Advisor*
Ms Hildur Sigurðardóttir, *Project Manager*
Mr Jóhann Pálsson, *Project Manager*
Ms Lovísa Leifsdóttir, *Medical Health Advisor*
Ms Margrét Einarsdóttir, *Project Manager*
Ms Ragnhildur Rós Indriðadóttir, *Reproductive Health Advisor*
Ms Stella Samúelsdóttir, *Intern*

ICEIDA - Mozambique

Ms Elín Rósa Sigurðardóttir, *Country Director*
Ms Hulda Biering, *Technical Advisor*
Mr Margeir Gissurarson, *Project Manager*
Ms Idalina Silva Cardoso, *Intern*

ICEIDA - Namibia

Mr Gísli Pálsson, *Country Director*
Mr Baldvin Baldvinsson, *Technical Advisor*
Mr Elfar Óskarsson, *Technical Advisor*
Mr Vilbergur Magni Óskarsson, *Technical Advisor*
Mr Vilmundur Víðir Sigurðsson, *Project Manager*
Mr Þórður Þórðarson, *Technical Advisor*

ICEIDA - Uganda

Ms Ágústa Gísladóttir, *Country Director*
Ms Drífa H. Kristjánsdóttir, *Project Manager*
Mr Kristinn Kristinsson, *Technical Advisor*
Ms Lilja Dóra Kolbeindóttir, *Project Manager*

Short-term consultants in 2004

Malawi:

Dr Geir Gunnlaugsson provided a short-term consultancy services to the ICEIDA funded project Monkey Bay Health Care in January.

Mr Mark Pronk conducted CARIS digital HIPS/GIS software training to the Hydrographic Survey Department in February.

Mr Jón Kristjánsson performed an assessment of the current gear and vessel technology in preparation for a new ICEIDA funded project on small-scale fisheries on Lake Malawi in March and April.

Dr Olaf Weyl provided consultancy services on the planning process and the development of a new ICEIDA supported project on small-scale fisheries on Lake Malawi in March and July.

Dr Karl Benediktsson and Ms Linley Kamtengi conducted an external evaluation of the ICEIDA supported National Adult Literacy Programme in August and September.

Mr Guðni M. Eiríksson and Mr Richard Chola carried out Needs Assessment Study for improved access to safe drinking water and improved sanitation in the Monkey Bay Health Zone in October.

Mozambique:

Mr Guðbrandur Leósson and Mr Þorvaldur Jónsson provided consultancy services on the financial accounting of the National Institute of Fishery Inspection in August.

Mr Vilmundur Víðir Sigurðsson conducted an assessment of the Fisheries School's needs in terms of equipment and material in November.

Namibia:

Mr Þórður Þórðarson undertook the post of a short-term lecturer at the Namibian Maritime and Fisheries Institute, from February to June.

Dr Tumi Tómasson carried out an external evaluation of ICEIDA's support to the Namibian Maritime and Fisheries Institute in March and April.

Dr M. Allyson McDonald conducted an external evaluation of ICEIDA's support to social projects in April.

Uganda:

Mr Antony Okech and I.M. Majanja Zaaly'embikke carried out Needs Assessment Study for FALP in the island sub-counties of Mukono District in April.

Mr Antony Okech, Philip Ngonganha and I.M. Majanja Zaaly'embikke carried out Fish Quality Awareness Assessment Survey in Kalangala district in November.

Mr Antony Okech et al carried out Logical Framework Workshop in preparation for support to FALP in the island sub-counties of Mukono District in August.

Mr Benjamin B. Mutambukah carried out a Business Plan Consultancy for the Uganda Fisheries Laboratory (UFL) in October.

Mr Gestur Gíslason worked as a Geologist from March till May - Geothermal Pre-feasibility Study.

Mr Godfrey Sentumbwe, Stellah Tumwebaze and Joyce Nairuba carried out Needs Assessment Study for English lessons for Adults in Kalangala in April.

Mr Hjálmar Eysteinnsson worked as a Geophysicist during March and April - Geothermal Pre-feasibility Study.

Mr Hjörleifur Einarsson carried out training at the Uganda Fisheries Laboratories in May and September.

Mr Knútur Árnason worked as a Geophysicist from February till March - Geothermal Pre-feasibility Study.

Mr Paul B. Mujugumbya carried out Needs Assessment for Administration Infrastructure in Kalangala in October and November.

Mr Vilhjálmur Wiium carried out a fact-finding mission in May - Entrepreneurship Training.

Nicaragua:

Mr Benedikt Steingrímsson carried out a fact-finding mission in Nicaragua in September - new partner country.

Sri Lanka:

Dr Tumi Tómasson carried out a fact-finding mission in Sri Lanka in October - new partner country.

Endorsement of the Annual Accounts

ICEIDA is a government agency subject to the authority of the Foreign Ministry. The Agency operates in accordance with Act No. 43/1981. The Agency has the objective of promoting co-operation between Iceland and the developing countries. The purpose of such co-operation is to support the efforts of the governments of these countries to improve their economies and thereby participate in strengthening their social progress and political independence within the framework of the United Nations Charter. Furthermore, the Agency has the task of promoting mutual understanding and solidarity between Iceland and the developing countries through increased trade and cultural relations.

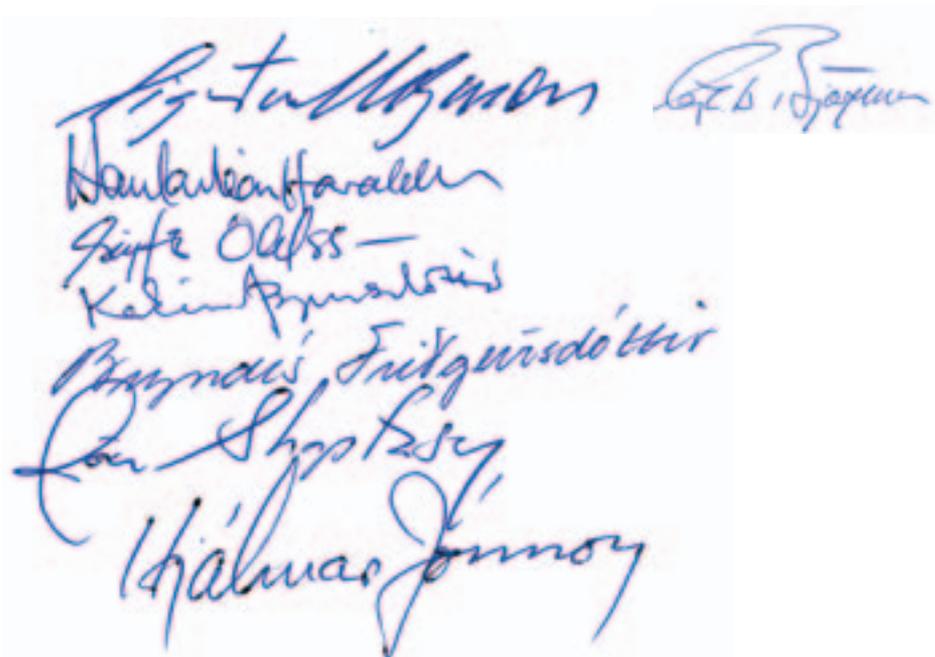
In 2004 there was an approximately USD 233,8 thousand deficit in the operation of the Agency. According to the Balance Sheet, the assets of the Agency amounted to USD 430,6 thousand and equity amounted to USD 375,7 thousand at year-end 2004.

The Board of Directors and the Director General endorse the Annual Accounts of the Agency for the year 2004 with their signatures.

Reykjavík, 2. November, 2005

On the Board of Directors

The Director General



Handwritten signatures of the Board of Directors and the Director General. The signatures are in blue ink and include the following names: Bjartmarsson, Haukaufharaldur, Guðlaug Ólafsson, Keldi Árnason, Brynna Þórunn Friðgeirsdóttir, Einar Sigmundsson, and Hálvar Þórunnsson. To the right of these signatures is a single signature for the Director General, which appears to be Guðlaug Ólafsson.

Auditor's report

To the Board of Directors of ICEIDA

We have audited the annual accounts of ICEIDA for the year 2004. The annual accounts consist of the Profit and Loss Account and the Balance Sheet. The annual accounts are submitted by the Director General of ICEIDA and on his responsibility pursuant to law and regulations. Our responsibility is to express an opinion on these financial statements based on our audit.

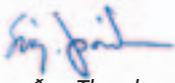
The audit was performed in accordance with the provisions of the Act on the Icelandic National Audit Office and generally accepted auditing practices which involve, inter alia:

- providing reasonable assurance that the annual accounts are free of material misstatements;
- examining internal controls and assessing whether such controls ensure appropriate results;
- examining whether the accounts are in compliance with the Fiscal Budget, the Supplementary Fiscal Budget Bill and other Acts, lawful instructions, codes of practice and assigned tasks, as appropriate;
- examining and certifying the reliability of key indicators concerning the scope and results of the operation, if such indicators are published with the annual accounts.

The audit includes examining, on a test basis, evidence supporting the amounts and other disclosures in the annual accounts. The audit also includes assessing the accounting principles used and the significant estimates made by management in the preparation of the annual accounts and their overall presentation, as applicable to government agencies falling within the scope of Section A of the State Budget. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the annual accounts present fairly the performance of ICEIDA in 2004, its financial position as at 31 December 2004 and changes in cash in the year 2004 in accordance with the law, regulations and generally accepted accounting practices for A-Section institutions.

The Icelandic National Audit Office, 3. November, 2005



Sigurður Thordarson,
The Auditor General



Sigurjón I. Haraldsson

Audit Report 2004

Profit and Loss Account for the Year 2004		
	2004	2003
Income:		
Own income	<u>11.533</u>	<u>38.578</u>
	<u>11.533</u>	<u>38.578</u>
Expenses:		
Head Office	803.973	571.546
Malavi	2.270.276	1.945.757
Mosambik	1.236.549	1.018.948
Namibia	1.264.254	998.268
Uganda	1.144.188	951.739
Other Development Assistance	<u>216.775</u>	<u>203.794</u>
	<u>6.936.015</u>	<u>5.690.052</u>
Deficit before cost of financing	(6.924.482)	(5.651.474)
Interest income, (financial expenses)	<u>4.492</u>	<u>3.544</u>
Earnings (deficit) before State appropriation	<u>(6.919.990)</u>	<u>(5.647.930)</u>
State appropriation	6.686.113	6.088.652
Revenue balance (deficit)	<u><u>(233.877)</u></u>	<u><u>440.722</u></u>

Average exchange rate for the year 2004; 70,28 ISK/USD as valuated by Central Bank of Iceland.
Average exchange rate for the year 2003; 76,93 ISK/USD as valuated by Central Bank of Iceland.

Balance Sheet 31 December 2004

	2004	2003
Assets:		
Current assets		
Treasury	18.289	0
Current debtors	14.814	8.330
Cash and Cash Equivalents	397.535	814.118
Total assets	<u>430.638</u>	<u>822.448</u>
Equity and liabilities		
Equity		
Principal 1 Jan 2004	553.527	78.203
Translation gain/loss	56.064	34.602
Revenue balance	(233.877)	440.722
Equity	<u>375.714</u>	<u>553.527</u>
Liabilities:		
Current liabilities:		
Treasury	0	30.385
Unpaid expenses	54.924	238.536
Liabilities	<u>54.924</u>	<u>268.921</u>
Equity and liabilities	<u>430.638</u>	<u>822.448</u>

Exchange rate at the end of the year 2004; 61,34 ISK/USD as valuated by Central Bank of Iceland.
Exchange rate at the end of the year 2003; 71,33 ISK/USD as valuated by Central Bank of Iceland.

Abbreviations

AFSD	Aquaculture and Fisheries Science Department	NAMFI	Programme Namibian Maritime and Fisheries Institute
AIDS	Acquired Immune Deficiency Syndrome	NMR	National Resistance Movement
AUPE	Adult Primary Education	NGO	Non Governmental Organisation
AVIMAS	Associação das Viúvas e das Mães solteiras	ODA	Official Development Assistance
CLF	Candle Light Foundation	OECD	Organisation for Economic Cooperation and Development
CVM	Mozambican Red Cross	PARPA	Action Plan for the Reduction of Absolute Poverty
DAC	Development Assistance Committee	PEAP	Poverty Eradication Action Plan
DBS	Direct Budget Support	PPP	Purchasing Power Parity
DFR	Department of Fisheries in Uganda	REFLECT	Renegated Freirian Literacy through Empowering Community Techniques
DfID	Department for International Development - The British International Development Agency	RENAMO	Mozambican National Resistance
DNM	Direcção Nacional das Mulheres - National Directorate for Women	PRS	Poverty Reduction Strategy
EAC	East African Community	SADC	Southern African Development Community
ECO	Fisheries Economic Database	SWAPO	The South West Africa People's Organisation
EHP	Essential Health Package	TBA	Traditional Birth Attendant
FALP	Functional Adult Literacy Programme	UFL	Uganda Fisheries Laboratory
FIMS	Fisheries Information Management System	UIA	Uganda Investment Authority
GAPI	Sociedade para Apoio a Pequenos Projectos de Investimento	UN	United Nations
GDP	Gross Domestic Product	UNDP	United Nations Development Programme
GNI	Gross National Income	UPE	Universal Primary Education
HDI	Human Development Index		
HIV	Human Immunodeficiency Virus		
ICEIDA	Icelandic International Development Agency		
IMF	International Monetary Fund		
INAHINA	Mozambican Institute for Hydrographic Surveying		
IRC	Icelandic Red Cross		
KAFIA	Kalangala Fal Instructors Association		
LLP	Lüderitz Literacy Project		
MBHC	Monkey Bay Community Hospital		
MDG	Millennium Development Goal		
NALP	National Adult Literacy		

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ICELANDIC INTERNATIONAL DEVELOPMENT AGENCY