

**Region of  
Eastern and Southern Africa  
and the Indian Ocean**

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**European Community**

**REGIONAL STRATEGY PAPER  
AND  
REGIONAL INDICATIVE PROGRAMME**

**For the Period**

**2002 - 2007**

**In respect of the following Regional Integration Organisations:  
Common Market for Eastern & Southern Africa (COMESA)  
East African Community (EAC)  
Intergovernmental Authority on Development (IGAD)  
Indian Ocean Commission (IOC)**

June 2002

The Region of Eastern and Southern Africa and the Indian Ocean (E&S Africa region), represented by Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC), the Indian Ocean Commission (IOC) and the InterGovernmental Authority on Development (IGAD) and the European Commission hereby agree as follows:

- (1) The duly mandated regional organisations of COMESA, EAC, IOC and IGAD, (represented by Erastus J.O. Mwencha, Secretary General of COMESA; H.E. Nuwe Amanyama Mushega, Secretary General EAC; Mr Wilfrid Bertile, Secretary General, IOC and H.E. Dr Attala Hamad Bashir, Executive Secretary, IGAD), and the European Commission, (represented by *<name and title>*), hereinafter referred to as the Parties, held discussions in *<place>* from ..... to ..... with a view to determining the general orientations for co-operation for the period *<year of signature>* – 2007.

During these discussions, the Regional Strategy Paper including an Indicative Programme of Community Aid in favour of E&S Africa Region was drawn up in accordance with the provisions of Articles 8 and 10 of Annex IV to the ACP-EC Partnership Agreement, signed in Cotonou on 23 June 2000. These discussions complete the programming process in E&S Africa Region.

The E&S Africa Region includes the following countries:

Angola, Burundi, Comoros, Djibouti, DR Congo, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Somalia, Sudan, Swaziland, Tanzania, Uganda, Zambia, Zimbabwe.

The Regional Strategy Paper and the Indicative Programme are annexed to the present document.

- (2) As regards the indicative programmable financial resources which the Community envisages to make available to E&S Africa Region for the period *<year of signature>* - 2007, an amount of € 223 million is foreseen for the allocation referred to in Article 9 of Annex IV of the ACP-EC Partnership Agreement. This allocation is not an entitlement and may be revised by the Community, following the completion of mid-term and end-of-term reviews, in accordance with Article 11 of Annex IV. Balances remaining from previous EDFs at the date of entry into force of the Financial Protocol as well as decommitments made at a later stage, will be added to this indicative allocation, in accordance with Paragraph 5 of Annex 1 of the ACP-EC Partnership Agreement.
- (3) The Indicative Programme under chapter 6 concerns the resources of the allocation. This allocation is destined to cover economic integration and trade support, sectoral policies, programmes and projects at the regional level in support of the focal or non-focal areas of Community Assistance. It does not pre-empt financing decisions by the Commission.
- (4) The European Investment Bank may contribute to the present Regional Strategy Paper by operations financed from the Investment Facility and/or from its own resources, in accordance with Articles 3 and 4 of the Financial Protocol of the ACP-EC Partnership Agreement (see paragraph 131 for further details).

- (5) In accordance with Article 11 of Annex IV to the ACP-EC Partnership Agreement, the signatories will undertake a mid-term and end-of-term review of the Regional Strategy Paper and the Indicative Programme in the light of current needs and performance. The mid-term review shall be undertaken within two years and the end-of-term review shall be undertaken within four years from the date of signature of the Regional Strategy Paper and the Regional Indicative Programme. Following the completion of the mid- and end-of-term reviews, the Community may revise the resource allocation in the light of current needs and performance.
- (6) The agreement of the two parties on this Regional Strategy Paper and Regional Indicative Programme, subject to the ratification and entry into force of the ACP-EC Partnership Agreement, will be regarded as definitive within eight weeks of the date of the signature, unless either party communicates the contrary before the end of this period.

Signatures

For the Region of Eastern and Southern  
Africa and the Indian Ocean

For the Commission

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**PART A**  
**COOPERATION STRATEGY**

## List of Abbreviations

|          |   |
|----------|---|
| ACP      | Africa, Caribbean and Pacific group of States                     |
| AfDB     | African Development Bank  |
| AEC      | African Economic Community  |
| AGOA     | African Growth and Opportunity Act                                |
| AMESD    | African Monitoring of Environment for Sustainable Development     |
| CAP      | Common Agricultural Policy (of the EU)                            |
| CBI      | Cross-Border Initiative   |
| CET      | Common External Tariff  |
| COMESA   | Common Market for Eastern and Southern Africa                     |
| COMTEL   | COMESA Telecommunications Company                                 |
| CTN      | Common Tariff Nomenclature  |
| EAC      | East African Community  |
| ECCAS    | Economic Community of Central African States                      |
| EDF      | European Development Fund   |
| EEZ      | Exclusive Economic Zone   |
| EC       | Commission of the European Union                                  |
| EU       | European Union  |
| FAO      | Food and Agriculture Organisation                                 |
| FDI      | Foreign Direct Investment   |
| GSP      | Generalised System of Preferences                                 |
| HIPC     | Highly Indebted Poor Countries                                    |
| HIV/AIDS | Human Immuno-Deficiency Virus/Acquired Immune Deficiency Syndrome |
| ICT      | Information and Communications Technology                         |
| IDRC     | International Development Research Centre                         |
| IGAD     | InterGovernmental Authority on Development                        |
| IFIs     | International Finance Institutions                                |
| IMF      | International Monetary Fund                                       |
| IOC      | Indian Ocean Commission   |
| IOR/ARC  | Indian Ocean Rim/Association for Regional Co-operation            |
| IRCC     | Inter-Regional Coordinating Committee                             |
| KfD      | Knowledge for Development   |
| LDCs     | Least Developed Countries   |
| MFN      | Most Favoured Nation  |
| NEPAD    | New Partnership for Africa's Development                          |
| NIPs     | National Indicative Programmes                                    |
| OAU      | Organisation of African Unity                                     |
| ODA      | Official Development Aid Assistance                               |
| PRIDE    | Programme Régional Intégré de Développement des Echanges          |
| PRGF     | Poverty Reduction and Growth Facility                             |
| PRSP     | Poverty Reduction Strategy Paper                                  |
| PTA      | Preferential Trade Area   |
| RAO      | Regional Authorising Officer                                      |
| RIFF     | Regional Integration Facilitation Forum                           |
| RIO      | Regional Integration Organisation                                 |
| RIP      | Regional Indicative Programme                                     |
| RSP      | Regional Strategy Paper   |
| S&D      | Special & Differential Treatment                                  |
| SACU     | Southern Africa Customs Union                                     |
| SADC     | Southern Africa Development Community                             |
| SATCC    | Southern African Transport and Communications Commission          |
| SPS      | Sanitary & Phytosanitary  |
| TIFA     | Trade and Investment Facilitation Agreement                       |
| TRIPS    | Trade Related Intellectual Property Rights                        |
| UNCLOS   | United Nations Convention on the Law of the Sea                   |
| UNECA    | United Nations Economic Commission for Africa                     |
| UNDP     | United Nations Development Programme                              |
| USA      | United States of America  |
| VAT      | Value Added Tax   |
| WCO      | World Customs Organisation  |
| WTO      | World Trade Organisation  |

## EXECUTIVE SUMMARY

The overall aim of the RSP is to increase economic growth and reduce poverty through higher levels of regional economic integration. The specific objective is that all countries in the region will become members of regional Free Trade Areas and/or a Customs Union; will improve implementation of WTO provisions; will have started negotiations on EPAs; and will use the resources of the RIP to reduce poverty through economic development and regional integration.

The main strategy being followed to achieve poverty reduction through higher levels of export-led economic growth is economic liberalisation (including liberalisation of trade policy, harmonisation of tax policy and paying attention to more efficient and effective forms of economic management) and promotion of investment and supply-side measures to assist the region to increase production. The specific challenges are the establishment of a Customs Union, which will follow on from preferential trade areas and free trade areas. The COMESA FTA was launched in October 2000 with 9 of its member states and COMESA is on track to implement a Customs Union by the target date of 2004. EAC plans to implement an FTA and Customs Union by 2004 and IOC and IGAD plan to fast-track their trade policies in harmony with COMESA and SADC. These reform programmes at the regional level build on the policies implemented at the national level. Most countries have undergone major structural adjustment programmes which make it more likely that regional integration measures will succeed.

Regional integration initiatives are well integrated into the multilateral (WTO) system and extra-regional bilateral trade accords such as AGOA. EPAs are given a high priority in the RSP as a means of assisting the region to more successfully integrate itself into the global trading system.

The three main focal areas (Economic Integration, Natural Resource Management and Transport and Communications) were selected because they address the major constraints to economic development and poverty alleviation in the region. Regional Economic Integration allows countries of the region to continue to pursue economic liberalisation policies at a regional level, within the framework of WTO, which should help the region's producers to obtain improved market access and attract investment into the productive sectors. Programmes in Natural Resource Management aim to improve the economic development of the region through the more efficient and sustainable management of the region's natural resource base. Programmes in Transport and Communications aim at reducing costs of transport and communications mainly through improved utilisation of existing infrastructure and services and through the development of a masterplan which will address the most immediate requirements in this focal sector.

The non-focal areas include programmes in conflict prevention, resolution and management, capacity building, higher education and culture. Involvement of non-state actors is a process in development (rather than an event) and cross-cutting issues (such as environment, capacity building and gender) concerns will be mainstreamed in all programmes.

The Regional Indicative Programme of an amount of € 223 million will be allocated to sectors within the following percentage ranges of the financial envelope:

|                                  |          |
|----------------------------------|----------|
| Economic Integration and Trade:  | 45%-55%  |
| Management of Natural Resources: | 15%-25%  |
| Transport and Communications:    | 15%-25%  |
| Non Focal Areas:                 | 10%-15%. |

# 1 THE EC REGIONAL COOPERATION PRINCIPLES AND OBJECTIVES

1. In accordance with Article 177 of the Treaty Establishing the European Community, development cooperation policy shall foster:

- The sustainable economic and social development of the developing countries, and more particularly the most disadvantaged among them;
- The smooth and gradual integration of the developing countries into the world economy;
- The campaign against poverty in the developing countries.

2. These objectives have been confirmed and reinforced in Article 1 of the ACP-EC Partnership Agreement, signed in Cotonou on 23 June 2000, which puts main emphasis on the objective of reducing and eventually eradicating poverty. Cooperation between the Community and the E&S Africa region shall pursue these objectives, taking into account fundamental principles laid down in Article 2 of the Agreement and essential and fundamental elements as defined in Article 9.

3. Furthermore, in their Statement on the European Community's Development Policy of 10 November 2000, the Council of the European Union and the European Commission determined a limited number of areas selected on the basis of their contribution towards reducing poverty and for which Community action provides added value: link between trade and development; support for regional integration and co-operation; support for macro-economic policies; transport; food security and sustainable rural development; institutional capacity-building, particularly in the area of good governance and the rule of law.

4. In the regional context, Article 28 of the Agreement presents the general approach for regional cooperation and integration. "Cooperation shall provide effective assistance to achieve the objectives and priorities, which the ACP countries have set themselves in the context of regional and sub-regional cooperation and integration. In this context cooperation support shall aim to: a) foster the gradual integration of the ACP States into the world economy; b) accelerate economic cooperation and development both within and between the regions of the ACP States; c) promote the free movement of persons, goods, capital services, labour and technology among ACP countries; d) accelerate diversification of the economies of the ACP States; and coordination and harmonisation of regional and sub-regional cooperation policies; and e) promote and expand inter and intra-ACP trade and with third countries".

5. Cooperation in the area of regional economic integration and regional cooperation should support the main fields identified in articles 29 and 30 of the Cotonou Agreement. Furthermore, it is stated in article 35 that "economic and trade cooperation shall build on regional integration initiatives of ACP States, bearing in mind that regional integration is a key instrument for the integration of ACP countries into the world economy".

6. The Treaty establishing the EC foresees that the Community and the Member States shall coordinate their policies on development cooperation and shall consult each other on their aid programmes, including in international organisations and during international conferences. Efforts must be made to ensure that Community development policy objectives are taken into account in the formulation and implementation of other policies affecting the developing countries. Furthermore, as laid down in Article 20 of the Agreement, systematic account shall be taken in mainstreaming into all areas of cooperation the following thematic or cross-cutting themes: gender issues, environmental issues and institutional development and capacity building.

7. The above objectives and principles together with the policy agenda for the region constitute the starting point for the formulation of the RSP, in accordance with the principle of ownership of development strategies.

## 2 THE POLICY AGENDA OF THE REGION

### 2.1 Assessment of the Process of Regional Integration

8. The RSP covers the combined membership of the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC), the Intergovernmental Authority on Development (IGAD) and the Indian Ocean Commission (IOC) and which are also members of the Africa-Caribbean-Pacific (ACP) group. This group of countries is referred to in this paper as the E&S Africa Region. Table 1 gives details of the membership of each regional organisation, as does Annex 6. Egypt is a member of COMESA and France, on behalf of its Overseas Department of la Réunion, is a member of IOC but neither are members of ACP and so are not eligible for EDF funding. All the countries involved in this RSP (apart from Somalia) are members of more than one regional integration organisation.

**Table 1: Membership of Regional Integration Arrangements and WTO and LDCs**

| Country    | COMESA | SADC | IOC | EAC | IGAD | ECCAS | IOR-ARC | SACU | WTO | LDC | RIFF |
|------------|--------|------|-----|-----|------|-------|---------|------|-----|-----|------|
| Angola     |        |      |     |     |      |       |         |      |     |     |      |
| Burundi    |        |      |     |     |      |       |         |      |     |     |      |
| Congo DR   |        |      |     |     |      |       |         |      |     |     |      |
| Comoros    |        |      |     |     |      |       |         |      |     |     |      |
| Djibouti   |        |      |     |     |      |       |         |      |     |     |      |
| Egypt      |        |      |     |     |      |       |         |      |     |     |      |
| Eritrea    |        |      |     |     |      |       |         |      |     |     |      |
| Ethiopia   |        |      |     |     |      |       |         |      |     |     |      |
| Kenya      |        |      |     |     |      |       |         |      |     |     |      |
| Madagascar |        |      |     |     |      |       |         |      |     |     |      |
| Malawi     |        |      |     |     |      |       |         |      |     |     |      |
| Mauritius  |        |      |     |     |      |       |         |      |     |     |      |
| Namibia    |        |      |     |     |      |       |         |      |     |     |      |
| Réunion    |        |      |     |     |      |       |         |      |     |     |      |
| Rwanda     |        |      |     |     |      |       |         |      |     |     |      |
| Seychelles |        |      |     |     |      |       |         |      |     |     |      |
| Somalia    |        |      |     |     |      |       |         |      |     |     |      |
| Sudan      |        |      |     |     |      |       |         |      |     |     |      |
| Swaziland  |        |      |     |     |      |       |         |      |     |     |      |
| Tanzania   |        |      |     |     |      |       |         |      |     |     |      |
| Uganda     |        |      |     |     |      |       |         |      |     |     |      |
| Zambia     |        |      |     |     |      |       |         |      |     |     |      |
| Zimbabwe   |        |      |     |     |      |       |         |      |     |     |      |

9. For the purpose of the implementation of this RIP the duly mandated regional organisations are COMESA, EAC, IGAD and IOC. (For information on institutional frameworks see Annex 7).

10. Table 2 summarises the main areas of intervention by the Regional Integration Organisations (RIOs). As can be seen from Table 2, there are overlaps in policies as well as memberships of RIOs. Countries that are signatories to a number of both international and regional trade agreements face the potential problem of having to conform to different tariff reduction schedules, rules of origin and other requirements. This has created a complex set of incentives facing investors, producers, importers and exporters. To address this problem task forces have been set up between COMESA and EAC and COMESA and SADC which are working towards the harmonisation and co-ordination of policies and programmes and to remove any policy contradictions overlap may cause. In addition

to these task forces, SADC has been involved in the preparation of this E&S Africa RSP through the SADC Secretariat's attendance of most preparatory meetings. Further co-operation will take place with the establishment of the Inter-Regional Co-ordinating Committee (IRCC) which will have as its members COMESA, EAC, IOC, IGAD, SADC and the EC. RIOs can include in their delegations representatives of their respective Member States and/or Non-State Actors.

**Table 2: Areas of Intervention by Regional Organisations<sup>1</sup>**

| RIOs   | Trade Policies                                 | Trade Related Policies   | Functional Policies   |
|--------|--|--|---|
| COMESA | FTA by 2000 and Customs Union by 2004          | Standards, Customs Management and Procedures, SPS, Capital Market Development, Private Sector Development, Investment Policies, Competition Policy, Public Procurement, Movement of Persons, Tax Harmonisation, Monetary Harmonisation, Trade (transport) Facilitation, Air Traffic Liberalisation, Telecoms and e-commerce. | Agriculture and Food Security, Infrastructure, Conflict Prevention, Transport, Energy, Fisheries, Knowledge for Development, Applied Research.  |
| EAC    | FTA and Customs Union by 2004                  | Standards, Customs Procedures, SPS, Capital Market Development, Private Sector Development, Investment Policies, Competition Policy, Movement of Persons, Tax Harmonisation, Monetary Harmonisation  | Agriculture and Food Security, Infrastructure, Development of Human Resources, Science and Technology, Labour, Tourism and Wildlife Management, Health, Social & Cultural Activities, Political Affairs, Regional Peace & Security & Defence. |
| IGAD   | Fast-tracking COMESA, EAC in harmony with SADC | Customs Procedures, Private Sector Development, Investment Policies, Movement of Persons, Fiscal & Monetary Harmonisation, Industry.   | Agriculture, Infrastructure, Management of Natural Resources, Tourism, Health, Peace and Security.  |
| IOC    | Fast-tracking COMESA in harmony with SADC      | Standards, Customs Procedures, SPS, Private Sector Development.  | Sustainable Management of Marine and Coastal Resources, Metrology, Culture, Higher Education, Tourism, IT Development   |
| SADC   | FTA by 2008                                    | Standards, Customs Procedures, SPS, Capital Market Development, Private Sector Development, Investment Policies, Competition Policy, Tax Harmonisation, Monetary Harmonisation   | Food, Agriculture and Natural Resources; Infrastructure and Social Sector; Tourism and Mining.  |

11. COMESA has been in existence since 1994 and followed on from the Preferential Trade Area for Eastern and Southern Africa (PTA) which was created in 1981 as part of the OAU Abuja Treaty. Its main focus is on strengthening outward-oriented regional integration (i.e. within the framework of WTO) through promotion of cross-border trade and investment. COMESA created a Free Trade Area in October 2000, which currently has nine members<sup>2</sup> (although more countries have committed themselves to join at specified times) and a programme to implement the COMESA customs union in 2004. COMESA also has programmes in trade and transport facilitation, trade in services, free movement of persons and investment. Cross-cutting and other issues include gender policy, conflict prevention and a COMESA Court of Justice. COMESA provides secretariat and

<sup>1</sup> There are a number of cross-cutting policies pursued by all RIOs, including gender and environment.

<sup>2</sup> Members of COMESA FTA: Djibouti, Egypt, Kenya, Madagascar, Malawi, Mauritius, Sudan, Zambia and Zimbabwe

support functions to the Regional Integration Facilitation Forum (RIFF) and its national Technical Working Groups.

12. The present East African Community, with its Treaty signed in 1999, is a revival of the previous East African co-operation arrangement between Tanzania, Kenya and Uganda which broke up in 1977. The 1999 Treaty provides for the formation of a Customs Union within four years of the signing of the Treaty. This is to be followed by a Common Market, a Monetary Union and ultimately a Political Federation. Progression from one level of integration to another shall be through negotiated protocols.

13. Although the priority of the EAC is to establish a Customs Union, the Treaty includes co-operation in political, economic, social and cultural fields, research and technology, defence, security and legal and judicial affairs. The East African Legislative Assembly and the East African Court of Justice were launched on 30<sup>th</sup> November 2001. The role of the Court is to ensure compliance with the Treaty provisions while the Assembly is the legislative organ of the Community.

14. The IOC programme on regional integration takes into account the vulnerability of the small-island economies (which is well attested and the principle of differentiation from the economies of land-locked developing countries is recognised by the EU in Articles 84.1 and 89.1 of the Cotonou Agreement). The issue of Réunion's membership of IOC whilst at the same time being an Overseas Department of France and an outermost region of the European Union, is dealt with in more detail in Annex 5.

15. The advantages represented by the strengthening of regional intra-IOC integration are seen in the context of broader integration with other regions. Activities are developed in co-ordination with the policies of other larger RIOs such as COMESA and SADC, which also ensures that IOC is a part of other preferential trading regimes such as the EPAs and AGOA.

16. IOC sees its activities as being a "fast track" to the COMESA customs union. Trade liberalisation programmes are supported by the PRIDE programme which aims to remove regulatory constraints and so liberalise trade, services, investments, movement of capital and movement of people, within the framework of RIFF and the objectives of other regional organisations.

17. IOC also contributes to strengthened regional integration through the implementation of programmes mainly in environmental protection, higher education, metrology and sustainable management of natural resources (essentially in the fisheries sector).

18. IGAD is one of the regional economic blocks within the framework of the OAU's Abuja Treaty. The original mandate of IGAD was to combat drought and desertification and achieve food security. However, in 1996, this was expanded to include co-operation in political, economic and humanitarian affairs. The main focus of IGAD is now on policy harmonisation, focusing on trade and transport; assisting to eliminate physical and non-physical barriers to trade; and promotion of regional economic integration among member States. IGAD is also promoting regional economic integration by implementing projects in transport, telecommunications, agriculture, energy, natural resources and capacity building. Conflict prevention, management and resolution is a priority area, and member States of IGAD have signed a Protocol on Conflict Early Warning and a Response Mechanism.

19. Trade policy and trade liberalisation towards the rest of the world is determined by the fact that most countries in the region are members of WTO<sup>3</sup>. Three countries are observers (Ethiopia, Seychelles and Sudan, with the latter two seeking accession) and three are non-members (Comoros, Eritrea and Somalia). There has been a reduction in the number of tariff bands used and a general reduction of MFN tariffs, although bound tariffs are usually much higher than actual tariffs. The region has, in general, respected the principle of not increasing tariffs (stand-still provisions). The net result of these changes in trade policy has been a lowering of the weighted average MFN tariff and a general opening up of the markets of the region to the rest of the world.

20. The RIOs have a role to play in assisting their member States to participate more fully in the multilateral trading environment and, by stressing the developmental aspects of the multilateral environment, to access the benefits of globalisation. The RIOs have assisted their member States to become more familiar with the requirements of WTO, which has enabled member States to develop negotiating positions on specific issues. COMESA took an active part in preparing the African negotiating position in preparation for the 4<sup>th</sup> WTO Ministerial Meeting in Doha. IOC co-operated with CARICOM and Pacific Forum on the preparation of a specific position regarding the issue of the small economies. The IGAD Secretariat has been mandated by the IGAD Council of Ministers to follow up on WTO negotiations and multilateral negotiations. EAC participated in the meeting held between the RIOs and the WTO in preparation for the 4<sup>th</sup> WTO Ministerial Meeting in Doha.

21. The Ministerial Declaration and the Declaration on the TRIPS Agreement and Public Health of the 4<sup>th</sup> WTO Ministerial Conference in Doha took account of many of the concerns of the Africa Group. The Doha Conference also approved the waiver for the preferential trade arrangements under the Cotonou regime. However, the outcome of the Doha Conference also increased the level of commitment needed from all WTO members and much needs to be done by the Africa Group to implement the decisions of the 4<sup>th</sup> Ministerial Conference and to prepare for the 5<sup>th</sup> Ministerial.

22. The ACP and the EC are preparing to negotiate Economic Partnership Agreements (EPAs). EPAs cover more than just market access issues in that they could include trade in services and co-operation in trade-related areas such as competition policy, standardisation and certification, protection of intellectual property rights, sanitary and phytosanitary measures and other areas which are referred to in the Cotonou Agreement.

23. The Ministerial meeting of the RIOs (COMESA, EAC, IGAD and IOC) held on 18<sup>th</sup> February 2002 in Lusaka to discuss the EPA paper prepared by the COMESA Secretariat decided, among other things, that EPAs should include a strong developmental dimension and reaffirmed the COMESA Council of Ministers' decision on a two-tiered approach to EPA negotiations leading to the conclusion of a general framework agreement comprising cross-cutting issues, principles, objectives, common institutions etc and a more specific component that takes on board regional specifications, especially with regard to the introduction of asymmetrical reciprocity for the removal of trade barriers. Such an approach should ensure that positions adopted by the ACP during the EPA negotiations would be in harmony with other developments taking place at regional, continental and multilateral levels, including negotiations at the regional and WTO levels, CAP reform, EU enlargement and the EU GSP review in 2004.

24. The ACP countries as a whole must also take into account the effects of the Everything-but-Arms (EBA) initiative in future relations with the EU. EBA has opened the EU market to all LDCs. Therefore, EBA constitutes an improvement for the LDC countries of the region, but may intensify

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<sup>3</sup> WTO members: Angola, Burundi, DR Congo, Djibouti, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Swaziland, Tanzania, Uganda, Zambia & Zimbabwe.

competition for non-LDC suppliers in the EU market. Under the Cotonou Agreement all ACP countries enjoy unilateral preferential access to EU until 2008. However, as margins of preference continuously dwindle, the competitive edge over non-ACP suppliers to the EU is diminishing. It is, hence, imperative that ACP countries work on their competitiveness from a production/supply side perspective. This will entail capacity building in new technology, in staff training and re-orientation, and a heightened sense of consciousness with regard to standards and environmental concerns. All these will require significant investment that, clearly, is not readily available in the ACP countries.

25. Two other initiatives that will have an impact on the E&S Africa region during the implementation of the RIP are the USA's African Growth and Opportunity Act (AGOA) of 2000 and the New Partnership for Africa's Development (NEPAD).

26. AGOA establishes a framework for USA trade and investment and development policy for eligible sub-Saharan Africa countries through the provision of duty-free USA market access for essentially all products under the Generalised System of Preferences (GSP) programme.

27. Related to AGOA, COMESA has recently signed a Trade and Investment Framework Agreement (TIFA) with the United States government. TIFA is aimed at improving trade and investment relations between the USA and COMESA through the facilitation, development and expansion of trade in goods and services and the securing of long-term investment. TIFA also allows for COMESA countries and the USA to review progress made by COMESA member states in taking advantage of AGOA.

28. NEPAD is a merger of the Millennium Partnership for the African Recovery Programme and the Omega Plan and outlines a strategy for achieving sustainable development in Africa in the 21<sup>st</sup> Century. The strategy outlines the preconditions for development as being peace, security, democracy and political governance; economic and corporate governance with a focus on public finance management; and regional co-operation and integration. Its priority sectors are infrastructure; information and communications technology; human development, with focus on health and education and skills development; agriculture; and promoting diversification of production and exports, with a focus on market access for African exports to industrialised countries. NEPAD intends to mobilise resources through increased savings and capital inflows via further debt relief, increased ODA flows and private capital and as well as better management of public revenue and expenditure. The E&S Africa RSP should be seen within the context of NEPAD and as a way to promote its strategy for achieving sustainable development.

## **2.2 The Policy Agenda of the Region**

29. The E&S Africa region is an extremely heterogeneous and diverse one in all aspects. It nevertheless shares a common theme of relatively low economic development and high levels of poverty, which is being addressed through economic policies aimed at economic liberalisation, improved efficiencies in governance, and integrating the national economies into the regional and global economies.

### Trade Policy Issues

30. Good progress has been made by COMESA in establishing a common external tariff (CET) and a common tariff nomenclature (CTN), on harmonising customs procedures and legislation (based on the revised WCO Kyoto Convention and EU framework), on adopting the WTO customs valuation code and on the administrative aspects of a customs union. Further work in these areas is heavily dependent on the RIOs being able to model the effects of changes in incentive levels (such as

effective rates of protection), an area being worked on jointly by the COMESA and SADC Secretariats in their Economic Impact Assessment study.

31. COMESA has rules of origin which apply to all tariff lines and which are based on either wholly produced or value added or change in tariff heading criteria. Controls on the issuance of certificates of origin and validation procedures are in operation. There is also a dispute settlement mechanism used, with the final level of recourse being the COMESA Court of Justice.

32. The IOC PRIDE programme has assisted the Indian Ocean island countries with the implementation of a trade liberalisation programme modelled on the CBI/RIFF liberalisation programme.

33. EAC have established a High Level Task Force to examine how to implement the EAC Treaty provision for a Free Trade Area and Customs Union between Uganda, Kenya and Tanzania. COMESA and EAC have set up a Task Force to ensure that the two customs unions and free trade areas (and related procedures such as rules of origin) do not contradict one another.

34. The trend in the region is towards liberalising market access as regards trade in services, in particular in the banking, insurance, air transport and telecommunications sectors, which has already benefited consumers and the economy. However, these gains in some countries' service sectors need to be consolidated and extended to others through the further development of trade policies.

35. Although steady progress in implementing the regional trade agenda is being made, there is still a large agenda to complete, including harmonisation of trade and tax policies, harmonising customs procedures and legislation and the design and implementation of investment policies which will attract both portfolio and foreign direct investment (FDI). The assistance of the EC/EU is required if the region is to meet the targets it has set itself in implementing this agenda. Table 3 summarises the policy measures being undertaken by RIOs to enhance regional economic integration.

**Table 3: Policy Measures to Enhance Regional Economic Integration**

| <b>Economic Integration</b>            | <b>Activities</b>   | <b>Indicators</b>  |
|--|---|--|
| Free Trade Area                        | Harmonise rules and certificates of origin.   | All countries in a regional FTA by 2004.   |
| Customs Union                          | Agree on regional CET, CTN, categorisation into tariff bands, customs valuation, customs procedures/legislation, customs documentation, administration of the customs union   | The majority of countries in a customs union by 2004.                            |
| Economic Incentives Assessment Studies | Prepare country models which will assess the economic impact on changes in effective rates of protection so that informed policy responses can be recommended to governments. | Studies and model completed by end-2002 and maintained throughout the RIP period |
| Trade Policy Capacity Development      | Develop capacity in the region for WTO negotiations and for the negotiation of EPAs.  | Region adequately prepared for trade negotiations.                               |
| Trade in Services                      | Continue with the liberalisation of trade in services with special emphasis on financial services, air traffic and telecommunications   | Trade in services further liberalised within the GATS framework.                 |
| Standards and SPS                      | Develop harmonised regional trading standards and sanitary and phytosanitary  | Regional trading standards and SPS   |

|  | provisions  | agreed by 2004.  |
|--|---|--|
| Trade Facilitation                     | Continue programme of trade facilitation measures including African Trade Insurance scheme; cross-border payments and settlement system; e-commerce; regional carriers' license; harmonisation of road user charges, axle weights and vehicle dimensions; regional vehicle insurance; customs bond guarantees; monitoring system for transit freight, regional competition policy; and public procurement policy. | Individual trade facilitation programmes meet individual programme targets.  |
| Investment Facilitation                | Develop a regional investment policy which addresses legislative constraints to investment and "second generation" constraints.   | A Common Investment Area and the Regional Investment Agency launched and investment increases during the RIP period. |
| Private Sector Development             | Design and implement a regional private sector development programme.   | In-built performance indicators met.   |
| Banking and Capital Market Development | Design and implement a programme to promote a regional capital market and robust financial legislation and supervision systems  | In-built performance indicators met.   |
| Tax Policy Harmonisation               | Assess individual country tax policies and prepare a programme to harmonise tax policy  | Tax policies harmonised during the RIP period.   |
| Macroeconomic Surveillance             | Develop a macroeconomic surveillance system under RIFF with IMF and EC assistance   | Implementation of the RIFF macro- surveillance system.   |

#### Other Relevant Issues Related to Regional Economic Integration

36. There are a number of exchange rate arrangements in the region, the main ones being conventional fixed peg arrangements, where the country pegs its currency at a fixed rate to a major currency; currency board where there is a commitment to exchange a domestic currency for a specific foreign currency; and independently floating where the exchange rate is market-determined. As a general rule, the E&S Africa region has seen a trend to remove exchange control regulations in favour of a liberalised exchange rate system.

37. Improved levels of financial management are resulting in a reduction in central bank claims on governments and a slowing down of monetary expansion. As a general rule, the region's currencies are devaluing against the USA Dollar which, given the high import dependency of the region, is putting pressure on wages and consumers.

38. Reforms in revenue and tax policies are aimed at simplifying the tax system, reducing effective protection and eliminating undue reliance of the government budget on revenue from import taxation. By introducing VAT it has been possible for governments to also reduce high external tariffs. In general, VAT has been introduced as a comprehensive tax on goods and services, with very few exemptions and a single threshold at or above which registration for enterprises would be required. Another important change has been the establishment of unified revenue authorities that have significantly altered the administration of internal taxes and customs duties by bringing all taxes under a single central administration. Savings are usually made as a result of this centralisation of tax administration.

39. Monetary policy is being used to maintain stable prices and exchange rates and so create an appropriate environment for sustained growth. The emphasis for monetary policy is still towards achieving a reduction in inflation rates rather than as a tool for economic expansion. Monetary instruments now comprise tendering of treasury bills and other government securities, removing ceilings on bank credit to the private sector and liberalising interest rates. Over-the-counter trading in Treasury Bills has encouraged a secondary market and puts pressure on commercial banks to narrow their interest rate margins by increasing their deposit rates, in line with the rising trend in treasury bill rates.

40. All countries, except Somalia, in the E&S Africa region have had IMF Article IV consultations in the recent past, with most having completed their 2001 consultations. This has resulted in the region's central banks tightening up on prudential requirements and on increasing the minimum paid-up or assigned capital for both domestic and offshore banks to try to reduce the risk of commercial bank failures, a relatively common occurrence in the region during the 1990s.

41. The COMESA Secretariat, within the RIFF framework, has developed a proposal for a regional surveillance mechanism which aims to:-

- highlight at an early stage potential issues which will slow down regional economic integration and allow the region to develop a policy response in a timely manner;
- develop a set of indicators which measure the progress being made in regional economic integration;
- develop a set of regional "lock-in" mechanisms through peer pressure; and
- be used as a trigger mechanism for budgetary support in cases where countries need such assistance to continue with the process of liberalisation.

42. The trend in the region is to liberalise the commercial banking sector to allow foreign banks to operate alongside domestic banks. Central banks have modified their roles and do not usually act as commercial banks, but rather are the commercial banks' bank and oversee domestic and offshore banks and ensure official monetary policies are implemented.

43. Twelve countries of the region are classified as Heavily Indebted Poor Countries (HIPC). Of these countries ten (Burundi, DR Congo, Djibouti, Ethiopia, Madagascar, Malawi, Rwanda, Sudan, Uganda and Zambia) have debts which are classified as unsustainable and two (Angola, Kenya) as having sustainable debt positions. Seven countries (Ethiopia, Madagascar, Malawi, Rwanda, Tanzania, Uganda and Zambia) have reached decision points under HIPC.

44. Steady progress has been made in simplifying and liberalising investment approval processes and publishing of investment codes and regulatory instruments. The trend in the region is to establish investment agencies which act as "one-stop" investment centres which provide all the services a potential investor needs to make investments in the country.

45. The principle of free movement of people and right of establishment and residence is common to almost all countries in the region but the RIOs face a number of difficulties in implementing the agreed protocols which embrace these principles.

#### Management of Natural Resources

46. The policy agenda of the region is to further develop and manage natural resources for the economic development of the region but in an environmentally sustainable manner. The development of common strategies and tools and the establishment or strengthening of networks and

regional bodies to promote regional management of natural resources would ensure the co-ordination of transboundary resources such as watersheds, grazing lands, wild life, coastal areas, tropical forests etc. Such co-ordinated (or even common management) could also avoid a further deterioration, and eventually an improvement, of the food security situation.

47. The set of indicators to measure progress in this area could focus on how successful the region has been in implementing a co-ordinated and global approach to development issues, which takes into consideration economic, social and environmental aspects. It could also measure how and where the regional approach has provided substantial added value and how it has assisted the countries to solve common issues and in meeting their obligations ensuing from the international treaties and protocols (e.g. Rio, Agenda 21, Barbados Action Plan, Nairobi Convention, Arusha resolution etc).

48. Partner states of the EAC are co-operating to effectively manage natural resources in an environmentally sustainable way in areas of common interest including: Lake Victoria and its Basin; management for transboundary ecosystems such as major watershed/catchment areas; national parks lying across common boundaries; and coastal and marine resources.

49. The integrated management of the coastal, lake and marine resources is vital for the sustained development of the region and is a major challenge for the region since in some cases (such as the in small island economies) they are the sole asset.

50. Fishing represents a significant proportion of export earnings for many countries in the region. The Indian Ocean Island countries have established a common regional approach to co-ordinated management and sustainable exploitation of the marine resources and benefit from regularly renewed agreements on fisheries products with the EU which primarily cover the tuna fish family. Purchase of guaranteed and correct tonnage licenses for European fleets generates considerable income. Concurrent with these commercial agreements, programmes of support have been established for small fishing craftsmen whose incomes are fragile.

51. The EU is currently conducting an evaluation of the relationship between country programmes and fisheries agreements. The results and recommendations of this evaluation will be integrated in the regional strategy, when made available to the countries and regional organisation. Notwithstanding the outcome of this evaluation, the strategy will ensure that the objectives of economic growth of the fisheries sector are compatible with the international agreements such as the FAO Code of Conduct for Responsible fisheries and the UNCLOS.

### Transport

52. In the transport sectors COMESA has concentrated on facilitation programmes; IGAD on securing funds to finance infrastructural development; and EAC on both facilitation and infrastructural development. COMESA and EAC in particular have been working with SATCC (which provides services to 10 countries in the E&S Africa region) on integrating transport networks by implementing compatible policies, legislation, rules, standards and procedures and eliminating hindrances and impediments to the movement of persons, goods and services. The overall regional transport policy direction has been to reduce the cost of doing business, to improve cross-border investment and trade, and to allow the free movement of goods and services throughout the region and to overseas markets.

53. In the roads sub-sector there have been recent efforts made to develop a common strategy for putting the financing and management of roads on a commercial footing. This is done, at the national

level, with the establishment of national roads boards and the creation of road funds. These initiatives show progress is being made but issues of transparency, accountability and involvement of the private sector still need to be addressed.

54. In the railway sub-sector a common trend is in the concessioning of railway operations on a public-private basis. There have been a number of regional conferences and seminars at which the region's railways have been able to share experiences of railway concessioning and there is an emerging awareness of the need to concession on a regional basis if railways are to be commercially viable in the future. Management of railways are also emphasising the need for computerised cargo management systems and most railways in the region are now operating either Railtracker (under the Advance Cargo Information System) under COMESA or the Rolling Stock Information System under SADC.

55. The region has a number of maritime ports which are reforming their operations and services, infrastructure utilisation and management. This process focuses mainly on improving operational links with the private sector by contracting out operations and services, particularly container handling, although the pace of reform needs to be increased to enable customers to benefit from faster clearance of goods and more competitive services.

56. The following road transport facilitation programmes are underway:-

- the COMESA Customs Document to replace several national documents;
- a schedule of harmonised road transit traffic charges;
- the COMESA Carrier's License which allows commercial goods vehicles to operate in all member States and pick up back-loads in other countries;
- COMESA harmonised axle loading, gross vehicle mass and maximum vehicle dimensions, although these are now under further review;
- the COMESA Yellow Card vehicle insurance scheme which covers third-party liability and medical expenses in all 12 participating countries; and
- the COMESA Customs Bond Guarantee Scheme to replace nationally executed customs bond guarantees for transit traffic.

57. Development of the region's transport infrastructure has usually been done on a "corridor" basis, examples of which are the Trans-Kalahari corridor, the TAZARA corridor and the Northern corridor. The development of the infrastructure in these transit corridors has almost always been done using grant funds or concessionary loan finance, with maintenance being the responsibility of the governments through which these corridors run. Road maintenance should usually be financed through national roads funds, but these roads funds do not usually collect sufficient funds to cover road maintenance owing to low vehicle numbers and low fuel levies and because they often suffer from diversion of funds into other areas of the national budget. In addition, low traffic flows in the region mean that there are very few opportunities for creating toll roads. In the rail sector reducing costs and increasing revenues is being done through concessioning, setting viable freight tariffs and passenger fares and introducing more efficient management systems.

#### Telecommunications and e-commerce

58. In the telecommunications sector most E&S Africa countries are embracing liberalisation and competition together with the introduction of value added services alongside basic telephony. The development of the sector in this direction is, however, not uniform and a number of countries still have a regulatory environment geared to a single monopolistic operator of basic services controlling access to the network with, for example, the ability to dictate terms of interconnection to prospective new entrants. Little or no independence of the regulator from the policymaker does not inspire

confidence in private sector investors but, at the same time, the public sector is not able to provide the necessary investments into this sector.

59. A regional study is underway to examine how to achieve harmonised development of the telecommunications regulatory functions in COMESA member states and how to establish a pro-competitive regulatory framework that will be conducive to sector investment and the development of an affordable and reliable telecommunication infrastructure in the region.

60. A number of small initiatives have taken place in the e-commerce sub-sector at the national level but little has been done at the regional level. There is a perceived need to develop a programme on e-commerce which allows countries of the region to further develop economically by taking advantage of the latest developments in information and communications technology.

#### Peace, Security and Conflict Prevention

61. It is universally recognised that without peace and security there can be no meaningful development, so progress in conflict prevention, resolution and management are a pre-requisite for poverty alleviation. IGAD has undertaken actions to enhance the capacity of its member States and achieved some success as a facilitator of the Somali peace process talks. COMESA's programmes emphasise conflict prevention and it has been working with parliamentarians, civil society and other stakeholders on developing modalities that could be used in conflict prevention. EAC recognises that peace and security are pre-requisites to social and economic development within the community and has established sectoral committees as a strategy for the pursuit of regional peace and security. These programmes supplement the other regional initiatives and the initiatives taking place at the all-Africa and international levels.

#### Higher Education and Research

62. IOC pays particular attention to the reinforcement of regional co-operation in higher education and research. The project of the Indian Ocean University 'without walls' has played a primary part in the forging of bonds between the institutions of the region and is likely to play a role in fostering co-operation between academic and economic fields. Similarly, the EAC has developed a Science and Technology policy, the purpose of which is to co-ordinate the development of scientific research in the region. The East African Inter University Council is playing a major role in the development of human resources through facilitating exchange of students, harmonisation of university curriculum and supporting transfer of technology. The Regional Integration Research Programme of COMESA has promoted the development of research networks in the region and policy oriented research on regional integration.

#### Culture

63. A number of countries in the region view the promotion of culture as important, both in the interests of strengthening a national identity and as part of a tourism development strategy. Cultural programmes aim not only to popularise the region's music, dance, literature and art but also to strengthen these through the introduction of techniques and ideas from other parts of the region and the world, while retaining the art forms' essential elements.

### **3 ANALYSIS OF THE POLITICAL, ECONOMIC AND SOCIAL CONTEXT OF THE REGION**

#### **3.1 Political Situation**

### Governance

64. There have been significant improvements recorded in region over the last few years so that the majority of the region's countries are now multiparty democracies and elections with universal suffrage are the rule rather than the exception. As a consequence of the transition, there is increasing awareness of the implications of democracy and of fundamental rights amongst the region's citizens. A trend towards decentralisation of government is another contributing factor towards wider legitimacy and responsibility and again is an indicator of the separation of power, the desire for transparency and the involvement of civil society. However, despite these improvements, issues of governance (including accountability, transparency in decision-making and levels of corruption in the public sector) remain a major concern in terms of perception of the region by foreign investors and impact on economic development and poverty eradication. All governments express their commitment to ending corruption but in practice, there may not be total transparency of public accounts and pursuit of offenders may not always be as rigorous as it could be.

### Human rights

65. All countries are signatories to a range of the UN Conventions concerning human rights. In spite of this, and of conscious improvements in human rights records in many countries, it is recognised that abuses do still occur and that poverty and the HIV/AIDS pandemic have led to a worsening of the rights and conditions of women and children. The record on torture is mixed with both transparency (in the commissioning of tribunals into allegations of torture) and denial (with a refusal to act upon the results of the investigations) often co-existing within the same country. With regard to freedom of expression, relations with the independent media generally remain uneasy, although there are also instances of improvements.

### Conflicts and Border Disputes

66. Internal and cross-border conflicts and border disputes have had a major impact upon the economies and populations of the region. In recent conflicts there have been extensive regional ramifications not only in terms of the impact upon neighbouring countries but in terms of a new form of warfare (including armed groups with cross-border links to states, social movements, markets, criminal cartels and corporations). However, In the Greater Horn of Africa the conflict between Ethiopia and Eritrea has ended and the process to demarcate the boundary between the two countries is underway. The inter-Congolese dialogue is underway and progress is being made to create a transitional government which is representative of the various political groupings in the Democratic Republic of Congo. Angola has reached a political solution to its internal conflict which has affected neighbouring countries and the people of Burundi, Comoros, Somalia and Sudan have also suffered in various degrees from internal conflicts.

## **3.2 Economic Situation**

67. Poverty reduction is seen as the major challenge and is the overall focus of the region's economic policies. For sustainable poverty reduction to take place there is a need to have sustainable economic growth at levels which allow increased capitalisation and infrastructural development to take place. In the E&S Africa region, owing to the small size of national markets, this economic growth will almost certainly be based on increased export earnings, which can only be obtained by diversifying the export base, reducing costs of doing business (partly through improving the efficiency of the transport and communications sectors) increasing production in an environmentally sustainable manner, improving standards and quality, and increasing market share, both in existing markets and by exporting into new markets.

68. Basic economic indicators are given in Annex 8 and show that the total population of the region is around 300 million people, with population growth rates averaging 2.2% and ranging from 1.1% to 3.2%. Fertility rates average 5.35 births per woman but life expectancy in large parts of the region is declining. As a result of endemic diseases such as malaria and HIV/AIDS reduced life expectancy is making economic development more difficult to achieve.

69. Although the population of the region is relatively small, the size of the region is large, reflecting its productive potential as well as a rich natural resource endowment that could be exploited for the benefit of the region's population. This potential will be fulfilled through increased levels of investment flows into the region, which in turn is dependent on maintaining a liberal policy environment, developing human resources, developing infrastructure and maintaining a peaceful and politically stable environment.

70. Macroeconomic indicators are given in Annex 8 and show that GDP, at about US\$125.6 billion (Real GDP in 2000 at 1990 constant prices) is relatively small even compared with the rest of the Eastern and Southern African region. GDP growth for the region ranges from -0.7% to 3.7% and averaged about 2.5% per annum during the 1991 to 2000 period which is slightly above the population growth of the same period.

71. Fourteen of the states have been classified as Least Developed Countries,<sup>4</sup> eight of which have formulated Poverty Reduction Strategy Papers (PRSPs) which, in effect, outline an overall strategy for economic growth and development. Eleven of the region's countries are eligible for the PRGF. As at December 2001, seven had prepared Interim PRSPs and one had completed its final PRSP. The essential elements of these PRSPs are to improve economic performance, with the participation of the poor, by ensuring strong and sustainable economic growth that benefits the poor; to develop essential services (education, health and access to drinking water); to widen the security net to benefit the most vulnerable sections of the population; to implement an institutional framework favourable to economic growth and poverty reduction; and to build capacity in order to improve governance and the relations between the administration and the administered.

72. External indebtedness (despite the HIPC initiative) remains a source of serious concern, with the total external debt of the region being about 60% of GDP in 2000, ranging from almost 300% of GDP to zero.

73. Annex 10 gives details of the percentages of imports and exports by source and destination (region, EU and other) for the years 1998, 1999 and 2000. From these figures it can be seen that, for all countries in the region (apart from the SACU countries of Namibia and Swaziland) the EU constitutes a major export market and a major supplier of imports. Development and trade agreements with the EU therefore remain of major importance to the region.

74. Although the commitment of countries in E&S Africa to regional integration and economic liberalisation is no longer in doubt, if a country stands to lose revenue, albeit in the short term, as a result of a reduction in tariffs and collected trade taxes this may preclude this country from implementing further liberalisation policies. Extensive provision of budgetary support is not possible under the RIP but a targeted amount could have significant impact in a small number of countries.

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<sup>4</sup> LDCs: Angola, Burundi, DR Congo Comoros, Eritrea, Ethiopia, Madagascar, Malawi, Rwanda, Somalia, Sudan, Tanzania, Uganda and Zambia.

75. The analysis of the regional situation and the assessment of regional integration for the E&S Africa region indicates that countries in the region accept that poverty reduction depends upon achieving levels of economic growth of 6% or more per annum. To achieve this the region needs to attract significant levels of investment into the productive sectors of the region, hence the pre-condition of creating a conducive investment climate. To a large extent a conducive investment regime is dependent on improved access to a larger market, a stable economic regime, adequate infrastructure to allow business transactions to take place within the region and a peaceful and politically stable environment. Economic planning, both by public and private actors, is also often hindered by a lack of reliable statistics.

76. The region is characterised by relatively high transport and communication cost which is due to a lack of adequate infrastructure as well as a commonly adopted and efficiently implemented regulatory framework on the regional level. The high transport and communication cost increases production cost and negatively impact on the region's economic integration and its integration into the world economy.

77. The environmental profile of the region is very diverse. It comprises, among others, coastal areas, highlands, river basins, tropical areas as well as dry lands. The natural resources linked to the environmental profile range from maritime and lake resources over tropical forests and grazing lands to wildlife and freshwater resources. In most cases these resources are trans-boundary and their successful management requires some kind of co-ordination on the regional level.

78. The region is prone to natural disasters, notably droughts, floods and cyclones. In the past such disasters often incurred substantial human losses as well as disruption of economic life.

### **3.3 Social Context**

#### Education and Human Resource Development

79. Within the social sector, education receives a high priority in the budgets of all countries. Falling standards, almost throughout the region, have led to the common objectives of: increased enrolment (with Universal Primary Education a common goal); increased equity of access (in terms of geographical, gender and social imbalances); improved quality (in terms of number of textbooks, curriculum development, teacher training and teacher/pupil ratios) and decentralised management of decision-making and resources. Basic/primary education is now the focal area for most national authorities.

#### Health

80. The challenges and policies in the health sector are consistent amongst the countries (with the exceptions of Seychelles and Mauritius, which face different problems, having ageing populations). Virtually all countries focus on increasing impact of health services by focussing on the most cost-effective interventions and improving efficiency and delivery; broadening the financing resource base; and providing special attention to protecting the poor and vulnerable. Specific factors are the emphasis on primary health care; provision of essential drugs; decentralisation; equity of access (particularly in relation to women and children); cost recovery and treatment of specific common diseases (respiratory, including tuberculosis, diarrhoeal/dysenteric and malaria). Many countries have major Health Reform programmes and employ a sector-wide approach.

81. Health indicators throughout the region are poor. Typical infant mortality rates are around 70-85 deaths per 1,000 live births. Maternal mortality rates vary from about 200 to 1,000 deaths per 10,000 births.

82. The HIV/AIDS pandemic has had a major impact throughout the region on just about all economic and social indicators. HIV/AIDS has had the greatest direct effect on the economically active cohort of the population and, within this cohort, owing to higher levels of social mobility, on the more educated. This will further reduce the region's capacity to develop economically. There is, therefore, an urgent need to place greater emphasis on both combating the spread of this disease and on addressing its social and economic consequences.

83. The need for a multi-sectoral approach is widely accepted and nearly all countries focus on the need to reduce transmission and cushion the socio-economic impact. All countries are following very similar approaches to prevention and care, not only of AIDS patients but of their carers and, inevitably, the orphans.

84. In many cases, provision of safe water and sanitation are integral parts of the holistic approach to health care systems. Rates of access to potable water can be as low as about a quarter of a country's population having access to clean water. Several countries are now undertaking reform of their water sectors, with integrated management, liberalisation of the sector and more equitable pricing. In rural areas community management is being promoted.

#### Gender

85. National gender policies are the exception rather than the rule and women in general do not receive equitable treatment although there is often a mainstream focus on redressing inequalities in the provision of social sector services. Equity of access to education for girl children remains poor and traditional forms of property distribution, which sometimes discriminate against women, are proving difficult to change. COMESA is in the process of developing a regional Gender Policy and IGAD recently established a Women's Desk, the role of which is to mainstream gender issues in all IGAD programmes and projects.

### **3.4 Sustainability of Policies and Medium Term Outlook**

86. There are a number of measures that should ensure that there is no dissociation between policies on the national and regional levels. The structure of the RIOs, with their technical committees feeding into the policy organs of senior government officials up into their councils of Ministers and into the final authority of Heads of State and government means that the policies adopted at the regional level are usually not at variance with those of national governments making up the membership of the RIOs. The economic liberalisation programmes followed at the national level are reflected in the regional policies. This is especially so in the areas of trade liberalisation; trade and transport facilitation; investment policies; sustainable management of the natural resource base (which usually transcends national boundaries); and conflict prevention and resolution. Countries belonging to RIOs with an economic integration agenda (implying a "deep" integration with the aim of implementing common policies rather than a "shallow" integration implying just exchange of information or co-ordination of policies) are using regional integration as a stepping stone to globalisation. For example, the COMESA FTA has been a learning experience in the administration of a trade protocol for the countries in the FTA in terms of identifying opportunities (improved market access, improved consumer welfare and larger markets) and possible threats (loss of government revenue, loss of competitiveness, falsifying certificates of origin). The conflicting demands of producers, with some benefiting from the FTA and demanding further liberalisation and others losing market share and demanding either policy reversals or implementation of safeguard and remedial measures, is equipping regional governments with the tools to deal with the effects of north-south and WTO trade protocols.

87. There is, therefore, no obvious contradiction in policies at the national, regional and global levels and this policy direction and mix is thought to be sustainable in the medium term. The dynamic effects of trade protocols (at the regional level, with the negotiation of EPAs and in compliance with WTO rules and regulations) will have a “lock-in” effect making policy reversals more difficult. However, a number of countries in the region may find themselves in a situation in which they are willing to continue to implement economic reform measures but are not able to do so, for reasons of budgetary constraint. Governments may, therefore, need to look to raise revenue from other sources. In the longer run this may be achieved through restructuring the fiscal programme and, while this is certainly necessary, it does not solve the immediate problem faced by governments: how to cut trade taxes as part of their on-going economic reform programme without placing a further burden on the already strained social sectors. In these situations there will be a need for budgetary support from bilateral and multilateral co-operating partners. This will allow countries to continue to implement a general economic reform programme without having to reduce expenditures on essential services. Budgetary support could be provided on the basis of identified need as well as being dependent on the country in question having met certain macro-policy targets which indicate that this type of support is necessary to allow a country to progress in implementation of an agreed macroeconomic adjustment programme.

88. The medium-term outlook for the region is heavily dependent on the ability of the RIOs to quickly resolve the inconsistencies in-built into the various regional trade accords, in particular the inconsistencies between the trade regimes of COMESA, SADC, EAC and SACU. COMESA plans to have a customs union in place by 2004; EAC plans to also have its own customs union and free trade area in place by 2004; SACU is already a customs union; and SADC plans to have a free trade area in place by 2008. A customs union implies that all countries belonging to the customs union apply the same tariffs on all imports into the customs union. As each member of a customs union needs to apply the same tariff (the common external tariff or CET) it follows that one country cannot be a member of two customs unions. These problems are, fortunately, recognised by the RIOs and their member States and are being dealt with at the technical level through inter-RIO task forces.

89. The sustainability of policies and medium-term outlook also depends very much on whether the implementation of the current mix of liberalised policies will lead to sustainable economic growth and poverty reduction. To-date, implementation of liberalised economic policies has not had the desired effect of structurally transforming the export sectors and the region’s share of world trade has declined steadily since 1980. This shows that trade liberalisation, while certainly necessary, is not sufficient to ensure export led growth. The region contributes less than 1% of globally traded goods and continues to rely on generating foreign exchange from the export of unprocessed commodities and mineral exports. If this trend is not reversed (e.g. by adequate measures strengthening supply capacity) governments will face internal protectionist pressure that may be hard to resist.

90. The medium-term outlook is also heavily dependent upon capacity building, especially considering the effect HIV/AIDS has had on the existing capacity. Capacity building will be in-built into all programmes under the RIP to try to address this problem. However, given the magnitude of the problem faced, efforts made under the RIP will not in themselves adequately address the issue.

91. The EC can help to strengthen the process of regional economic integration in a sustainable manner through using its influence at national and multilateral level, and the programmes it finances, to “lock-in” trade policy reforms and to take a flexible approach in negotiations of multi-faceted development orientated EPAs.

92. The medium term outlook depends to a significant degree on the region's capacity to prevent and resolve conflicts. Conflicts do not only mean considerable human sufferings but also enormous cost with regard to resources that could otherwise be used for the development of the country. The attention of both population and government are drawn away from issues crucial for the development of a country such as education, good governance, regional integration, etc. Furthermore, regions in a conflict situation are not able to mobilise domestic savings or attract foreign direct investment that is essential for economic development.

## **4. OVERVIEW OF PAST AND ON-GOING EC CO-OPERATION**

### **4.1 Past or On-going EC Co-operation: Results Analysis, Lessons and Experience**

93. The geographical configuration of this RSP comprises the East Africa and Indian Ocean Regions of previous EDFs plus the COMESA countries of Southern Africa. The statements in this chapter refer to the East Africa and Indian Ocean regions.

94. The European Union has, over the last decade or more, been consistent in its support for the process of regional integration and in supporting programmes implemented through RIOs. As such, through the provision of financial and technical assistance and through its active participation in the CBI/RIFF programme, the European Commission has been influential not only in implementation but also in formulation of policy at the regional level. Resources provided by the EU have allowed the region to work on economic integration in areas such as improving customs documentation and procedures; implementation of the ASYCUDA and EuroTrace systems; providing capacity building in trade negotiations at the regional and WTO levels; liberalisation of trade in services; developing strategies for a regional competition policy, a cross-border payments and settlement system; a political risk guarantee facility; supporting the establishment of a regional integration research network; development of capital markets; standards, quality, metrology and testing; development of the private sector; and harmonising investment procedures and laws. The EC has also supported, and continues to support, functional co-operation programmes necessary to achieve economic integration such as supporting infrastructure projects in transport and communications, in the sustainable management of natural resources, in improving the food security of the region, in agricultural research and prevention livestock diseases; in conflict prevention and post-conflict strategies; and in combating HIV/AIDS.

95. In cases where the activities to be financed by EDF9 resources are a continuation of activities financed under previous EDFs there will be a need for a thorough evaluation and appraisal of these activities so that strengths and weaknesses of previous programmes can be taken into account to ensure that the RIP financed under EDF9 will be more effective in promoting regional integration.

96. There is no doubt that the support received by the RIOs from the EC has strengthened the process of regional integration and the regional organisations themselves. However, it should also be said that in the past, the support given by the EC to RIOs has not always been consistent and may have had the unintended and indirect result of introducing policy contradictions into the region. For example, the EC has supported programmes to move towards free trade areas and customs unions in two regional organisations without ensuring that the proposed programmes are coherent. This situation has come about as a result of a lack of co-ordination between projects and programmes of previous Eastern African RIPs by either the EC or at the regional level.

97. The RIOs perceive the procedures to secure, commit and disburse EDF funds as complex and time-consuming and these aspects have been under-estimated in the past by the RIOs. This has resulted in a slowing down of project and programme implementation and some frustration for both the EC and RIOs. The provisions of the Cotonou Agreement specify a mid-term review of the RIP after two years and a possible re-allocation of resources depending on the performance of the programme at that stage. It is, therefore, extremely important that the RIOs have the capacity to prepare financing proposals and to manage and monitor EDF-financed projects and programmes efficiently and effectively.

98. Although it must be the responsibility of regional organisations to co-ordinate their activities it is also the responsibility of the donor to ensure that its funds are being used in a way which promotes the overall development of the region. The donor community could use the RSP as a guide to financing regional programmes to ensure that they do not perpetuate conflicting trade and integration accords. The co-ordination currently taking place between RIOs under the RSP will go a long way to improve regional integration.

99. The problems of past co-operation are different in East African and Indian Ocean regions. The East Africa indicative programme suffered from insufficient priority setting and co-ordination within the region. The regional value added of projects was often limited, with projects sometimes representing national interests but funded from regional resources. In the Indian Ocean region the regional value added of projects was more evident. However, project implementation suffered from limited implementation capacity of the IOC Secretariat. This situation improved with the establishment of an EDF-funded technical support unit. The participation of the French Overseas Department of Reunion in regional projects, although much appreciated on the technical level, has contributed to delays in programme implementation due to the difficult administrative and financial procedures involved.

100. Evaluations of past programmes were helpful in defining this support strategy, notably those concerning the Cross Border Initiative, the PRIDE programme and the horizontal evaluation of institutional support to national and regional authorising officers.

#### **4.2 Programmes of EU Member States and Other Donors**

101. Annex 4 gives details of the support received by the RIOs from all donors and IFIs. As can be seen from this Annex, although all RIOs get funding from bi-lateral donors and IFIs, by far the largest contribution comes from the EU together with its member states, and this has been the case since the establishment of the RIOs. There would appear to be no funding overlaps (where two donors are financing the same programme) in the regional organisations themselves and donor funds are used to advance the regional integration objectives of the RIOs within the framework of their mandates.

102. The World Bank has supported all the RIOs financially and the IMF has provided specific technical assistance. These two institutions have shown a renewed interest in supporting regional economic integration but within the framework of an overall regional strategy.

103. USAID has also increased the levels of financial assistance it provides to the RIOs. Funding has been to a number of projects and programmes in the region in the areas of trade liberalisation, private sector support, investment promotion, telecommunication harmonisation, IT development, institutional strengthening, extending the coverage of the Yellow Card, training in WTO issues, natural resource management, agricultural research and peace and security.

104. Financial assistance has been received from AfDB, with current assistance focused on the development of a regional public procurement policy and from IDRC (which co-finances the Regional Integration Research Programme). UN agencies, particularly UNECA, UNDP and FAO have provided both technical assistance and financial support. Other donors, such as bi-lateral donors, African Capacity Building Foundation, the Commonwealth Secretariat and the Common Fund for Commodities have also provided assistance.

### **4.3 Other EC Policies**

105. There are a number of other EC policies having an impact on the countries of the E&S Africa Region. As regards ACP - EU trade relations, both sides agreed in the Cotonou Agreement to continue present unilateral preferences for ACP countries until 2008, when Economic Partnership Agreements are scheduled to enter into force. Furthermore, ACP-LDCs have been granted full market access to the EU under the EBA scheme, with transition periods for the three commodities sugar, rice and bananas.

106. The EU has already agreed or is currently negotiating reciprocal trade agreements with the 12 Mediterranean countries as well as with the 4 MERCOSUR countries and Chile. In particular, the EU has concluded agreements intended to lead to Free Trade Area relations with Egypt and the Republic of South Africa. Both the EU-Egypt and EU-RSA, and possibly the EU-MERCOSUR/Chile, arrangements are scheduled to take full effect within the next eight to ten years.

107. The combined effect of all these trade arrangements, will certainly be to intensify competition, as products from various sources will be competing in the EU market. Ongoing WTO negotiations will further lead to liberalisation of EU markets. The challenge to the banana regime under the WTO framework by the USA, Mexico, Guatemala, Honduras and Ecuador has already increased competition in this sector. EU enlargement, on the other hand, will augment EU markets and might be a chance for ACP suppliers to increase exports to enlargement states.

108. The ongoing reform of the EU's Common Agricultural Policy, which is also linked to the WTO post-Doha negotiations, will have a considerable effect on ACP producers and exporters to the EU markets. It will, therefore, be necessary that ACP countries and regions follow this process closely in order to make sure that their interests are taken into account.

109. EU policies in the area of sanitary and phytosanitary measures can also have a significant impact on countries of the region, notably in cases where transitional periods for introducing new regulations are short and exporting countries do not have the capacity to adapt their productions to the new requirements.

110. The EU has concluded a number of fishing agreements with countries of the region. Initially based on the commercial interest of the EU fishing fleet these agreements are bound to increasingly take into account the necessity of sustainable resource management and the development objectives of the partner countries concerned.

111. The EC Council resolution on fisheries and poverty reduction stipulates that each agreement concerning access of European vessels to the fishery resources of the region shall involve the following elements among others:

- well founded scientific knowledge of the fishery resources and determination of the allowable catch, ensuring that the maintenance of living resources is not endangered by over-exploitation;
- flexible adjustment of fishing possibilities on the basis of an assessment of the resources, taking into account the best available scientific information and in accordance with the needs of the local fish industry;
- implementation of protective measures for small-scale fishing and for subsistence fishing (in particular by strict observance of a protection zone); and
- guarantee that the development and management of fisheries agreements be based on a functioning monitoring system of their environmental, economic and social impacts in Partner Countries.

112. The Cotonou Agreement (Art. 23) underlines that “any fishery agreement that may be negotiated between the Community and the ACP States shall pay due consideration to consistency with the development strategies in this area”.

## **5. THE EC RESPONSE STRATEGY**

113. The EC response strategy is notably based on the EC policy objectives, the policy agenda and the analysis of the region, the lessons learned from past and ongoing EC experience, interventions of other donors and the value added of addressing issues on the regional level. The resulting response strategy contains three focal areas: economic integration and trade, management of natural resources and transport and communications. The non focal areas comprise notably conflict prevention/resolution, capacity building, higher education and culture. Environment, gender and capacity building will be treated as cross cutting issues in all programmes in addition to specific interventions in these areas.

114. The EC response strategy is in line with the region’s development strategy which is to address the issue of poverty reduction through achieving higher levels of economic integration while taking into consideration the complex inter-linkages between poverty and environment. The countries of the region have undergone major structural adjustment programmes (which make it more likely that regional integration measures will succeed) and are developing ways of linking poverty reduction and environmental improvement.

115. The policy response will aim at harmonising the economic integration programmes so that the marginal return on scarce resources is maximised and so that the region has a successful economic programme which promotes growth and poverty alleviation.

116. Activities in the area of economic integration and trade will normally concern all or the largest part of the region. Due to the size and diversity of the region activities in the other intervention areas will normally concern only a sub-region with a more homogenous set of characteristics and problems.

117. HIV/AIDS (together with tuberculosis and malaria) has been identified in the analysis chapter as a major constraint to the region's economic development. However, there is no elaborate regional policy agenda which could be supported in the framework of this RSP. For this reason there is no specific intervention envisaged in this area. But particular attention will be given to synergies between projects of this RSP and HIV/AIDS programmes implemented by the EC (in the framework of intra-ACP co-operation and the NIPs) as well as by other donors, notably in the context of the

Global Health Fund to which the EC also contributes. For example, mainstreaming the issue of HIV/AIDS in transport and private sector programmes could be an appropriate approach.

#### Economic Integration and Trade

118. Economic integration and trade support emerges as an obvious focal sector. The Cotonou Agreement attaches particular importance to this area. It also figures among the priority areas listed in the Statement of the Council of the EU and the European Commission on the European Community's Development Policy of 10 November 2000. Furthermore there is an elaborate regional policy agenda and a large majority of the countries of the region, if not all, will be involved in EPA negotiations and in negotiations with WTO, either in the context of accession or the Doha Development Agenda. EC support in this area thus contributes to the economic development of the countries of the region and to their integration in the world economy which is one of the three main objectives of Art 177 of the EC Treaty on development co-operation. Regional integration can also play a crucial role in conflict prevention.

119. In defining the RSP, the parties have taken into consideration the need to support preparations for the negotiation and implementation of EPAs, in particular the fact that the region needs to implement a comprehensive economic and fiscal adjustment programme if it is to take advantage of the new trading arrangements at the multilateral and regional levels. Particular attention has to be paid to the development of the region's supply capacity. In this context close co-ordination and synergies will be sought with regard to the Intra-ACP facilities in support of the private sector (EBAS, PROINVEST, etc) and the Investment Facility to be implemented by the European Investment Bank.

120. The lessons learned from the past and on-going co-operation with the EC point to the fact that if the benefits from regional integration are to be maximised, then the programmes developed and pursued by the various regional organisations should be supportive of each other and aim to promote the integration of Africa as a whole, as is envisaged by NEPAD. Efforts by both the EU and the RIOs to avoid overlap and conflicting programmes will be given a high priority. The principle of subsidiarity will be applied.

#### Management of natural resources

121. As can be seen from the analysis chapter, the region's various natural resources often involve several countries so that this area is best addressed at the regional level. Consequently the management of natural resources is one of the intervention areas of the regional organisations and it also figures among the co-operation areas under the Cotonou Agreement (Art. 32). The activities concern trans-boundary resources such as maritime and lake resources, grazing lands, watersheds, wildlife, etc. Co-operation and co-ordination at the regional level is necessary in order to secure sustainable economic benefits and to avoid dispute between countries. In most cases there is also a close link between the successful management of these resources and poverty reduction. EC support in this area thus particularly contributes to sustainable development, poverty reduction and conflict prevention.

122. The formulation of sustainable management plans for the natural resources, with special emphasis on marine and aquatic resource which are already threatened by over-exploitation, is a prerequisite for sustained economic growth in the region.

123. Attention will also be paid to the issue of disaster preparedness. Appropriate preparedness measures should help to limit human and material losses as well as the disruption of economic life as a result of natural disasters.

### Transport and communications

124. Efficient transport and communication networks are essential prerequisites both for the development at the regional level and for establishing links with other regions. Interventions in this area are a priority both for the EC (see above mentioned statement) and the regional organisations on the African continent. The implementation of the regions ambitious integration and trade agenda will be greatly facilitated by progress in the transport and communications field, notably by reducing the cost of doing business and by establishing reliable links. EC support in this area will particularly contribute to regional economic development and the integration of the region in the world economy, but also to poverty reduction by reducing transport cost for essential goods.

125. Owing to the limited allocation made available to the region it is not practical to use the resources of EDF9 for a comprehensive infrastructure development programme. Therefore, emphasis will be put on the development of a masterplan from which investment opportunities and priorities can be identified as well as on transport facilitation measures (transit rules, customs procedures, harmonisation of technical regulations etc.) On the other hand substantial infrastructure investments are envisaged under the NIPs of the countries of the region. The projects concerned often have a regional dimension. Co-ordination and harmonisation on the regional level of the of projects funded under the NIPs is thus essential in order to maximise their economic benefits and to foster the regional integration process.

### Non focal areas

126. Complementary activities have been identified under a programme for non-focal areas covering institutional capacity building; conflict prevention and resolution, regional co-ordination of university networks and support for cultural activities. Capacity building is of particular importance in order to enable the mandated regional organizations to efficiently identify, appraise and implement projects under this RSP. Efficient regional organisations can, within their mandate, also contribute to the promotion of good governance, human rights and dispute settlement among their member countries. Capacity building in the area of statistics is also essential in order to enable the region to establish a sound information base for policy development and decision making.

127. Support in the areas of conflict prevention and resolution is essential because a stable political and economic environment is a basic requirement for human and economic development.

### Other issues

128. The involvement of Non-State Actors (NSA) including local governments is essential for the successful implementation of this RSP. Their involvement will basically be on three levels: contributing with their knowledge and experience to the definition of policies and programmes; implementing projects in their respective fields of competence; and as a beneficiary of projects, notably in the area of capacity building.

129. The response strategy of the E&S Africa region has taken account of interventions of other major donors so that it is complementary with these interventions. It should also ensure synergy with National Indicative Programmes (in that there is no overlap and in that the RSP is in support of stated national policies as outlined in PRSPs and other policy documents). Apart from the already mentioned complementarity in the transport sector, synergies will be particularly looked for in relation to the areas of macro-economic support and capacity building which figure among the focal areas in about half of the NIPs (see annex 11).

130. There are also a number of synergies between the intervention areas of this RSP. Progress in economic integration will contribute to conflict prevention, improved transport and communication networks will foster economic integration, common or co-ordinated management of trans-boundary natural resources will strengthen regional co-operation and reduce conflict potential, conflict prevention and resolution as well as capacity building will facilitate progress in all other areas.

131. The European Investment Bank has identified a number of possible interventions that it would implement either alone or in co-operation with the European Commission and other institutional (bilateral and multilateral) and commercial financiers. These projects are in the sectors of agriculture, infrastructure, mineral resources, tourism and the financial sector. Regional benefits will certainly be of crucial importance for many projects such as telecommunications, railways as well as energy generation and distribution. These areas of activities are fully in line or complementary with the priorities set out in this RSP.

**PART B**  
**INDICATIVE PROGRAMME**

## **6. PRESENTATION OF THE INDICATIVE PROGRAMME**

### **6.1 Introduction**

132. Within the general framework of the present Regional Strategy Paper, and in accordance with provisions of Article 10 of Annex IV to the Cotonou agreement, the Parties have agreed on the main priorities for their cooperation and on the sectors on which the support of the Community will be concentrated. A detailed Indicative Programme is presented in this chapter, followed by annexes containing a series of tables presenting the intervention frameworks for each focal sector, an activity pipeline chronogramme and the indicative commitment and expenditure schedules.

133. Amounts mentioned in this chapter indicate the global repartition of funds between economic integration and trade support, other focal sectors and other programmes. This repartition can be modified in the context of mid- and end-of-term reviews.

134. There are a number of cross-cutting issues which will be taken into account when designing specific projects and programmes to be implemented under the Indicative Programme, including gender issues, capacity building and environment, and each financing proposal will specifically address these issues.

135. Non State Actors (including local governments) can be involved in the preparation and implementation of projects. They can also be beneficiaries under this RIP notably in the context of capacity building.

### **6.2 Financial Instruments**

136. This Indicative Programme is based on the indicative allocation for the region comprising the ACP countries of the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC), the Indian Ocean Commission (IOC) and the Inter-Governmental Authority on Development (IGAD) amounting to € 223 million. The indicative allocation per sector (as a percentage of RIP allocation) is as follows:

|                  |                                 |         |
|------------------|---------------------------------|---------|
| Focal Sector 1:  | Economic Integration and Trade  | 45%-55% |
| Focal Sector 2   | Management of Natural Resources | 15%-25% |
| Focal sector 3   | Transport and Communications    | 15%-25% |
| Other Programmes |                                 | 10%-15% |

137. Balances remaining from previous EDFs at the date of entry into force of the Financial Protocol as well as decommitments made at a later stage, will be added to the above mentioned indicative allocation. These funds will be used for projects and programmes already identified under indicative programmes of preceding EDFs, for which no financial decision was taken before the entry into force of the 9<sup>th</sup> EDF. Remaining balances should be used to support projects and programmes in line with the priorities set out in this indicative programme. Regular reviews of the current RIP as well as earlier RIPs may be agreed between the parties.

## 6.3 Focal Sectors

### 6.3.1 Economic Integration and Trade

138. For indicative purposes, 45% to 55% of the financial envelope of € 223 million is reserved for this sector.

139. The overall aim is to increase economic growth and reduce poverty through higher levels of regional economic integration. The specific objective is that the programme will enable all countries in the region to become members of regional Free Trade Areas and/or a Customs Union, and to improve trade negotiating capacities at the regional and multilateral levels (including WTO and EPAs). This is expected to result in increased intra-regional trade; improved capacity to formulate trade policies; and the easing of budgetary constraints to further trade liberalisation.

140. The RIOs will seek to deepen integration in the areas of trade and investment, with particular emphasis on competitiveness. They will continue to use the regional framework not to keep out extra-regional producers and operators but as a stepping stone towards eventual and inevitable global competition. They will also endeavour to broaden the level of awareness of trade integration and related issues such as dispute settlement, trade remedies and safeguards, both regional and multilateral, among all stakeholders. All these measures will aim at raising the volume of intra-regional trade within the RIOs as well as raising the share of regional trade in global trade.

141. On WTO issues the region will co-ordinate its position with the rest of the Africa Group on matters of significance and more especially in those areas where negotiations are on-going or are scheduled to start after the 5<sup>th</sup> Ministerial Conference. Resources and due attention will also be devoted to capacity building and technical assistance in multilateral trade issues both at the national and the regional levels.

142. At the regional level, as regards trade liberalisation, work under the RIP will include:-

- the introduction of the COMESA Customs Union and the EAC FTA and Customs Union and ensure that the two are in harmony with each other, including ensuring that countries of the region harmonise their external tariffs in preparation for a customs union;
- harmonisation of external tariffs with other trading blocks outside of the E&S Africa region, in particular SADC and SACU;
- work towards the development of a common process to be used in issuing, and validating, certificates of origin for the entire region.
- harmonising customs regulations and procedures, implying the use of a common single customs declaration; the implementation of common customs training programmes, common code of conduct and ethics for Customs Officers and possibly the development and implementation of a model law on national procedures and legislation;
- removal of NTBs;
- support E&S African countries to establish current versions of computerised customs management and trade statistics systems which are harmonised within the region;
- working towards common SPS regulations and common trading standards developed for the region as a whole;
- development of policies on trade in services within the framework of GATS; and
- harmonising tax policies.

143. The RIP makes provision for budgetary support to those countries which are willing to continue to implement economic reform measures but which, for reasons of budgetary constraint, are not able to do so. Budgetary support would be triggered by positive benchmarks being reached, such as a reduction of external tariffs to a certain percentage, or joining of a free trade agreement or customs union.

144. The RIOs will use EDF9 resources to carry out Economic Impact Assessments to provide details on how the real economy functions, including the nature of import dependency; factor costs of production; price comparability with imported finished products; the impact of national fiscal measures; and a review of existing incentive regimes.

145. The RIP will include a comprehensive programme aimed at attracting investment into the region. Although investment into the region is proving to be elusive, countries of the region must be prepared for the “long haul” and must continue to address issues of political stability, tax reform, legal and judicial reform, financial sector development, institutional reforms, human capital development, credible privatisation, expanded and upgraded infrastructure, and investment promotion. The COMESA Common Investment Area initiative, which if it is to succeed, will need the full support and good will of regional and international partners in its implementation.

146. One of the challenges that faces the region is the creation of an enabling environment for the private sector to take full advantage of regional integration efforts. It is envisioned that a programme of private sector support will be implemented under the RIP, with the programme focussing on empowering the private sector organisations so that stronger links can be developed between the private sector and respective governments.

147. The design of a regional cross border payments and settlement system is taking place and the business plan is being finalised. If this is acceptable to the region's Ministers of Finance, commercial banks and other stake holders, assistance will be required to implement the system.

148. Capital market development still remains weak and Africa has largely missed out on global private capital flows and prosperity. It is proposed to use the resources of the RIP to encourage the creation of a regional capital market, either through the establishment of a closed-end fund, or through cross-listing or through the examination of the possibility of the creation of a regional stock market.

149. COMESA has been working on a proposal for a Regional Knowledge for Development (KfD) programme which supports the expansion of the existing EC and IDRC funded Regional Integration Research Network and implementation of Phase IV of the African Technology and Policy Studies Network. The objective of these programmes is to assist to create capacity in all aspects of trade negotiation as well as supporting regional research networks. The project will commission and disseminate research on issues of direct relevance to regional economic integration; promoting North-South collaboration; and facilitating and enhancing policy dialogue.

150. Reliable economic and other data are important both for potential investors and decision makers. Possibilities to improve the region's statistical system will be examined.

### 6.3.2 Management of Natural Resources

151. For indicative purposes, 15% to 25% of the financial envelope of € 223 million is reserved for this sector.

152. There is a clear need for a co-ordinated and global approach to development issues, which take into consideration economic, social and environmental aspects, and where a regional approach can offer substantial value-added. The specific objective of this focal sector is to ensure the sustainable management of the natural resource base of the region in order to contribute to the overall aim of the reduction of poverty. This is expected to result in the development of common strategies, tools and networks to ensure sustainable management of the natural resources and the safeguarding of bio-diversity and in the definition and implementation of a regional fisheries policy.

153. All the countries of the region are parties to the Multilateral Environmental Agreements on Climate Changes, Biodiversity and Desertification. As such the countries have obligations to prepare national plans for their implementation. Special emphasis should be given to strengthening the capacities of partners countries' institutions in order to allow them to participate in multilateral agreements dealing with the environment and to implement the obligations ensuing from these agreements. There are obvious difficulties encountered by the countries in trying to meet these obligations and a regional approach on capacity building, training and harmonising of texts and regulations is required.

154. The recurrence of drought and famine in some parts of the region, in particular in the Greater Horn, has resulted in a situation of excessive dependence on food aid and severe environmental degradation. In the areas affected by the influx of refugees, urgent measures will continue to be required to repair the damage to the environment. The strategy is, therefore, to facilitate the management of transboundary natural resources such as watersheds and water resources (including programmes in the Lake Victoria basin), wildlife, wildlife sanctuaries and grazing lands; to enable the region to maximise the use of its own resources in meeting its food requirements; to improve the quality and quantity of information available to the authorities and to the markets; and to develop and harmonise regional strategies and policies for food security, environmental protection, and natural resource management at the regional level.

155. It has been recognised that reliable environmental monitoring systems are a key factor in the decision-making process for sustainable development. Information is available but is often fragmented and does not always fit the specific needs of potential users. There is a need for a co-ordinated approach to environmental monitoring which would encompass the various sources of environmental information (e.g. satellites pictures and data, ground observations).

156. Specific functional co-operation activities will be in the areas of marine and coastal resources, which offer huge potential for economic growth and where the continued availability of the resources can only be guaranteed through long term sustainable management practices. Fish stocks, especially pelagic species such as tuna, are under threat and coastal areas are subject to increasing man-made and natural pressures. It is also necessary to anticipate the potential effects of climate changes which represent a major threat to the low coastal zones where a large proportion of the population lives and where most industries (including main tourist resorts etc) are established.

157. Marine resources shall cover pelagic fisheries and processing industries, licensing and activities related to industrial fishing, such as processing, packing, handling and harbour activities and activities relating to coastal and demersal fisheries. The main activities to implement through the indicative programme will be as follows:

- A regional programme on monitoring, control and surveillance to follow up the pilot-project implemented under EDF8 to monitor the activities of fleets operating throughout the EEZ of the IOC.
- To provide scientific data to develop a sustainable management scheme through a tuna tagging project. This programme shall build on the pilot-project undertaken under EDF8 and implemented through the Indian Ocean Tuna Commission (IOTC) of which all African countries on the shores of the Indian Ocean are members.
- To integrate the smaller national operators to ensure the development of a holistic and sustainable management plan and which builds upon previous EDF-financed programmes at both the national and regional levels.
- To strengthen the capacities of the coastal and island states to formulate and to implement fisheries development policies aiming at a better management of their coastal fisheries and enhancing the contribution of this sector to the objective of poverty reduction. This intervention may be related to the preparation of the future Southwest Indian Ocean Fisheries Commission.

158. Participatory planning and an integrated management of the coastal area are vital for its sustained development. Terms of reference to identify and define the main areas of future regional interventions have been drafted to cover, among other things, environmental education and the definition and implementation of a regional coastal and marine environmental monitoring plan, including participation in the African Monitoring of Environment for Sustainable Development (AMESD) initiative.

159. Activities in the field of disaster preparedness may also be included under this focal sector.

### 6.3.3 Transport and Communications

160. For indicative purposes, 15% to 25% of the financial envelope of € 223 million is reserved for this sector.

161. If trade between countries in the region is to increase significantly trading systems will need to be made easier and cheaper. Trade facilitation measures are already in place and there is strong co-operation between RIOs in this area. However, it remains necessary to work towards more uniform and systematic implementation of transit facilitation reforms. The EU has considerable experience in overcoming such problems in Europe and could share its experience to further improve the effectiveness of co-operation at operational level between regional bodies (COMESA, EAC, IGAD, SADC and SACU) and with the private sector organisations to improve delivery of transport services. The experience of the EU could also be used to assist the RIOs in bringing about workable solutions in such areas as:-

- improving on the implementation of harmonised laws and regulations on maximum axle loads, vehicle dimensions and gross vehicle mass;
- expanding the coverage of the COMESA carrier licence and the COMESA third party motor vehicle insurance (the Yellow Card);
- introducing common road transit charges;
- improving road safety;
- implementing a regional customs bond guarantee system; and
- improving operations of the ports and railways as an integrated regional transport system (including shipping services).

162. Programmes in the transport sector will also aim to rationalise the regional legal and regulatory framework through greater standardisation, harmonisation, deregulation and competition to ensure more effective use of infrastructure thus enabling services to be provided at lower costs and to assist to improve transport networks, by restructuring railway systems, rehabilitating and maintaining regional road networks, improving port services and stimulating inland waterway transport as well as short sea shipping.

163. In terms of the substantial transport needs, the EC funds available at a regional level are relatively modest but EDF9 NIPs in E&S Africa countries make provision for a total of more than 700 million euros to be spent on the transport sector alone. Given that transport is, in many cases, best addressed at the regional level, the role of the RIOs could be to assist to bring all stakeholders together to ensure the best possible return on this total NIP allocation.

164. To avoid a piecemeal approach to the needs of the region, a transport and communications infrastructure masterplan will be developed. This masterplan will include the priorities of country strategies which have a regional implication and will catalogue the region's main transport routes. It will cover all modes of transport (road, rail, air and water), will examine future plans (such as concessioning of the railways), funding of the infrastructure (such as fuel levies and road user charges) and the communications needs of the region to narrow the "digital divide". The masterplan will identify a number of transport and communications corridors which are a priority for the integration and economic development of the region. These priorities can then be costed and decisions made as how best to finance the development of the infrastructure (including involving infrastructure funds in operation in the region and packaging as a public-private partnership).

165. There have been positive developments in the telecommunications sector both in terms of the implementation of more liberal policies and in terms of infrastructure development (including the COMTEL project which will, among other things, provide gateway-to-gateway facilities to countries in the region to allow switching to be done in the region). However, if the "digital divide" between the developed world and the E&S Africa Region is to be reduced there will need to be large investments made in the information-communication-telecommunications (ITC) sector. There is also a need to implement the recommendations of the working groups and Ministers on e-commerce.

166. COMESA has launched the COMESA Fund, which is a partial attempt to ensure the momentum gained in the regional integration process over the last few years is not lost. The infrastructural component of the COMESA Fund will be financed partly from contributions from interested member States and partly from soft loans. However there is a small grant element of the Fund which will finance technical assistance required to develop and supervise infrastructural projects and it assumed that this grant element can be financed from the resources of the EDF9.

#### **6.4 Other Programmes**

167. For indicative purposes, 10% to 15% of the financial envelope of € 223 million is reserved for other programmes.

#### ***Non Focal Sectors***

##### Higher Education

168. The IOC's EDF7 pilot project to stimulate a network for higher education and research within the region will be completed during 2002 by the creation of an association of the region's higher education and research institutions. Under EDF9, particular emphasis will be laid on

supporting the association's programmes and initiatives that are coherent with the RSP, these being ICT, management of marine and coastal resources and private sector development. Support will also be provided to the East African Inter-University Council and for the implementation of EAC's Science and Technology policy and to COMESA's Regional Integration Research Network.

#### Conflict Prevention, Resolution and Management

169. To attain a viable and sustainable peaceful and secure environment in the E&S Africa region there is a need to approach the problem from a truly regional perspective and a programme in this sector will need to build on the experiences of each of the RIOs, of the appropriate continental bodies and of international institutions to avoid overlaps and contradictions. Activities in this field could notably concern the Great Lakes Area and the Horn of Africa.

#### Institutional Capacity Building

170. Each regional organisation may require capacity building and technical assistance to help them to implement projects and programmes under EDF financing. This capacity building and technical assistance is over and above the specialists employed to implement specific programmes and includes the provision of technical assistance and capacity building to the Secretariats themselves. There is also a need to finance the IRCC and the co-ordination activities of the RIOs, which will be essential if the RIP is to be effectively managed by the four RIOs.

171. Capacity building of Non State Actors including Local Governments can also be funded under this heading as well as capacity building activities in the area of gender.

#### Culture

172. IOC and EAC in particular have programmes to promote cultural events in music, dance, literature and art which are aimed at stimulating cross-fertilisation of ideas and techniques with other parts of the world and at promoting tourism. Programmes in this area will build on activities already taking place.

#### *Reserve*

173. The chapter "Other Programmes" also includes a reserve for insurance against possible claims and to cover cost increases and contingencies.

### **6.5 Duly Mandated Organisations**

174. For the purpose of the implementation of this Indicative Programme the duly mandated regional organisations are the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC), the Indian Ocean Commission (IOC) and the Inter-Governmental Authority on Development (IGAD).

175. The duly mandated regional organisations will set up a co-ordination mechanism for the implementation of the Indicative Programme, the so-called Inter-Regional Co-ordinating Committee. This co-ordination mechanism is described in Annex 9.

176. In order to implement the activities set out in the present Indicative Programme, the duly mandated regional organisations shall appoint Regional Authorizing Officers. The function of Regional Authorising Officer is defined by analogy to the description of the function of National Authorising Officer in the Cotonou Agreement (Annex IV, Articles 14.3 and 35). The Regional

Authorising Officers can delegate functions relating to the implementation of the Indicative Programme to other organisations or authorities.

177. The list of duly mandated regional organisations can be amended by exchange of letters between the organisations listed in paragraph 174 and the Chief Authorising Officer.

## **6.6 Co-operation with other Countries or Regions**

178. Other countries or regions as well as Overseas Countries and Territories and outermost regions of the EU may participate in projects implemented in the context of this Regional Indicative Programme. Participation requests including an indication of the funding source shall be submitted to the duly mandated regional organisation holding the presidency of the IRCC.

179. Countries of this region may also participate in projects of other regions, notably neighbouring regions<sup>5</sup>. Adequate funding for such participation shall be made available in the framework of this RIP. The region itself may co-operate with other regions and in the context of pan-African initiatives.

180. In all these cases, the administrative and financial arrangements of participation shall be fixed before the financing proposal is finalised. For this purpose, a specific protocol shall be established between the relevant authorities of the partner countries/regions concerned. This protocol shall be integral part of the Financing Agreement to be signed with the EC.

181. The participation of other countries/regions in projects of this RIP or of countries of this region in projects of another region shall not entail delays in the implementation of this RIP in order to avoid negative consequences in the context of its mid-term and final reviews.

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<sup>5</sup> For example, the Central African Region does not include the DR Congo. Hence if functional co-operation is to take place between the DR Congo and the Central African Region, the regional contribution in respect of the DR Congo should be determined in an objective way and then be divided equally between the E&S Africa and SADC RIPs since DRC takes part in both RIPs.

## **ANNEXES**

**E&S AFRICA RSP - INTERVENTION FRAMEWORK – REGIONAL ECONOMIC INTEGRATION**

**ANNEX 1**

| Summary  | Indicators   | Source of Verification   | Hypothesis/Assumptions   |
|--|--|--|--|
| <p><b>Aim:</b><br/>To increase economic growth and reduce poverty through higher levels of regional economic integration.</p>  | <p>Improved welfare of region's population<br/>Implementation of RIO regional integration policies, trade creation and integration into the global economy.</p>        | <p>RIO policy organ meeting reports<br/>Economic and trade statistics</p>  | <p>RIOs are able to harmonise their trade and macro policies and countries of the region implement these programmes.</p>                                 |
| <p><b>Specific Objective:</b><br/>All countries in the region are members of regional FTA and/or CU, have improved implementation of WTO provisions and have started negotiations on EPAs.</p>   | <p>Membership of regional trading arrangements and WTO.<br/>Studies and other actions taken in preparation for EPA negotiations</p>                                    | <p>WTO country assessments<br/>RIO policy organ meeting reports<br/>National legislation<br/>Economic and trade statistics</p>   | <p>Countries develop and implement policies to restructure their domestic economies to ensure no loss of net revenue and to improve competitiveness.</p> |
| <p><b>Expected Results:</b><br/>1. Higher levels of economic growth.<br/>2. Increased intra-regional trade.<br/>3. Trade policy capacities improved.<br/>4. Removal of revenue constraints to further trade liberalisation.</p>  | <p>GDP growth<br/>Intra- and extra regional trade<br/>CET implemented and more countries part of a free trade agreement.<br/>Region prepared for EPA negotiations.</p> | <p>Economic and trade statistics.<br/>National tariff books.<br/>National accounts.<br/>EPA negotiations.</p>  | <p>The region is stable economically and politically.<br/>The global economy continues to grow.</p>  |
| <p><b>Identified Projects/Programmes:</b><br/>1. Trade policy and negotiating capacity development.<br/>2. Harmonisation of customs and trade statistics<br/>3. Budgetary support for sequenced economic liberalisation.<br/>4. Tax policy harmonisation.<br/>5. Banking and capital market development.<br/>6. Trade facilitation support.<br/>7. Programme to reduce TBTs.<br/>8. Investment facilitation.<br/>9. Private sector development.<br/>10. Regional Integration Facilitation Forum.<br/>11. Trade-related Knowledge-for-Development</p> | <p style="text-align: center;"><b>Indicative Budget:</b></p> <p>45% to 55% of the financial envelope</p>   | <p>Feasibility and Preparatory Studies<br/>Preparation of Financing Proposals<br/>Commitment and disbursement rates<br/>Reports from the Inter-Regional Programming Committee.</p> | <p>RIOs are capable of designing, implementing and monitoring programmes.<br/>RIOs can continue to co-ordinate their activities.</p>                     |

**E&S AFRICA RSP - INTERVENTION FRAMEWORK – SUSTAINABLE MANAGEMENT OF NATURAL RESOURCES**

| Summary  | Indicators  | Source of Verification  | Hypothesis/Assumptions   |
|--|---|---|--|
| <p><b>Aim:</b><br/>To increase economic growth and reduce poverty through higher levels of regional co-operation in the area of natural resources.</p>   | <p>Co-ordination of management of natural resources</p>   | <p>RIO policy organ meetings.<br/>Project Reports<br/>IRCC reports</p>  | <p>RIOs are able to design, manage and implement sectoral policies for the whole region.</p>   |
| <p><b>Specific Objective :</b><br/>To ensure the sustainable management of the natural resources of the region</p>   | <p>Evolution of natural resource base<br/>Benefits from natural resource base</p>   | <p>Statistics of the member states<br/>Survey data<br/>Reports from international institutions</p>  | <p>The international context is conducive to development and cooperation.<br/>Political and social stability within the region</p>   |
| <p><b>Expected Results :</b></p> <p><b>A. Marine and coastal resources management :</b> A regional sustainable fisheries policy is defined and implemented.</p> <p><b>B. Environmental management :</b> common strategies, methodological tools and regional networks are developed to ensure sustainable management of the natural resources and safeguard biodiversity</p>   | <p>Records of relevant authorities<br/>Figures of fish catch</p> <p>Environmental indicators including biodiversity<br/>Active participation in international environment conventions.<br/>Development and application of regional approach</p> | <p>MCS services<br/>Fisheries statistics (national and FAO)<br/>IOTC<br/>Fishing vessels logbook</p> <p>Biodiversity surveys<br/>Statistics on coastal fisheries<br/>Survey data<br/>RIO Policy organ reports</p> | <p>There is free exchange of information between RIOs and member States.<br/>Strong measures are taken and implemented to limit illegal fishing.<br/>There is compliance with fishing regulations and quota among the member states as well as among countries signatory of fishing agreements</p> |
| <p><b>Identified Projects/Programmes :</b></p> <p><b>Marine and coastal resources:</b></p> <ul style="list-style-type: none"> <li>- Monitoring control surveillance pelagic resource</li> <li>- tuna tagging programme</li> <li>- coastal fisheries project</li> </ul> <p><b>Environmental management :</b></p> <ul style="list-style-type: none"> <li>- Environmental education</li> <li>- marine environmental monitoring plan (AMESD)</li> <li>- Lake Victoria basin</li> <li>- capacity building (int. conventions)</li> </ul> | <p><b>Indicative Budget:</b></p> <p>15% to 25% of the financial envelope</p>  | <p>Feasibility and preparatory studies<br/>Preparation of Financing Agreements<br/>Commitment and disbursement rates<br/>Reports from the IRCC</p>  | <p>The RIOs have the capacity to design and implement identified projects and programmes and can co-ordinate the implementation and monitoring of the projects.</p>  |

**E&S AFRICA RSP - INTERVENTION FRAMEWORK – TRANSPORT AND COMMUNICATIONS**

| <b>Summary</b>  | <b>Indicators</b>  | <b>Source of Verification</b>  | <b>Hypothesis/Assumptions</b>   |
|---|--|--|---|
| <p><b>Aim:</b><br/>To increase economic growth and reduce poverty through higher performance levels of the regional transport and communications network</p>  | <p>Efficiency of the regional transport and communications network</p>   | <p>RIO policy organ meeting reports<br/>Economic and trade statistics</p>  | <p>RIOs are able to harmonise their trade and macro policies and countries of the region implement these programmes.</p>  |
| <p><b>Specific Objective:</b><br/>Improve the efficiency of use of the transport and communications infrastructure and develop a plan from which prioritised interventions can be identified, costed and financed.</p>  | <p>Reduced costs of transport and communications.<br/>Production of the masterplan and subsequent identification of projects which will enhance regional integration</p> | <p>Transport costs<br/>Transport and Communications Infrastructure Masterplan</p>  | <p>Improved efficiencies can be achieved through implementation of facilitation programmes.<br/>Information on existing transport and communications is readily available.</p>                    |
| <p><b>Expected Results:</b><br/>Masterplan adopted for the region.<br/>Regional transport and communications networks improved.<br/>Transport costs reduced.<br/>Increased inter-regional traffic flows (both transport and telecommunications).</p>  | <p>Increased regional trade.<br/>Reduced costs of moving goods intra-regionally.</p>   | <p>Trade statistics.<br/>RIO survey data</p>   | <p>The countries of the region can work together to agree on a transport and communications masterplan and to agree on a prioritisation of projects for the benefit of the region as a whole.</p> |
| <p><b>Identified Projects/Programmes:</b><br/>Implementation of transit facilitation programmes on selected transit corridors.<br/>Development of a transport and communications infrastructure masterplan.<br/>Regional regulatory framework.<br/>Projects to reduce the north-south “digital divide”<br/>Support of the COMESA infrastructure fund.</p> | <p><b>Indicative Budget:</b><br/><br/>15% to 25% of the financial envelope</p>   | <p>Feasibility and Preparatory Studies<br/>Preparation of Financing Proposals<br/>Commitment and disbursement rates<br/>Reports from the Inter-Regional Programming Committee.</p> | <p>RIOs are capable of designing, implementing and monitoring programmes.<br/>RIOs can continue to co-ordinate their activities.</p>  |

| Focal sectors and projects                                  | Identif. | Appraisal | Financing Decision | Start of implement. | Comple.  | Notes  |
|---|----------|-----------|--------------------|---------------------|----------|--|
| <b>I. Regional Economic Integration</b>                     |          |           |                    |                     |          |  |
| Trade policy and negotiating capacity development.          | late 02  | early 03  | mid 03             | late 03             | 2008     | Econ Impact Studies, neg of EPAs, support WTO neg.           |
| Harmonisation of customs and trade statistics               | late 03  | early 04  | mid 04             | late 04             | 2008     | customs procedures and systems, CET implementation           |
| Budgetary support for sequenced economic liberalisation.    | late 02  | early 03  | mid 03             | late 03             | 2007     | BOP support on meeting of benchmarks                         |
| Tax policy harmonisation.                                   | early 03 | mid 03    | late 03            | early 04            | 2005     | Studies leading to recommendations                           |
| Banking and capital market development.                     | late 02  | early 03  | mid 03             | late 03             | 2007     | Banking supervision and dev of regional capital market       |
| Trade facilitation support.                                 | late 02  | early 03  | mid 03             | late 03             | 2008     | Trade in services, free movement, COMESA Fund                |
| Programme to reduce TBTs.                                   | late 02  | early 03  | mid 03             | late 03             | 2008     | Programme on SPS and trading standards                       |
| Investment facilitation.                                    | early 03 | mid 03    | late 03            | early 04            | 2007     |  |
| Private sector development.                                 | early 03 | mid 03    | late 03            | early 04            | 2008     |  |
| Regional Integration Facilitation Forum.                    | mid 03   | late 03   | early 04           | mid 04              | 2009     | Financing of TWG activities and meetings                     |
| Trade-related Knowledge-for-Development                     | mid 02   | late 02   | early 03           | mid 03              | 2008     | RIRN, Research on TRIPS, N-S knowledge transfer              |
| <b>II. Management of Natural Resources</b>                  |          |           |                    |                     |          |  |
| <i>II.1 - Fisheries resources management and monitoring</i> |          |           |                    |                     |          |  |
| Monitoring control surveillance of pelagic species          | -        | mid 04    | end 04             | mid 05              | 2008     | subject to mid term evaluation of IOC EDF8 pilot project     |
| Indian Ocean tuna tagging                                   | -        | end 03    | mid 04             | end 04              | 2008     | additional to 8th EDF non IOC project (IOTC)                 |
| Coastal and regional fisheries                              | early 03 | end 03    | mid 04             | end 04              | end 2007 |  |
| <i>II.2 - Environmental Monitoring</i>                      |          |           |                    |                     |          |  |
| Environmental education                                     | -        | mid 04    | end 04             | mid 05              | 2008     | subject to mid term eval of pilot project starting early 02  |
| Environmental regulation and management capacity building   | end 02   | mid 03    | end 03             | early 04            | end 2007 | IOC identification mission starting end 2002                 |
| <i>II.3 - Management of Transboundary Programmes</i>        |          |           |                    |                     |          |  |
| AMESD   | mid 03   | end 03    | mid 04             | end 04              | 2009     | subject to identification and all ACP financial contribution |
| Lake Victoria basin   | -        | early 03  | late 03            | early 04            | 2008     | subject to EAC evaluation of ongoing project                 |
| <b>III. Transport and Communication Infrastructure</b>      |          |           |                    |                     |          |  |
| Development of a MasterPlan                                 | late 02  | early 03  | mid 03             | late 04             | 2008+    | Linked to the COMESA Fund                                    |
| Trade facilitation along corridors                          | late 02  | early 03  | mid 03             | late 04             | 2008     | Implement programmes in selected corridors                   |
| Projects to reduce the "digital divide"                     | late 02  | early 03  | mid 03             | late 04             | 2008     | Including telecoms regulatory environment                    |
| COMESA Fund   | mid 02   | late 02   | early 03           | mid 03              | 2007     | pilot programme to leverage other funds (donor + private)    |
| <b>IV. Non focal areas</b>                                  |          |           |                    |                     |          |  |
| Higher Education  | -        | mid 02    | end 02             | early 03            | end 05   | Subject to preparatory work completed by IOC and EAC         |
| Conflict Prevention, Resolution and Management              | early 03 | mid 03    | late 03            | late 03             | end 07   | Based on on-going programmes                                 |
| Institutional Capacity Building                             | mid 02   | early 03  | mid 03             | mid 03              | end 07   | Identification period different for different organisations  |
| Culture   | -        | mid 03    | end 03             | early 04            | end 06   | For IOC subject to evaluation of 8th EDF pilot project       |

| Focal sectors and projects                                  | Budgets<br><br>(% of total) | 2002   | 2003 | 2004 | 2005 | 2006 | 2007+<br>+ |
|---|-----------------------------|--|------|------|------|------|------------|
|   |                             | As a % of the amount allocated to the activity |      |      |      |      |            |
| <b>Economic Integration.</b>                                |                             |  |      |      |      |      |            |
| Trade policy and negotiating capacity development           | 1% - 3%                     | 0  | 0    | 5    | 25   | 25   | 45         |
| Harmonisation of customs and trade statistics               | 16% - 20%                   | 0  | 0    | 20   | 25   | 25   | 30         |
| Budgetary support for sequenced econ. liberalisation        | 16% - 20%                   | 0  | 25   | 25   | 25   | 25   | 20         |
| Tax policy harmonisation                                    | 1% - 2%                     | 0  | 0    | 30   | 30   | 30   | 10         |
| Banking and capital market development                      | 1% - 2%                     | 0  | 0    | 25   | 25   | 25   | 25         |
| Trade facilitation support                                  | 1% - 2%                     | 0  | 20   | 20   | 20   | 20   | 20         |
| Programme to reduce TBTs                                    | 1% - 2%                     | 0  | 20   | 20   | 20   | 20   | 20         |
| Investment facilitation                                     | 5% - 10%                    | 0  | 0    | 20   | 20   | 20   | 40         |
| Private sector development                                  | 5% - 10%                    | 0  | 0    | 20   | 20   | 20   | 40         |
| Regional Integration Facilitation Forum                     | 1% - 2%                     | 0  | 0    | 15   | 25   | 25   | 35         |
| Trade-related Knowledge-for-Development                     | 1% - 2%                     | 0  | 20   | 20   | 20   | 20   | 20         |
| <b>SUB-TOTAL</b>  | <b>45% - 55%</b>            |  |      |      |      |      |            |
| <b>Management of Natural Resources</b>                      |                             |  |      |      |      |      |            |
| <i>II.1 - Fisheries, Resource Management and Monitoring</i> |                             |  |      |      |      |      |            |
| Monitoring, control, surveillance pelagic species           | 3% - 5%                     | 0  | 0    | 0    | 20   | 30   | 50         |
| Indian Ocean tuna tagging                                   | 3% - 5%                     | 0  | 0    | 0    | 25   | 25   | 50         |
| Coastal and regional fisheries                              | 1% - 2%                     | 0  | 0    | 10   | 30   | 30   | 30         |
| <i>II.2 - Environmental Monitoring</i>                      |                             |  |      |      |      |      |            |
| Environmental education                                     | 1% - 2%                     | 0  | 0    | 0    | 10   | 30   | 60         |
| Environ. regulation and management capacity building        | 2% - 3%                     | 0  | 0    | 25   | 25   | 25   | 25         |
| <i>II.3 - Management of Transboundary Resources</i>         |                             |  |      |      |      |      |            |
| AMESD   | 7% - 10%                    | 0  | 0    | 10   | 25   | 25   | 40         |
| Lake Victoria Basin   | 1% - 2%                     | 0  | 0    | 25   | 25   | 25   | 25         |
| <b>SUB-TOTAL</b>  | <b>15 - 25%</b>             |  |      |      |      |      |            |
| <b>Transport and Communications Infrastructure</b>          |                             |  |      |      |      |      |            |
| Development of a MasterPlan                                 | 1% - 2%                     | 0  | 50   | 50   | 0    | 0    | 0          |
| Trade facilitation along corridors                          | 10% - 15%                   | 0  | 20   | 20   | 20   | 20   | 20         |
| Projects to reduce the "digital divide"                     | 4% - 10%                    | 0  | 20   | 20   | 20   | 20   | 20         |
| COMESA Fund   | 2% - 4%                     | 10   | 20   | 20   | 20   | 20   | 10         |
| <b>SUB-TOTAL</b>  | <b>15% - 25%</b>            |  |      |      |      |      |            |
| <b>Non-Focal Areas</b>                                      |                             |  |      |      |      |      |            |
| Higher Education  | 1% - 2%                     | 0  | 20   | 30   | 30   | 20   | 0          |
| Conflict prevention, resolution and management              | 5% - 10%                    | 0  | 20   | 20   | 20   | 20   | 20         |
| Institutional capacity building                             | 5% - 10%                    | 0  | 20   | 20   | 20   | 20   | 20         |
| Culture   | 1% - 2%                     | 0  | 0    | 30   | 40   | 30   | 0          |
| <b>SUB-TOTAL</b>  | <b>10% - 15%</b>            |  |      |      |      |      |            |

Note: The above projects are not necessarily subject to individual Financing Agreements. They may be grouped or part of projects co-funded with NIP or Intra-ACP resources.

## COMESA - ON-GOING PROJECTS

|          | PROJECT   | DESCRIPTION OF PROJECT   | DONOR         | AMOUNT  | BENEFICIERY COUNTRIES  | STATUS & REMARKS   |
|----------|---|--|---------------|---|--|--|
| A.<br>1. | <b>TRADE &amp; FINANCE</b><br><br><b>Rules of Origin</b>                | Improvement of COMESA Rules of Origin, including elaboration of processes of transformation  | EU            | Financed under RHCTSS   | All COMESA Countries   | Working Group has streamlined procedures for issuance of Certificate of Origin and change in tariff heading  |
| 2.       | <b>WTO Rules and Regulations</b>  | Design seminars on WTO in a modular format and run these seminars in various configurations in member States.                                      | USAID         | 221,000 USD   | All COMESA countries   | A more comprehensive training programme is already formulated and implementation will start in 2002.   |
| 3.       | <b>The African Trade Insurance Agency (ATIA)</b>                        | To provide insurance against political risks using IDA credits and other funds.  | World Bank/EU | EURO 740,000 to meet start up costs. World Bank provided credit back-up insurance policies. | Burundi, Kenya, Malawi, Rwanda, Tanzania, Uganda, and Zambia | ATI was launched in August 2001 and has become operational in Nairobi  |
| 4.       | <b>Regional Harmonisation of Customs and Statistics Systems Project</b> | Establishment of harmonised, integrated and effective customs and external trade statistics system supported by the ASYCUDA and EUROTRACE Systems. | EU            | 12.6 million EURO   | All COMESA Member Countries                                  | Focussing on finalising installation of ASYCUDA and Eurotrace in COMESA member States and on activities related to the harmonisation of customs procedures and legislation. Establishment of the CET leading to the Customs Union. |
| 5.       | <b>Regional Integration Facilitation Forum</b>                          | Funding Special projects related to cross-border trade and investment to facilitate the liberalisation process                                     | EU            | Financed under the Regional Integration Project.  | 14 states  | Project On-going   |
| 6.       | <b>Non-tariff Barriers</b>  | Study and catalogue NTB obstacles, impediments and restrictions that still exist   | USAID/CBI     | -   | All COMESA Member countries                                  | Study completed and a workshop organised following which Council decided the Trade and Customs Committee should monitor elimination of non-tariff barriers.  |
| 7.       | <b>Expansion of FTA</b>   | To assist member States to join the FTA  | EU & USAID    | Regional Integration Project and USAID  |  | Study on implications of FTA was conducted for Burundi, Namibia, Swaziland, DRC. Uganda and Ethiopia are also undertaking independent studies.   |

|           |   |  |       |   |   |  |
|-----------|---|--|-------|---|---|--|
| 8.        | <b>Employment of Marketing//Public Relation Advisor in COMESA Bankers' Association</b>  | The advisor is expected to develop and implement an outreach and marketing strategy to attract regional commercial banks to the Association  | USAID | 56,814 USD  | All member countries  | The second advisor was employed in September 2001.   |
| 9.        | <b>Revitalisation of COMESA Bankers Association</b>   | To increase membership of the COMESA Bankers Association   | EU    | Regional Integration Project  | All member States   | Work Programme approved and fund allocated.  |
| 10.       | <b>Region Payment and Settlement System</b>   | To promote the use of local currencies for intra-COMESA Trade.   | EU    | Regional Integration Project  |   | Project Plan for the Regional Payment and Settlement System prepared. Work on progress based on revised action plan. |
| 11.       | <b>Banking Fraud - COMESA Bankers Association</b>   | To enable members to reduce their losses relating to financial crime   | EU    | Regional Integration Project  | All COMESA member States                                    | An advisor is providing support to Bankers Association   |
| 12.       | <b>Enhancing and extending the Yellow Card Scheme</b>   | Develop a model harmonised motor vehicle third party insurance law and mode of operations.   | USAID | 650,000 USD   | All COMESA countries (SADC is also involved in the project) | COMESA-SADC Task Team is established to harmonise Yellow Card with the fuel levy system.                             |
| 13.       | <b>Regional Integration Project Phase II</b><br>Trade Liberalisation, Monetary and Fiscal Policy, Regional Integration Facilitation Forum, Private Sector development, Capital Market Development and Regional Integration Research Network | To build the capacity of COMESA Secretariat to implement programmes of regional integration. To facilitate the process of regional integration; to assess the effect of moving to FTA and CET; to hold numerous workshops and seminars in member States with the private and public sector on the FTA and CET so that they are kept informed; and to promote commerce and develop the web-based data base. | EU    | 8.5m Euro   | All COMESA countries  | On going   |
| <b>B.</b> | <b>TRANSPORT AND COMMUNICATIONS</b>   |  |       |   |   |  |
| 14.       | <b>Advance Cargo Information System (ACIS) Phase I</b>  | Development and installation of a computer-based system to track cargo and equipment on railways and in ports.   | EU    | Phase I<br>9,330,000 Euro<br><br>1197281 Euros allocated for bridge financing | Burundi, Kenya, Rwanda, Tanzania, Uganda and Zambia.        | First phase is completed. Rail Tracker commissioned in Uganda, Kenya, Tanzania and Zambia.                           |

|   |   |   |                                  |                 |   |  |
|---|---|---|----------------------------------|-----------------|---|--|
| 15.   | <b>COMTEL Project</b>   | To establish a share holding company, COMTEL, to link national systems. COMTEL is registered in Mauritius   | USAID, ADB, NTOs, Private Sector | USD 330 million | All COMESA countries                                    | A call for shares for COMTEL Investment Company is planned for end of November 2001.   |
| 16.   | <b>Telecommunication Regulatory Programme</b>                           | To develop a harmonised telecommunications policy and regulatory framework.   | USAID                            | 390,000 USD     | All COMESA countries                                    | Phase II focusing on preparation of model regulation and incorporation into member States.   |
| 17.   | <b>CNS/ATM System</b>   | To provide for a common air space management in the COMESA region   | EU                               |                 | All member States                                       | Working Group of 5 States (Egypt, Sudan, Kenya, Madagascar, Zambia) to review the CNS/ATM System and to make recommendations on the way forward.       |
| 18.   | <b>Liberalisation of Air Transport Services</b>                         | Identify administrative and institutional measures to implement air traffic facilitation measures   | EU                               | EURO 745,000    | All COMESA Member Countries                             | Under implementation. Currently a Consultant is working on air transport competition Rules.  |
| <b>C. INVESTMENT PROMOTION AND PRIVATE SECTOR DEVELOPMENT</b> |   |   |                                  |                 |   |  |
| 19.   | <b>Investment Opportunities</b>   | Study on Investment opportunities in COMESA and establish a COMESA compendium or hand book.   | ECA                              | T.A.            | 14 COMESA Countries                                     | Study Just started. The first draft would be submitted by June 2002.   |
| 20.   | <b>Regional Investors Roadmap</b>                                       | To identify all obstacles that investors go through and bring them to the attention of policy makers. On the basis of the national roadmaps, regional roadmaps will be conducted. | USAID                            | 850,000 USD     | All   | The Regional Investors Roadmap study was just concluded and the report submitted to the Chief Executives of Investment Officers in November 2001       |
| 21.   | <b>Sub-regional women business information centres</b>                  |   | UNDP                             |                 | All   | Computers and printers provided to the 5 countries. The project is being expanded to the remaining countries with the support of the private sector.   |
| 22  | <b>Standardisation, Quality, Metrology and Testing Programme (SQMT)</b> | To develop and harmonise the standards in COMESA region.  | EU                               | 2 million Euro  | The National Standard Bureau of the 20 COMESA Countries | Technical Assistance was provided to Rwanda, Swaziland, DR Congo, Madagascar, Namibia, Sudan, Malawi, Zambia Seychelles, Mauritius, Kenya and Tanzania |

|     |  |  |   |   |                                    |  |
|-----|--|--|---|---|------------------------------------|--|
| 23. | <b>Upgrading quality and safety of fisheries products</b>    | Provide training in hazard analysis and critical control point (HACOP)   | FAO   | 397,400 USD   | All                                | Project is under implementation.   |
| 24. | <b>Production of value added fish products</b>               | To develop and promote trade in value-added fish products.   | CFC<br>FAO<br>COMESA<br>Counter-part<br>countries | 378,525 USD<br>36,750 USD<br>68,250 USD<br>21,000 USD<br>39,480 USD | Kenya, Uganda<br>and Tanzania      |  |
| 25. | <b>Common framework for managing shared inland fisheries</b> |  | PGTF  | 38,000 USD  | All                                | COMESA has started collecting data from member States on their fish regulations.   |
| 26. | <b>Harmonisation of agricultural policy in COMESA</b>        | To study national agricultural policies and prepare harmonised policy for the COMESA region                                | PGTF  | 60,000 USD  | All                                | Study underway.  |
| 27. | <b>Policy Networking and Communications Systems</b>          | Procurement of information and communications equipment  | USAID   | 210,000 USD   | All COMESA<br>Member<br>Countries. | Equipment purchased and distributed.   |
| E.  | <b>LEGAL</b>   |  |   |   |                                    |  |
| 28. | <b>COMESA Peace &amp; Security Protocol</b>                  | To develop and implement a framework for COMESA intervention in Peace and Security among member States.                    | USAID   | 453,000 USD   | All                                | Phase I & II of the project are completed. Phase III will focus on the involvement of parliamentarians, private sector and civil society in COMESA's intervention in peace & security. |
| F.  | <b>STRATEGIC PLANNING</b>                                    |  |   |   |                                    |  |
| 29. | <b>Regional Integration Research Network Phase II</b>        | Carry out research on issues of regional integration using a network of Research Institutions and individuals              | IDRC<br>EU  | 260,000 USD<br>Financed under<br>the RI Project                     | All COMESA<br>Countries            | Project on-going. 6 long to medium term, 8 current research and 5 thematic studies were commissioned.  |
| G.  | <b>ADMINISTRATION AND FINANCE</b>                            |  |   |   |                                    |  |
| 30. | <b>Institutional Strengthening of the Secretariat</b>        | To build the capacity of COMESA Secretariat to take on increasing financial, procurement and operational responsibilities. | USAID   | 590,000 USD   | Secretariat                        | Capacity of the Finance Section strengthened in areas of improved accounting software and procurement procedures.  |

**INTERGOVERNMENTAL AUTHORITY ON DEVELOPMENT – IGAD**

|           | <i>ON-GOING PROJECT</i>  | <i>DONOR</i>               | <i>AMOUNT</i>                     | <i>STATUS &amp; REMARKS</i>  |
|-----------|--|----------------------------|-----------------------------------|--|
| <b>A.</b> | <b>Infrastructure Development</b>  |                            |                                   |  |
| 1.1       | Isiolo-Moyale Road   | EU                         |                                   | A pre-feasibility study was concluded in January 2001. Next steps need to be defined in consultation with Kenya and Ethiopia Government and also with the European Commission.   |
| 1.2       | Gonder-Humera-Barentu-Gedarif Road   | Not yet funded             |                                   | Efforts to secure financial resources were pursued through EU and IPF.   |
| 1.3       | Dobi-Galafi-Yoboki Road  | EU                         |                                   | The project was extended to include the major part of the road linking the border of Ethiopia with the port of Djibouti. EU is providing Euro 750,000 for the pre-feasibility, feasibility and technical study.  |
| 2.1       | Modernisation Railway Telecommunication Service between Kenya and Uganda.  | Not yet funded             |                                   | No partner has expressed specific interest yet.  |
| 2.2       | Improvement of construction of Ethiopia-Djibouti Railway Container Terminals :                                   | Not yet funded             | Initial estimated cost: US\$ 15 m | A study for repair of some bridges and emergency track, including the design of concession arrangements for CDE was completed.   |
| 3.1       | Assab/Massawa Ports Rehabilitation and Modernisation   | Italian Gov and World Bank |                                   | The Government of Italy is to co-finance the project with World Bank.  |
| 4.1       | Upgrading the existing PANAFTEL links  | Funding Frozen             |                                   | The Norwegian Posts and Telecommunications/ NORAD project status established. However project funding was frozen due to the conflict situation between Eritrea and Ethiopia.   |
| 4.2       | Regional Grain Marketing Development Programme   | EU (EDF 7)                 | € 1,99 m                          | Project focuses on institutional support that will facilitate grain trade in the IGAD region.  |
| <b>B.</b> | <b>FOOD SECURITY</b>   |                            |                                   |  |
| 5.1/2     | Regional Integrated Information System (RIIS)  | Italy and USAID            | US\$ 1,2 m                        | Completion of the needs assessment report and a database on the institutions; training workshop on meta-database for clearinghouse technology; pilot clearing-house at Nairobi University with a node for Kenya and Uganda. A RIIS website has been established. |
| 6.1       | Promoting Sustainable Production of Drought Tolerant High Yielding Crop Varieties Through Research and Extension | USAID                      | US\$ 0,67 m                       | A survey of the Arid and Semi-Arid (ASALs) Agriculture Research /Extension capabilities in the Member States concluded.  |
| 6.2       | Regional Livestock Development Programme for Eastern Africa.   | Formulation funded by EU   | € 0,58 m                          | Report submitted by the consultant not acceptable to EC. French Co-operation earmarked 5.2 million FF to support the establishment of regional networks for dairy and poultry production. French component commenced and the consultant is OAU/IBAR.             |

|           |  |                           |              |   |
|-----------|--|---------------------------|--------------|---|
| 7.1       | Promoting Environmental Education and Training in the IGAD Sub-region  | Dutch/Swedish Governments | US\$ 0,15 m  | Final formulation of the project was completed and project submitted to donors.   |
| 7.2       | Strengthening environmental pollution control in IGAD sub-region:  | (Not yet funded)          |              | Project profile changed to Strengthening IGAD Capabilities in the Environmental Monitoring and Assessment. A draft proposal has been developed.   |
| 8.1 a.    | Capacity Building in Integrated water resources management   | USAID                     | US\$ 0,31 m  | Six national reports have been finalised. Mapping of watersheds and shared resources and preparation of a regional synthesis on water resources status identified for quick implementation.   |
| 8.1 b.    | Establishment of IGAD-HYCOS  | EU (7 EDF)                | € 0,085 m    | IGAD/WMO and South African HYCOS are finalising the project formulation. EC has agreed to finance the detailed preparation for implementation of the activity.  |
| 8.2       | Community based Natural resources management Project   | USAID                     | US\$ 0,31 m  | Six national reports were finalised. Preparation of the CBNRM Synthesis for the region and training workshops on governance, advocacy, lobbying, nature related conflict resolution and arbitration in natural resource management. identified for quick implementation |
| <b>C.</b> | <b>CONFLICT PREVENTION AND HUMANITARIAN AFFAIRS</b>  |                           |              | The secretariat has elaborated the programme on the conflict prevention resolution and the management with the following outputs:   |
| 9.1       | The capacity in the IGAD Region for conflict prevention, management and resolution are assessed                | EU (8 EDF)                | € 0,24 m     | Phase I of the activities undertaken. Phase II began in January 2001 and the project has been completed in October 2001.  |
| 9.2       | A documentation of the demobilisation and post-conflict peace building experience in the Region is elaborated  | DFID                      | £ 0,3 m      | 5 Workshops on small arms and light weapons in horn and Great Lakes region. IGAD Secretariat collaborated with SAFERWORLD.  |
| 9.3       | A proposal for a programme component to promote the culture of peace and tolerance in the Region is elaborated | UNESCO & SIDA             |              | UNESCO has been approached to jointly formulate project. Funding secured from SIDA for capacity building training.  |
| 9.4       | A conflict on early warning mechanism for the IGAD Region for implementation is developed                      | USAID and GTZ             | US\$ 0,725 m | Formulation has reached its final stage. The next step to implement the recommendations to set up A Conflict Early Warning and Response Mechanism (CEWARN) for IGAD Region.   |
| 10.1      | Alleviation and Mitigation of Humanitarian Crises in the IGAD Sub- Region                                      | UNDP                      | US\$ 1 m     | Pilot project to repatriate, reintegrate and rehabilitate refugees and IDPs in Djibouti, Eastern Ethiopia and in Somalia is being consolidated.   |
| 10.2      | Development of a Regional Disaster Management Capability Strategy  | USAID                     | US\$210,000  | The Sub-regional disaster preparedness and Response Strategy has been finalised and endorsed by the IGAD Council of Ministers   |

|           |  |                |            |   |
|-----------|--|----------------|------------|---|
| <b>D.</b> | <b>DOCUMENTATION AND INFORMATION PROJECTS</b>  |                |            |   |
| 1         | Strengthening of Library & Documentation Service in Member States  | Netherlands    | US\$ 1,9 m | 10 students sponsored for M.Sc. in Information science  |
| 2         | Electronic Communication Network Phase II for members States   | USAID and CIDA |            | The project provides internet connectivity to 72 Government Ministries/Institutions in IGAD region to enhance communication and information sharing.                |
| 3         | IGAD Secretariat Technical Infrastructure  | USAID          | US\$ 0,7 m | Local area Network (LAN) continued function properly and training for the Secretariat staff was conducted as required. Local area network is regularly maintained.  |
| <b>E.</b> | <b>GENDER MAINSTREAMING (IGAD Women's Desk)</b>  |                |            |   |
| 1         | Gender Mainstreaming policy and planning processes within IGAD.  | UNIFEM         |            | ♦ United Nations Development Fund for Women (UNIFEM) signed Memorandum of Understanding with IGAD Secretariat to finance the IGAD Women's Desk since December 1999. |
|           | <b>OTHER ON-GOING PROJECTS AND PROGRAMMES</b>  |                |            |   |
| 1         | Marketing Information System (MIS)   | Italy          | US\$ 1,5 m | Extensive survey of national marketing information institutions has been carried out and implementation strategy developed.   |
| 2         | Strengthening Remote Sensing for Food Security early Warning and Environmental Protection in the IGAD sub-region | EU (7EDF)      | € 1,99 m   | Project team produced a comprehensive implementation strategy .   |
| 3         | Household energy Project   | EC (7 EDF)     | € 1,75 m   | Promoting commercialisation of charcoal/wood stoves and solar home systems and activities on information and experience exchange on renewable energy technologies.  |
| 4         | Training and support for private involvement in the Fisheries Sector in IGAD member states                       | EU (7EDF)      | € 8 m      | Strengthening the fisheries sector in the IGAD member states.   |

## EAST AFRICAN COMMUNITY

|   | <i>ON-GOING PROJECTS</i>  | <i>DONOR</i>                             | <i>AMOUNT</i>  | <i>STATUS &amp; REMARKS</i>                        |
|---|---|--|----------------|--|
| 1 | Formulation of the EAC Private Sector Development strategy  | World Bank                               | US\$ 0,36m     | Programme Duration: 2002-2003                      |
| 2 | Support for Economic Integration  | EU                                       | € 2 m          | Programme Duration: 1998-2002                      |
| 3 | Support for the project on the approximation of Municipal Laws in the EAC   | Austrian Development Co-operation Bureau | US\$ 0,101 m   | Programme Duration: 2001-2002                      |
| 4 | Finnish Support for EAC programmes and projects   | Finland                                  | 0,456m         | Programme Duration: 2001-2003                      |
| 5 | Support by ILO to harmonisation of labour legislation, Regional meeting on Productivity, harmonisation of employment policies and Regional meeting on Social security | ILO                                      | US\$ 0,163 m   | Programme Duration: 2001-2002                      |
| 6 | Consultancy to the EAC Secretariat  | Germany (GTZ)                            | DM 3m<br>DM 3m | Programme Duration:<br>Ph1:1998-2001 Ph2:2001-2004 |
| 7 | Support for Lake Victoria Development programme   | Sweden (SIDA)                            | US\$ 0,3m      | Programme Duration: 1999-2002                      |
| 8 | Information and Communications Systems Project  | UK (DFID)                                | £s 0,359m      | Programme Duration: 1998-2000                      |

## INDIAN OCEAN – IOC

|    | <i>ON-GOING PROJECTS</i>  | <i>DONOR</i>         | <i>AMOUNT</i>   | <i>STATUS &amp; REMARKS</i>        |
|----|---|----------------------|---|------------------------------------|
| 1  | Project for technical management  | EU                   | € 1,56 m  |                                    |
| 2  | Programme for technical co-operation  | EU                   | € 1,95 m  |                                    |
| 3  | Programme for meteorological co-operation   | EU                   | € 1,8 m   |                                    |
| 4  | Education for the management of the environment (ARPEGE)                          | EU                   | € 1,8 m   |                                    |
| 5  | PRIDE   | EU<br>France         | € 9,3 m (7EDF)<br>€ 1,583 m (8EDF)<br>€ 1,2 m               |                                    |
| 6  | Indian Ocean University   | EU<br>France         | € 1,95 m (7EDF)<br>€ 0,385 m (8EDF)<br>Costs of Head Office |                                    |
| 7  | Programme for Regional Development of Tourism                                     | EU                   | € 4,739 m (6EDF)<br>€ 0,38 m (8EDF)                         |                                    |
| 8  | IOC Cultural event  | EU<br>Others         | € 0,75 m<br>€ 0,477 m                                       |                                    |
| 9  | Bourbon Axa investment fund   | EDF + EIB            | € 9 m   |                                    |
| 10 | Feasibility study for a Regional Indian Ocean Tagging Programme                   | EU                   | € 0,175 m   | Non - IOC Project                  |
| 11 | Oil spill contingency planning  | World bank           | US\$ 4,1 m  |                                    |
| 12 | Regional Coral Reef Monitoring Network (SWIO)                                     | EU<br>GEF/World bank | € 0,49m<br>US\$ 0,737 m                                     |                                    |
|    | <i>PLANNED PROJECTS</i>   | <i>DONOR</i>         | <i>AMOUNT</i>   | <i>STATUS &amp; REMARKS</i>        |
| 13 | Monitoring, control and surveillance of fish                                      | EU                   | € 4 m   | Preliminary start date: 1-Jan-2005 |
| 14 | Regional programme for the protection of plants in the region of the Indian Ocean | EU                   | € 4 m   | Preliminary start date: 1-Jun-2006 |
| 15 | Programme for support of information technology (PARITE)                          | EU                   | € 11,5 m  | Preliminary start date: 1-Dec-2005 |
| 16 | Harmonisation of sanitary legislation for fishery products                        | EU                   | € 0,75 m  | Preliminary start date: 1-Feb-2005 |
| 17 | Support for commercial negotiations   | EU                   | € 0,75 m  | No start date foreseen             |
| 18 | Enforcement of the private sector   | EU                   | € 3 m   | No start date foreseen             |

## **PLACE DE LA REUNION DANS LE PROCESSUS D'INTEGRATION REGIONALE DES ETATS MEMBRES DE LA COI**

Fruit autant de l'histoire que de la géographie, comme en atteste en particulier sa diversité culturelle liée aux origines multiples de son peuplement (Europe, Afrique, Madagascar, Inde, Chine...), La Réunion est la seule région française et européenne située dans l'Océan Indien. Elle s'est donnée pour objectif de valoriser pleinement sa double appartenance, et donc de réussir son intégration harmonieuse, à ces deux grands ensembles géo-économiques que forment l'Union Européenne et l'espace indianocéanique, composé pour l'essentiel d'Etats ACP qui entretiennent des relations privilégiées avec l'Union européenne dans le cadre de l'Accord de Cotonou.

Compte tenu de sa situation particulière, La Réunion ambitionne par conséquent de devenir une véritable « frontière active » de l'Union Européenne dans l'Océan Indien. A ce titre, elle ne saurait rester à l'écart du processus de régionalisation en cours dans cette zone. C'est pourquoi La Réunion, qui entend pleinement s'inscrire dans ce processus, fortement encouragé d'ailleurs par l'UE, a résolument inscrit l'ouverture internationale et l'intégration régionale au cœur de sa stratégie de développement. C'est dans ce cadre qu'elle souhaite promouvoir une politique active de coopération régionale et de codéveloppement durable avec les Etats de l'Océan Indien, grâce en particulier à la valorisation des atouts et avantages comparatifs découlant de sa double appartenance à l'Europe et à l'océan Indien, une telle démarche contribuant, à son tour, à renforcer le processus de régionalisation.

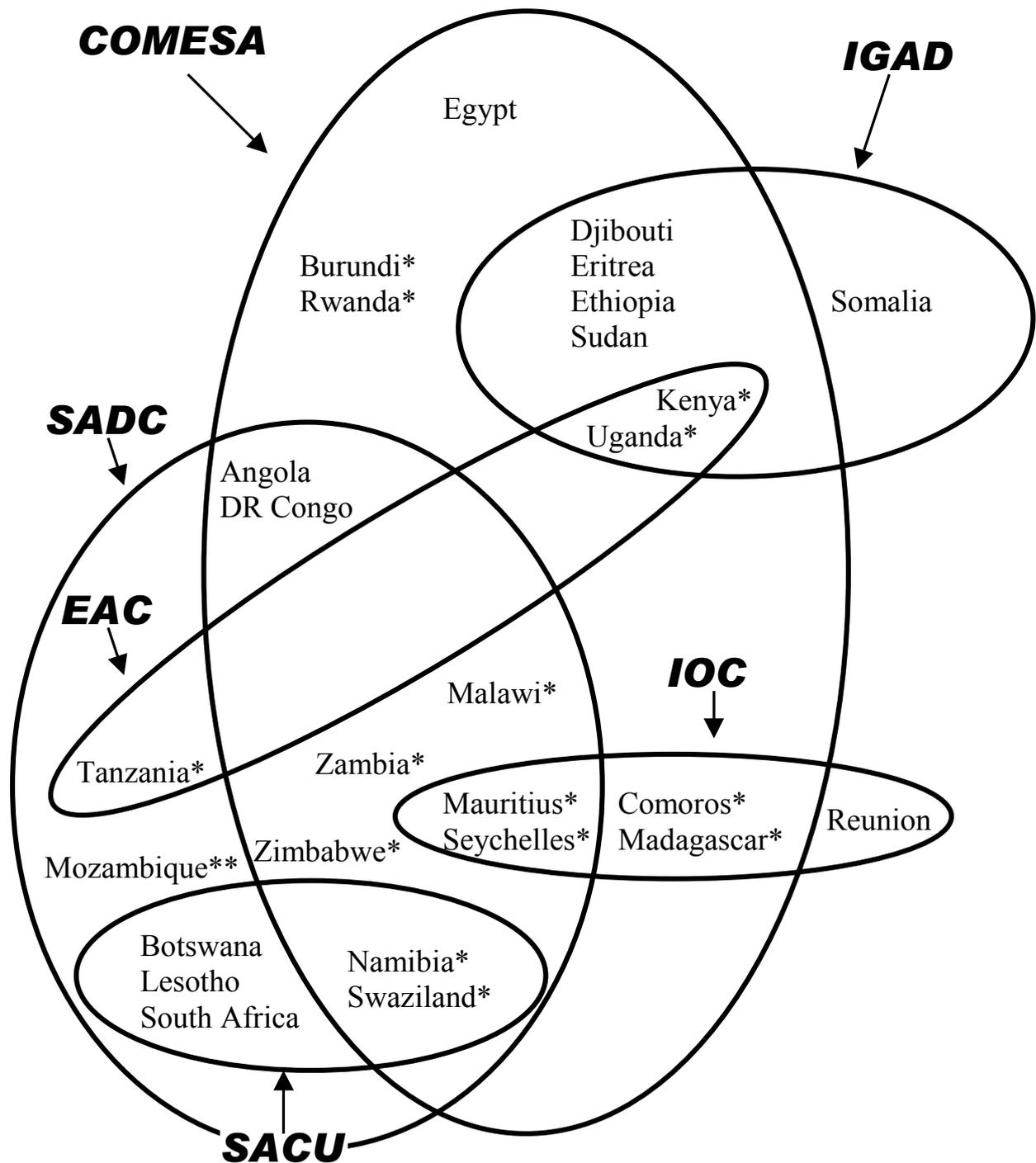
Cette volonté, et cette démarche, s'inscrivent désormais dans un nouveau contexte institutionnel instauré, au plan européen, par l'Article 299§2 du Traité d'Amsterdam, qui consacre le statut juridique de Région Ultrapériphérique (RUP) de l'Union Européenne à La Réunion, et qui autorise désormais une meilleure prise en considération des spécificités de celle-ci, notamment dans le cadre de ses relations avec les pays de son environnement régional. De surcroît, au plan national, la Loi d'Orientation pour l'Outre Mer confie désormais aux exécutifs des collectivités locales de nouvelles et importantes compétences dans le domaine de l'action internationale. En particulier, ce nouveau dispositif juridique permet à La Réunion de prendre davantage d'initiatives sur le plan régional et il lui offre également la possibilité de devenir membre associé des organismes régionaux de l'Océan Indien, ou observateur auprès de ceux-ci.

Depuis 1986, la Réunion participe activement à la Commission de l'Océan Indien, dont les Etats membres ont notamment affirmé, à l'occasion du dernier Sommet des Chefs d'Etat et de Gouvernement (Saint-Denis de La Réunion, Décembre 1999), la nécessité de mettre en place une Zone de Libre Echange (« Mémoire sur l'Intégration économique régionale ») au sein de la COI, à laquelle pourrait désormais être associée La Réunion. Le Sommet a également entériné la mise en place d'un groupe de travail chargé de définir les modalités de cette association. Sur un plan plus général, l'Union Européenne a récemment engagé une étude d'impact sur les RUP de l'Accord de Cotonou et de l'initiative « Tout sauf les armes ».

Aussi, et dans la perspective de la prochaine Programmation Indicative Régionale du 9ème FED, ainsi que des futurs Accords de Partenariat Economique (APE), La Réunion souhaite-t-elle devenir un partenaire actif dans le cadre des divers projets envisagés, en mettant notamment à la disposition des Etats ACP, qui le souhaiteraient, ses nombreuses ressources humaines et techniques, ainsi que ses pôles de compétences dans de multiples domaines (éducation/formation, recherche/développement, TIC, énergies renouvelables, changements climatiques, santé...).

# CHART OF EAST AND SOUTHERN AFRICA REGIONAL ECONOMIC INTEGRATION ARRANGEMENTS

Annex 6



- COMESA: Common Market for Eastern and Southern Africa
- EAC: East African Cooperation
- IGAD: Intergovernmental Authority on Development
- IOC: Indian Ocean Commission
- SACU: Southern African Customs Union
- SADC: Southern African Development Community
- \* RIFF: Regional Integration Facilitation Forum
- \*\* RIFF: Observer status

**INSTITUTIONAL FRAMEWORKS OF THE REGIONAL INTEGRATION ORGANISATIONS**

**1. Common Market for Eastern and Southern Africa (COMESA)**

**Member States**

Angola, Burundi, Comoros, Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia and Zimbabwe.

**Date founded**

COMESA was established in 1994 to replace the Preferential Trade Area for Eastern and Southern Africa (PTA), which had been in existence since 1981 within the framework of the Organisation of African Unity's (OAU) Lagos Plan of Action and the Final Act of Lagos .

**Headquarters**

Lusaka, Zambia.

**Secretary General**

Mr Erastus J O Mwencha (MBS)

**Chairman of the Authority**

H.E. President Hosni Mubarak, President of the Arab Republic of Egypt

**Number of Professional Staff** (funded from own resources)

1 Secretary General

2 Assistant Secretary Generals (Projects and Admin and Finance – this post is currently frozen)

5 Directors

Total establishment of 39 professional staff (currently 22 posts filled)

**Annual Budget**

US\$ 5,936,000 (year 2000)

**Mandate-Treaty Provisions**

The Treaty establishing COMESA was signed on 5<sup>th</sup> November 1993 in Kampala Uganda and ratified a year later in Lilongwe , Malawi, on 8<sup>th</sup> December 1994. The COMESA Treaty sets the agenda for the organisation and covers a large number of sectors and activities . The aims and objectives of COMESA, as defined in the Treaty and its Protocols ,are to facilitate the removal of the structural and institutional weaknesses of the member States so that they are able to attain collective and sustained development .

**Decision Making Bodies**

1. The Authority of Heads of State and Governments is the supreme policy organ of COMESA and is responsible for its general policy, direction and control of the performance of the executive functions. The Authority consists of the Heads of State and/or government of the twenty member countries.
2. The Council of Ministers is responsible for policy decisions on the programmes and activities of COMESA, including monitoring and reviewing its financial and administrative management. The Council comprises ministers responsible for trade,

industry, related commercial issues and/or Finance or Foreign Affairs designated by each member state.

3. The Intergovernmental Committee is an interdisciplinary body composed of senior government officials from the COMESA member States responsible for the development and management of programmes and action plans in different sectors of co-operation, except in the finance and monetary sector.
4. Technical Committees consist of experts in various fields. These committees are responsible for various economic sectors, as well as administrative and budgetary matters. There are committees on trade and customs, legal affairs, agriculture, transport and communications and industry.
5. The COMESA Secretariat, which is headed by a Secretary General, provides advisory services and technical support to the member states in the implementation of the Treaty.

In addition to the above bodies, COMESA has a Court of Justice. The Court, which is temporarily housed at the Secretariat in Lusaka, was formally brought into being at the COMESA Heads of State meeting in June 1998 at which the Registrar of the Court and the seven Judges of the Court were appointed. The Judges all hold high judicial office in their own countries and are appointed for a renewable period of 5 years. The Court of Justice adjudicates and arbitrates on, among other matters, unfair trade practices, interpretation of Treaty (and protocol) provisions and ensures that member States uniformly implement and comply with agreed decisions. Decisions of the Court on the interpretation of the provisions of the COMESA Treaty have precedence over decisions of national courts.

COMESA also has a Clearing House (based in Harare), the Africa Trade Insurance Agency (based in Nairobi), the PTA Re-Insurance Company (based in Nairobi), the East and Southern Africa Trade and Development Bank, commonly known as the PTA Bank (temporarily based in Nairobi) and the Leather and Leather Products Institute (based in Addis Ababa).

### **Decision Making Procedures**

The Authority of Heads of State and Governments decides the overall policy for COMESA. Its decisions are based on recommendations received from the Council of Ministers. The Council of Ministers, which receives recommendations from the Intergovernmental Committee, decides on operational issues and/or refines policies. The Intergovernmental Committee considers reports and recommendations from the various technical committees and the Secretariat and submits their recommendations to the Council of Ministers.

## **2. East African Community (EAC)**

### **Member States**

Republic of Kenya; Republic of Uganda; United Republic of Tanzania

### **Date Founded**

- a. Signing of the Agreement setting up the Permanent Tripartite Commission for East African Co-operation, 30 November 1993
- b. Launching of the Secretariat of the Permanent Tripartite Commission in Arusha following which effective co-operation started, 14 March 1996

### **Headquarters**

Arusha, Tanzania

### **Secretary General**

Honourable Nuwe Amanya Mushega

### **Chairman of the Authority**

H. E. President Daniel Arap Moi, President of the Republic of Kenya

**Number of Professional Staff** (funded from own resources):

1 Secretary General, 2 Deputy Secretary Generals and 20 Professional Staff

**Annual Budget:**

- a) Up to financial year 2000/2001, the only policy organ of the community was the Secretariat with a Budget of US\$2,103,000.00
- b) During financial year 2001/2002, the East African Court of Justice and the Legislative Assembly were set up. The total Budget for the year is US\$4,999,162.00

**Mandate – Treaty Provisions**

The Treaty provides for establishment of a Customs Union and Common Market as transitional stages to, and integral parts of the Community. Subsequently a Monetary Union and ultimately a Political Federation shall be established. Each stage of integration shall be established following conclusion of a protocol.

**Decision Making Bodies**

The policy organs of the Community are:

- a) Summit of Heads of State and Government
- b) Council of Ministers
- c) Co-ordination Committee
- d) Sectoral Committees
- e) East African Court of Justice
- f) Secretariat and
- g) Such other organs as may be established by the Summit

**Decision Making Procedures**

The Summit consists of the Heads of State and Government and meets at least once every year and may hold an extra ordinary summit. It gives general directions and impetus as to the development and achievements of the Community objectives.

The Council consists of the Ministers responsible for regional co-operation and such other ministers as may be determined by the partner states. The council is the policy organ of the Community. It promotes, monitors and keeps under constant review implementation of the programmes of the community and ensures proper functioning and development of the community in accordance with the Treaty. The Council meets at least twice every year, one meeting of which precedes that of the Summit and may hold an extra-ordinary meeting. The regulations, directives and decisions of the Council, taken or given in pursuance of the provisions of the Treaty are binding on all organs of the Community and institutions, other than the Summit, the Court and the Assembly and those institutions under them.

The Co-ordination Committee consists of permanent secretaries responsible for foreign affairs and such others as may be determined by a partner state. The Committee submits from time to time reports and recommendations to the Council either on its own initiative or upon request by the Council on the implementation of the Treaty, Council decisions and directives. The Committee receives reports and recommendations of the sectoral Committees and co-ordinates their activities. It meets twice each year preceding the meetings of the Council

The Sectoral Committees are established by the Council on recommendation of the Co-ordination Committee. They are responsible for preparation of comprehensive implementation programme and the setting of priorities with respect to their sectors. They report to the Co-ordination Committee.

### **3. Intergovernmental Authority on Development (IGAD)**

#### **Membership**

The Democratic Republic of Djibouti, the State of Eritrea, The Federal Democratic Republic of Ethiopia, the Republic of Kenya, the Republic of Somalia, the Republic of the Sudan and the Republic of Uganda.

#### **Date Founded**

- (i) Established in 1986 as Intergovernmental Authority on Drought and Development (IGADD)
- (ii) Revitalised in 25<sup>th</sup> November 1996 and changed name to Intergovernmental Authority on Development (IGAD)

#### **Headquarters**

Secretariat Office in Djibouti, the Republic of Djibouti

#### **Executive Secretary**

Dr. Attalla Hamad Bashir

#### **Chairman of the Authority**

H.E. President Omar Hassan Al-Bashir, the President of the Republic of Sudan

#### **Number of Professional Staff**

21 professional Staff

Executive Secretary

3 Directors

#### **Annual Budget**

Financial year 2001 = US\$2,437.201

Financial year 2002 = US\$2,937.107

#### **Mandate**

The mandate of the Authority is to co-ordinate the efforts of Member States to advance their development goals in the priority areas of economic co-operation, political and humanitarian affairs, food security, natural resources and environmental protection.

#### **Decision Making Bodies**

The policy organs of the Authority are:

The Assembly of Heads of State and Government of IGAD

The Council of Ministers.

The Committee of Ambassadors. These are Ambassadors or plenipotentiaries accredited to the country of IGAD Headquarters.

The Secretariat.

#### **Decision Making Procedures**

The decisions are:

- Proposed by Secretariat.
- Advised by Committee of Ambassadors which meets quarterly.
- Endorsed and approved by Council which meets twice a year.

Summit is the supreme policy organ of the Authority which determines the objectives, provides guidelines and programmes of the Authority and meets once a year.

## **4. Indian Ocean Commission (IOC)**

### **Member States**

The IOC is an organisation comprising four ACP states (Madagascar, Mauritius, Seychelles and the Comoros) and France, on behalf of its overseas department of Reunion.

### **Date Founded**

Initiated in 1982, and created in January 1984 by the Accord General de Co-operation of Victoria, the IOC initially brought Madagascar, Mauritius and the Seychelles together. Comoros and France, on behalf of its department of Reunion, joined in January 1986.

### **Headquarters**

Quatre-Bornes in Mauritius:

Q4 Sir Guy Forget Avenue  
P.O. Box 7 – Quatre-Bornes  
Republic of Mauritius  
Telephone: (230) 425 9564 or 425 1652  
Fax: (230) 425 2709  
E-mail: [Coi7@coi.intnet.mu](mailto:Coi7@coi.intnet.mu)  
Web-site: <http://www.coi-info.org>

### **Secretary General**

The Secretary-General is appointed for a non-renewable four-year mandate. Mr. Wilfrid Bertile is the current Secretary General, appointed in July 2001.

### **Chairman of the Authority**

The Council of Ministers is the supreme authority of the IOC. It meets once a year. The annual presidency rotates between members. Seychelles assumed the Chair in February 2002, with H.E. J. Bonnelame, Minister for Foreign Affairs being the Chairman.

### **Number Of Professional Staff (Funded From Own Resources)**

The Secretary-General is supported by a permanent staff of three Chargés de Mission, one of which is funded by the French Co-operation. The Secretariat also includes an accountant and limited support staff. Staffing is completed with a variable number of non permanent technical assistants (EU and World Bank).

### **Annual Budget**

The running cost of the IOC Secretariat is wholly funded by the member states. The annual budget for the year 2002 amounts to 8.8 million Mauritian rupees (equivalent to 326,000 Euro). Contributions are generally up to date, mainly from the major sources, with some limited delays for Comoros and Seychelles.

### **Mandate/Treaty Provisions**

The general agreement of Victoria defines in a very broad way the following areas of co-operation:

- diplomatic co-operation;
- economic and trade co-operation;
- co-operation in the field of agriculture, of sea fishing and of the conservation of the resources and of the ecosystems;
- co-operation in the cultural, scientific, technical fields, of education and as regards justice.

Since its creation, the IOC has developed actions in very different fields: environment, tourism, development of trade, fishing, telecommunications, culture, craft industry, meteorology, development of the human resources.

The IOC published a white book on its activities for 1998-2007. The orientations of the IOC will be reviewed during 2002 which will take into consideration new developments on the regional and international scene, amongst others globalisation, the Cotonou Agreement as well as strengthened economic integration and co-operation in Africa (African union, NEPAD, COMESA, SADC, etc.).

### **Decision Making Bodies**

Each country designates a Permanent Liaison Officer (PLO), a senior official instructed to monitor the activities of the IOC and to assure the link between the IOC and the national administrations which usually meets three times a year.

The Council of Ministers is the supreme authority of the IOC and meets on a yearly basis. Although not anticipated in the founding texts, a first Summit of the Heads of State/Government was organised in Madagascar in March 1991. The second Summit followed on 3 December, 1999, in la Reunion under the presidency of Mr Jacques Chirac, President of the French Republic. It was agreed on this occasion that the Summit, which remains an informal authority of the IOC, will henceforth be held every four years.

### **Decision Making Procedures**

The technical Committees, which bring together experts/state representatives from each Member State, are required to identify regional co-operation projects in certain sectors. When a project is adopted, a Management Committee is set up to supervise the implementation of the project.

Management Units have been created to implement most important programmes.

### **Funding Agencies**

The IOC has received important grants for the financing of its projects from the European Union under the various Lomé Conventions, through the European Development Funds. Total funding exceeds 100 million Euro. Reunion, being a European entity, is not eligible for the European Development Fund. France, therefore, finances directly its participation in the projects of the IOC. The IOC also receives support from other donors. The World Bank, for example, chose IOC to set up a contingency plan against oil spill in this region. The IOC has also received funds from the UN organisations such as the UNDP, UNEP etc. A partnership agreement has also been signed with UNESCO and with the Francophone countries. Co-operation programmes are being implemented with France, in health and civil security.

### **Management Capacity**

The Council of Ministers decided in April 1998 to entrust to the Secretary-General the Regional Authorising Officer's (RAO) function for all EDF projects. Thus, the Secretary-General is responsible for the preparation, the presentation, the instruction and implementation of the projects and action plans, in close co-operation with the Head of Delegation of the European Commission to Mauritius under the purview of the institutions of the IOC.

The role of the Secretariat-General in the implementation of the projects financed by the European Union was further strengthened by the setting up of a Technical Management Unit (TMU) (financing agreement of 26 August 1998) and of a series of Technical Co-operation Framework Programmes providing logistical support to the secretariat. These support structures financed by the European Union are fully operational. The TMU is composed of an international technical assistant, of a regional technical assistant and of an accountant. It allows in particular the adoption of a system of co-ordination and of monitoring of the Community interventions, a better control of the EDF procedures, progressive acceleration of the disbursement rate on all the Community interventions. The Technical Co-operation Framework Programme is used for the instruction of new projects and for financing expert opinions and studies for the development of projects, the work of committees of regional experts and training in the development, management and monitoring of the regional projects.

## Basic indicators

| Country Name | Population 1999 | Area ('000 km2) 1999 | GDP (curr. US\$) 1999 | GDP per capita PPP (curr. US\$), 1998 | GDP per capita (current US\$), 1999 | Annual GDP growth |           |           |
|--------------|-----------------|----------------------|-----------------------|---------------------------------------|-------------------------------------|-------------------|-----------|-----------|
|              |                 |                      |                       |                                       |                                     | 1985 - 89         | 1990 - 95 | 1996 - 99 |
| Angola       | 12.356.940      | 1246700              | 8544921088            | 1334,16                               | 691,76                              | 17,67             | -18,58    | 12,56     |
| Burundi      | 6.677.950       | 25680                | 714209664             | 636,35                                | 106,95                              | 15,96             | -11,12    | 4,15      |
| Comoros      | 544.280         | 2230                 | 192745808             | 1488,04                               | 354,13                              | 2,94              | -3,70     | -1,44     |
| DR Congo     | 49.775.512      | 2267050              | 7752419328            | 846,57                                | 155,75                              | 6,66              | -31,37    | 4,90      |
| Djibouti     | 647.750         | 23180                | 530900544             | ..                                    | 819,61                              | -                 | -         | -         |
| Eritrea      | 3.991.000       | 124000               | 645352960             | 812,76                                | 161,70                              | -                 | -         | 12,98     |
| Ethiopia     | 62.782.000      | 1000000              | 6438918144            | 517,18                                | 102,56                              | 27,01             | 12,56     | 10,20     |
| Kenya        | 29.410.000      | 569140               | 10638104576           | 1168,37                               | 361,72                              | 26,24             | 8,21      | 5,07      |
| Madagascar   | 15.050.500      | 581540               | 3720535552            | 927,04                                | 247,20                              | 11,02             | -1,62     | 12,79     |
| Malawi       | 10.787.810      | 94080                | 1810098432            | 695,05                                | 167,79                              | 6,04              | 15,80     | 10,10     |
| Mauritius    | 1.174.400       | 2030                 | 4244451328            | 9629,10                               | 3627,95                             | 33,31             | 27,21     | 15,22     |
| Namibia      | 1.701.330       | 823290               | 3074508544            | 4931,92                               | 1807,12                             | 11,34             | 25,66     | 8,35      |
| Rwanda       | 8.310.000       | 24670                | 1956339456            | 696,46                                | 235,42                              | 10,15             | -36,63    | 31,05     |
| Seychelles   | 80.030          | 450                  | 545310464             | 11188,45                              | 6850,63                             | 21,01             | 15,29     | 7,95      |
| Somalia      | 6.000.000       | 637657               | 4300000000            |                                       | 600,00                              |                   |           |           |
| Sudan        | 28.993.260      | 2376000              | 9718075392            | 1640,30                               | 335,18                              | 6,21              | 51,04     | 22,44     |
| Swaziland    | 1.019.470       | 17200                | 1223256704            | 3313,37                               | 1201,85                             | 49,83             | 13,83     | 7,91      |
| Tanzania     | 32.900.000      | 883590               | 8760340480            | 512,84                                | 266,09                              | -                 | 9,30      | 12,79     |
| Uganda       | 21.479.330      | 199650               | 6411386368            | 1182,75                               | 298,49                              | 20,18             | 40,32     | 18,80     |
| Zambia       | 9.881.210       | 743390               | 3149931776            | 910,39                                | 318,78                              | 8,79              | -6,60     | 3,83      |
| Zimbabwe     | 11.903.730      | 386850               | 5607642624            | 2324,77                               | 471,08                              | 16,86             | 6,45      | 6,67      |

## Inter-Regional Co-ordinating Committee (IRCC)

### Terms of Reference

The Cotonou Agreement provides for regional integration organisations (RIOs) with overlapping memberships, to participate in a common Regional Indicative Programme especially as regards regional economic integration in order to ensure coherence and to avoid duplication of efforts in projects and programmes to be financed under EDF-9. This approach is in line with the strategy to promote and strengthen economic development and integration and co-operation amongst the ACP countries.

IOC, COMESA, EAC and IGAD have obtained the necessary mandate and have prepared a common Regional Strategy Paper (RSP), including a Regional Indicative Programme (RIP) to be financed under EDF-9.

The programming, implementation, monitoring, review and evaluation of the regional strategy and its operational programmes and projects (RIP) will demand continuing co-ordination amongst the regional organisations, as well as with SADC's RSP/RIP and the European Commission (EC).

Therefore, the regional organisations have decided to establish an **Inter-Regional Co-ordinating Committee (IRCC)**, which, under the authority of their respective Chief Executives in their roles as **Regional Authorising Officers (RAO)**, will be responsible for achieving this co-ordination task.

In order to ensure the most effective implementation of the RIP's resources, the regional organisations have agreed on a pragmatic, project/programme-based approach in defining the tasks and responsibilities of the RAOs and the IRCC in the implementation, monitoring, review and evaluation of the RIP.

Tasks and responsibilities of RAOs and IRCC will be specific to each project or programme funded under each of the four sectors of cooperation, as defined in the regional strategy paper :

- i) Regional economic integration;
- ii) Management of natural resources;
- iii) Transport and communications infrastructure ;
- iv) non focal sector.

## **1. Inter Regional Co-ordinating Committee (IRCC)**

### **1.1 Role**

The IRCC will ensure that projects and programmes (hereafter called programmes) funded under the RIP are :

- Coherent with the regional strategy;
- identified taking into consideration the specific needs and requirements of each organisation and its member states (**specificity**);
- implemented at the most efficient and effective level (**subsidiarity**).

#### **1.1.1 IRCC role in programming/identification of projects/programmes**

The IRCC will first and foremost guarantee that programmes funded under the 9<sup>th</sup> EDF/RIP are fully coherent with the objectives of the agreed regional strategy.

The IRCC will approve funding requests prior to their presentation by the designated regional organisation (RAO) to the European Commission.

Furthermore, in order to ensure full compliance with the double principle of specificity and subsidiarity, the IRCC will ensure that the instruction of each programme ensures that the **Financing Agreement** defines, within the provisions of the Cotonou Agreement, the respective tasks and responsibilities of the designated Regional Authorizing Officers and his/her delegated/deputy RAOs (DRAO).

In view of the respective mandates and memberships of the regional organisations, the role of RAO will be allocated, for each programme, to the most appropriate RIO. The Financing Agreements could nevertheless possibly identify specific programme components whose implementation, monitoring and review are delegated to one or more of the partner organisations. In such cases, the Financing Agreement will not only designate the RAO but also his DRAO(s), and specify their respective roles and responsibilities.

Each Financing Agreement will furthermore define, as usual, the programme's specific and appropriate management structure (e.g. project steering committee) and monitoring process, based on objectively verifiable indicators included in the financing agreement.

#### **1.1.2 IRCC role in implementation and monitoring**

The responsibility of the IRCC does not end with the above programming task.

The Cotonou Agreement foresees a review process. A mid-term and an end-of-term review shall be undertaken to adapt the indicative programme to evolving circumstances and to ensure correct implementation. The reviews may lead to a revision of the resource allocation

(see Annex IV Article 11). The EC has issued a series of guidelines on the review process that are attached as annex 1 to the present ToR.

Such reallocations will not only concern the respective allocations amongst the ‘focal sectors’ of the RIP but also the overall RIP allocations. It is therefore of the utmost importance, for each individual RIO, and for the group as whole, that the proposed RIP is implemented in a effective and efficient way.

A key role of the IRCC will therefore be to ensure continuing monitoring of the RIP implementation and to prepare the joint IRCC/EC mid term review (end 2004/early 2005) of the RSP and RIP implementation.

The IRCC will serve as the forum for dialogue between the regional organisations and the EC on the conclusions to be drawn from the review, and the recommendations to be presented to their respective policy bodies. Recommendations will, in accordance with the Cotonou provisions, include budgetary reallocations.

Each participating organisation should therefore develop a coherent system of reporting on progress in the implementation of all Financing Agreements funded under the RIP of the 9<sup>th</sup> EDF. The system in use at the IOC secretariat general allows for a close monitoring of Financing Agreements implementation (as well as proper administrative management of work plans – devis programmes) and could serve as the basis for a common tool.

## **1.2 Structure and functioning**

The IRCC will comprise of heads of the regional organisations, or his representative, accompanied by a maximum of two staff members of each organisation. The IRCC will also include representatives of SADC and of the European Commission. A representative of the ACP Secretariat will be invited as an observer.

The IRCC members will ensure that decisions of the IRCC are endorsed by their respective policy organs, to whom they will report on the activities of the IRCC. RIOs may elect to include in their delegation to the IRCC meeting as one of their three delegates representatives of their respective policy organs (eg. A representative of the country holding the RIO’s presidency).

The Chair of the IRCC will be held for one year and will rotate in alphabetical order (English language).

The secretariat will be held by the COMESA secretariat general and will service the rotating presidency.

The IRCC will meet on a regular basis, and at least twice yearly.

The Secretariat will ensure that :

- a continuing and coherent monitoring of the timely implementation of the RSS and RIP, and of the agreed projects and programmes is undertaken;
- corrective measures are defined and implemented;

- the mid term review is prepared and its recommendations followed upon;
- reports for the IRCC meetings are prepared in good time and circulated to all RIOs;
- minutes of all IRCC meetings are taken.

In order to facilitate full exchange of information amongst the regional organisations, over and above IRCC meetings, the IRCC will encourage each organisation to invite representatives of the partner organisations to its policy organs (as observers).

Each RIO will ensure that its secretariat has the necessary capacity to prepare, implement and monitor projects under its (RAO) responsibility.

### **1.3 IRCC and EPAs**

The IRCC does not have a specific mandate concerning the preparation of negotiations for the economic partnership agreements as defined in the Cotonou Agreement.

However, in view of the importance of the RSP/RIP as a tool for the preparation of EPA negotiations and implementation, the IRCC should serve as a forum for dialogue amongst the regional organisations and with the ACP secretariat and the EC, as illustrated during the joint ministerial meeting organised in Lusaka in February 2002.

The regional organisations, through the IRCC, will ensure that the economic integration projects and programmes include the necessary facilities (human and financial resources) to the RIOs and their respective member states in EPA negotiations and implementation.

## **2. Regional Authorizing Officers (RAOs)**

Responsibilities and tasks of RAOs are defined in the Cotonou Agreement (annex 4, art. 35).

The RAO designated in the Financing Agreement of each project or programme identified within the framework of the RSP, will hold full responsibility for the implementation, monitoring and review of that project/programme. The RAO will ensure that within the framework of the IRCC the other partner organisations are informed, through the IRCC secretariat, of the progress, bottlenecks and constraints in their instruction and implementation.

The responsible RAO will ensure that the partner RIOs are fully informed of corrective measures taken, if and when necessary. The same principles will apply for deputy/delegated RAOs (DRAOs) to whom might have been assigned the responsibility for the implementation of specific components of projects and programmes.

### Imports by region as a percentage of country imports

| Country    | Year           |            |                   |        |                |            |                   |        |                |            |                   |        |
|------------|----------------|------------|-------------------|--------|----------------|------------|-------------------|--------|----------------|------------|-------------------|--------|
|            | 1998           |            |                   |        | 1999           |            |                   |        | 2000           |            |                   |        |
|            | COMESA imports | EU imports | All other sources | Total  | COMESA imports | EU imports | All other sources | Total  | COMESA imports | EU imports | All other sources | Total  |
| Burundi    | 15,24          | 35,90      | 48,86             | 100,00 | 41,76          | 18,22      | 40,02             | 100,00 | 21,13          | 27,48      | 51,39             | 100,00 |
| Egypt      | 0,77           | 36,28      | 62,95             | 100,00 | 35,53          | 0,89       | 63,57             | 100,00 | 1,34           | 34,09      | 64,57             | 100,00 |
| Ethiopia   | 3,04           | 23,22      | 73,74             | 100,00 | 28,79          | 2,94       | 68,27             | 100,00 | 3,36           | 24,59      | 72,05             | 100,00 |
| Kenya      | 1,26           | 34,28      | 64,47             | 100,00 | 31,86          | 1,78       | 66,37             | 100,00 | 2,62           | 30,60      | 66,77             | 100,00 |
| Comoros    | 10,40          | 44,35      | 45,24             | 100,00 | 43,04          | 11,11      | 45,85             | 100,00 | 14,27          | 44,40      | 41,32             | 100,00 |
| Madagascar | 4,96           | 35,52      | 59,52             | 100,00 | 25,28          | 7,04       | 67,68             | 100,00 | 6,56           | 18,98      | 74,46             | 100,00 |
| Mauritius  | 2,68           | 29,87      | 67,45             | 100,00 | 28,78          | 2,30       | 68,92             | 100,00 | 2,81           | 26,93      | 70,26             | 100,00 |
| Malawi     | 17,44          | 22,90      | 59,66             | 100,00 | 29,13          | 15,35      | 55,52             | 100,00 | 11,45          | 21,05      | 67,50             | 100,00 |
| Namibia    | 1,57           | 7,81       | 90,63             | 100,00 | 9,91           | 0,62       | 89,47             | 100,00 | 0,55           | 7,18       | 92,27             | 100,00 |
| Rwanda     | 19,85          | 43,69      | 36,46             | 100,00 | 28,10          | 19,23      | 52,66             | 100,00 | 23,38          | 0,00       | 76,62             | 100,00 |
| Seychelles | 3,31           | 42,90      | 53,78             | 100,00 | 52,91          | 3,46       | 43,63             | 100,00 | 4,74           | 50,26      | 45,00             | 100,00 |
| Sudan      | 9,14           | 15,70      | 75,16             | 100,00 | 24,68          | 4,82       | 70,50             | 100,00 | 5,28           | 21,09      | 73,63             | 100,00 |
| Swaziland  | 0,33           | 4,54       | 95,14             | 100,00 | 2,51           | 0,28       | 97,22             | 100,00 | 0,17           | 0,00       | 99,83             | 100,00 |
| Tanzania   | 9,90           | 30,67      | 59,43             | 100,00 | 24,17          | 8,35       | 67,48             | 100,00 | 8,71           | 22,12      | 69,17             | 100,00 |
| Uganda     | 33,53          | 25,23      | 41,24             | 100,00 | 25,43          | 21,85      | 52,72             | 100,00 | 23,06          | 24,04      | 52,90             | 100,00 |
| Zambia     | 13,23          | 23,85      | 62,92             | 100,00 | 18,41          | 12,26      | 69,32             | 100,00 | 10,43          | 12,98      | 76,59             | 100,00 |
| Zimbabwe   | 3,26           | 22,42      | 74,32             | 100,00 | 21,91          | 2,93       | 75,16             | 100,00 | 3,68           | 16,85      | 79,46             | 100,00 |

**Exports by region as a percentage of country exports**

| Country    | Year           |            |                   |        |                |            |                   |        |                |            |                   |        |
|------------|----------------|------------|-------------------|--------|----------------|------------|-------------------|--------|----------------|------------|-------------------|--------|
|            | 1998           |            |                   |        | 1999           |            |                   |        | 2000           |            |                   |        |
|            | COMESA exports | EU exports | All other sources | Total  | COMESA exports | EU exports | All other sources | Total  | COMESA exports | EU exports | All other sources | Total  |
| Burundi    | 2,11           | 32,76      | 65,13             | 100,00 | 5,97           | 45,43      | 48,60             | 100,00 | 13,49          | 41,20      | 45,30             | 100,00 |
| Egypt      | 1,00           | 37,42      | 61,58             | 100,00 | 1,11           | 34,99      | 63,90             | 100,00 | 1,12           | 40,10      | 58,78             | 100,00 |
| Ethiopia   | 11,99          | 23,15      | 64,86             | 100,00 | 13,67          | 20,40      | 65,93             | 100,00 | 12,56          | 19,35      | 68,10             | 100,00 |
| Kenya      | 41,30          | 31,38      | 27,32             | 100,00 | 43,77          | 31,35      | 24,88             | 100,00 | 35,62          | 33,45      | 30,93             | 100,00 |
| Comoros    | 10,59          | 68,74      | 20,67             | 100,00 | 3,07           | 42,86      | 54,07             | 100,00 | 1,34           | 53,65      | 45,00             | 100,00 |
| Madagascar | 4,55           | 63,65      | 31,80             | 100,00 | 3,33           | 60,24      | 36,43             | 100,00 | 2,92           | 51,77      | 45,32             | 100,00 |
| Mauritius  | 5,21           | 67,55      | 27,24             | 100,00 | 6,59           | 57,74      | 35,67             | 100,00 | 5,53           | 66,53      | 27,94             | 100,00 |
| Malawi     | 5,28           | 39,32      | 55,40             | 100,00 | 10,38          | 38,90      | 50,72             | 100,00 | 12,17          | 36,10      | 51,73             | 100,00 |
| Namibia    | 7,89           | 29,34      | 62,77             | 100,00 | 4,59           | 45,20      | 50,21             | 100,00 | 5,22           | 56,03      | 38,75             | 100,00 |
| Rwanda     | 78,71          | 9,90       | 11,39             | 100,00 | 79,16          | 14,76      | 6,07              | 100,00 | 71,76          | ..         | 28,24             | 100,00 |
| Seychelles | 0,38           | 91,56      | 8,07              | 100,00 | 0,86           | 96,37      | 2,77              | 100,00 | 1,71           | 91,55      | 6,74              | 100,00 |
| Sudan      | 6,17           | 27,00      | 66,83             | 100,00 | 8,92           | 22,86      | 68,22             | 100,00 | 6,88           | 13,12      | 80,00             | 100,00 |
| Swaziland  | 4,55           | 13,69      | 81,77             | 100,00 | 6,03           | 5,34       | 88,64             | 100,00 | 11,18          | ..         | 88,82             | 100,00 |
| Tanzania   | 11,54          | 40,72      | 47,74             | 100,00 | 13,99          | 36,19      | 49,81             | 100,00 | 9,92           | 54,42      | 35,65             | 100,00 |
| Uganda     | 11,53          | 41,76      | 46,71             | 100,00 | 11,30          | 39,72      | 48,98             | 100,00 | 22,37          | 27,02      | 50,60             | 100,00 |
| Zambia     | 18,27          | 36,07      | 45,66             | 100,00 | 12,11          | 48,57      | 39,32             | 100,00 | 20,54          | 34,28      | 45,18             | 100,00 |
| Zimbabwe   | 15,52          | 33,70      | 50,77             | 100,00 | 10,46          | 33,50      | 56,04             | 100,00 | 10,69          | 30,75      | 58,56             | 100,00 |

*Allocations and Focal Areas of Country Strategy Papers (9<sup>th</sup> EDF) of the region*

| Country    | A Allocation | B Allocation | Focal Areas  |
|------------|--------------|--------------|--|
| Angola     | € 117m       | € 29m        | Social humanitarian development aid (in preparation)   |
| Burundi    | € 115m       | € 57m        | 9 EDF: to be started<br>8 EDF: physical rehabilitation and social reintegration  |
| Comoros    | € 20m        | € 7,3m       | - Education 80%<br>- Non focal sectors : 20% (inter island/regional projects, decentralised co-operation)  |
| Djibouti   | € 29m        | € 5,8m       | - Water and sanitation: 45%<br>- Macro-economic support : 44%  |
| DR Congo   | € 171m       | € 34m        | 9 EDF: to be started<br>8 EDF: capacity building and transport   |
| Eritrea    | € 88m        | € 8,8m       | - Post conflict rehabilitation/transport sector : 68%<br>- Demobilisation/reintegration : 22%<br>- Governance : 10%  |
| Ethiopia   | € 384,2m     | € 153,7m     | - Transport : 55%<br>- Macro-economic support and capacity building for economic reform: 25%<br>- Food security : 15%<br>- Capacity building for Governance and Civil Society : 5%   |
| Kenya      | € 170m       | € 55m        | - Agriculture and Rural Development: 20% - 30%<br>- Transport/Road infrastructure : 35% - 45%<br>- Macro economic support and reforms: 25% - 35%<br>- Other programmes (governance, non-state actors, regional initiatives, reserve) : 0 – 10% |
| Madagascar | € 267m       | € 60m        | - Transport : € 135m<br>- Rural development & food security: € 60m<br>- Macro economic support: € 60m<br>- Non-focal sector: reform of Justice: € 10m<br>- Others : € 2m   |
| Malawi     | € 276m       | € 69m        | - Infrastructure/transport : 34%<br>- Agriculture & Natural Resources : 19%<br>- Budgetary support (social sector): 27%<br>- Non-focal sectors (micro-projects, governance/non-state actors): 20%  |
| Mauritius  | € 33m        | € 1,6m       | - Environment 85%<br>- Non-focal sector: poverty alleviation: 15%  |

|            |          |         |  |
|------------|----------|---------|--|
| Namibia    | € 48m    | € 43m   | - Rural Development : 55% - 65%<br>- Human Resources Development : 25%-35%<br>- Complementarity & Coherence in the Response Strategy : 5% - 15%  |
| Rwanda     | € 124m   | € 62m   | - Rural development: 52%<br>- Macro-economic support: 40%  |
| Seychelles | € 3,9m   | € 0,8m  | - Focal sector: environment<br>- Non- focal sector: capacity building State Actors and Non-State Actors  |
| Somalia    | € 119,1m | € 29,8m | 1 <sup>st</sup> Part of € 50m :<br>- Reduction of widespread vulnerability: 24% - Access to social services : 20%<br>- Economic growth and diversification : 24%<br>- Enhancing good governance : 16%<br>- Contingencies : 16%                               |
| Sudan      | € 135m   | € 20m   | - currently no programme   |
| Swaziland  | € 31m    | € 12m   | - Education and training : 65%<br>- Other : 35%<br>Smallholder irrigation<br>Poverty Reduction Programme<br>Trade and Regional Integration<br>Institutional capacity building for development planning and Non-State Actors<br>Reserve                       |
| Tanzania   | € 290m   | € 65m   | - Transport : 40%<br>- Basic education : 15%<br>- Macro economic support : 34%<br>- Non-focal sector(governance): 10%<br>- Reserve : 1%  |
| Uganda     | € 246m   | € 117m  | - Macro economic support & economic reform : 31%<br>- Transport and infrastructure: 43%<br>- Rural development : 17%<br>- Non-focal sector (governance, non-state actors) : 9%   |
| Zambia     | € 240m   | € 111m  | - Transport : 37,5%<br>- Institutional reform and capacity building : 17%<br>- Budgetary support : 37,5%<br>- Health HIV/Aids : 4 %<br>- Education : 4%  |
| Zimbabwe   | € 108m   | € 19m   | - Health sector support : € 55m<br>- Basic education : € 30m<br>- Trade policy capacity project : €3m<br>- Zimbabwe-EC co-operation monitoring unit : € 2m<br>- Zimbabwe micro-projects programme : € 20m<br>- Capacity building for non-state actors : € 5m |

**Addendum  
To the  
Regional Strategy Paper and Regional Indicative Programme  
2002 – 2007**

**European Community and the region of Eastern and Southern Africa and  
the Indian Ocean**

A mid-term review of the Regional Strategy Paper (RSP) and Regional Indicative Programme (RIP) for the region of Eastern and Southern Africa and the Indian Ocean was carried out during the 2005 in accordance with Article II of Annex IV to the ACP-EC Partnership Agreements.

1. Following completion of the mid-term review (MTR), and in the light of an assessment of the region's current needs and performance, the Community hereby revises the resource allocation for the region of Eastern and Southern Africa and the Indian Ocean as follows:

| Initial 9 <sup>th</sup> EDF allocation | Initial 9 <sup>th</sup> EDF allocation + old Transfers (as per 30/9/2005) | New allocation after MTR (including transfers from previous EDFs) |
|--|---|---|
| € 223 million                          | € 302 million   | € 287 million   |

An amount of €15 million plus future de-commitments from previous EDFs for a total estimated amount of €10 million envisaged as from 01 October 2005 until the end of the period covered by the 9<sup>th</sup> EDF will be transferred to the regional cooperation and intra-ACP reserve.

This Addendum adjusts the indicative allocation referred to in paragraph 2 of the general provisions, accompanying the RSP and RIP, as well as all other references to these amounts in the different chapters and annexes to the RSP and RIP.

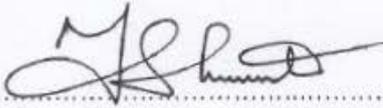
2. As part of the mid-term review, it has been agreed to maintain the regional strategy as contained in the RSP and RIP..
3. The new breakdown of the indicative allocation is presented below. It includes a reinforcement of the regional integration budget support programme under the economic integration and trade focal sector which increases from an estimated €50 million to an estimated €78 million.

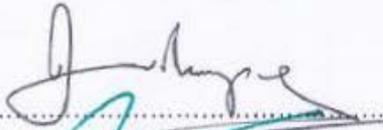
|                                 | Initial Indicative Allocation* |             | Indicative allocation after the MTR (including transfer previous EDFs) |             |
|---------------------------------|--------------------------------|-------------|--|-------------|
|                                 | €                              | %           | €  | %           |
| Economic integration and Trade  | €100-123                       | 45-55%      | €131   | 46%         |
| Natural Resources Management    | €33-56                         | 15-25%      | €63  | 22%         |
| Transport and Communication     | €33-56                         | 15-25%      | €72  | 25%         |
| Programmes outside focal sector | €22-33                         | 10-15%      | €21  | 7%          |
| <b>Total</b>                    | <b>€223</b>                    | <b>100%</b> | <b>€287</b>  | <b>100%</b> |

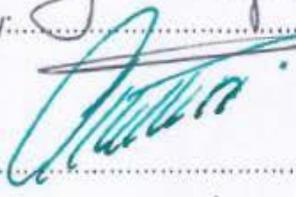
\* In % of total allocation 9<sup>th</sup> EDF RIP of €223 million

4. Signed in 5 original copies

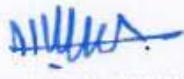
**Signatories**

COMESA:  Date: 15-07-06

East African Community:  Date: 19/09/06

IGAD:  Date: 09/09/06

Indian Ocean Commission:  Date: 15-07-06

European Commission:  Date: 15/07/06

**Addendum 2  
to the EDF 9  
Regional Strategy Paper and Regional Indicative Programme  
2002-2007**

**European Community and the region of Eastern and Southern Africa and  
the Indian Ocean**

An end-of-term review (ETR) of the Regional Strategy Paper (RSP) and Regional Indicative Programme (RIP) for the region of Eastern and Southern Africa and the Indian Ocean was carried out during 2006 in accordance with Article 11 of Annex IV to the ACP-EC Partnership Agreement.

**1. Financial allocations after the ETR**

The present addendum adjusts the indicative allocation referred to in paragraph 2 of the general provisions, accompanying the RSP and RIP as reviewed by Commission Decision n° C (2006)1860 of 10/05/2006, as well as all other references to these amounts in the different chapters and annexes to the RSP and RIP.

Following the completion of the ETR, in the light of an assessment of the region's current needs and performance, the Community maintains the resource allocation for the region of Eastern and Southern Africa and the Indian Ocean at its current levels which is presented as follows:

| Initial 9 <sup>th</sup> EDF allocation | Allocation after MTR also including transfers of previous EDFs | New allocation after ETR (including transfers from previous EDFs until 30/09/2006) |
|--|--|--|
| 223                                    | 287  | 287  |

*Amounts expressed in million EUR*

As stipulated in addendum 1 to the EDF 9 Regional Strategy Paper and Regional Indicative Programme 2002-2007 between the European Community and the region of Eastern and Southern Africa and the Indian Ocean, all de-commitments from previous EDFs starting 1 October 2005 will be transferred to the regional cooperation and intra ACP reserve.

Notwithstanding the preceding paragraphs, all de-commitments from the 9<sup>th</sup> and previous EDFs as from 1 April 2007 and all remaining funds which will not have passed the management procedure of the EDF Committee before 1 August 2007 shall be transferred to the regional cooperation and intra ACP reserve.

**2. Cooperation strategy after the ETR**

It has furthermore been agreed to maintain the regional strategy as contained in the RSP and RIP as modified with addendum 1.

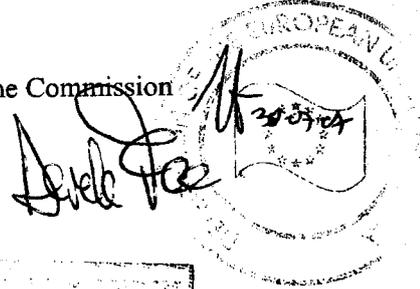
Date:

Signatures

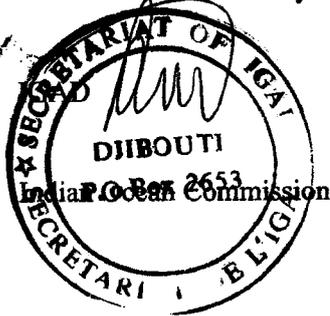
For the region of Eastern and Southern Africa and the Indian Ocean

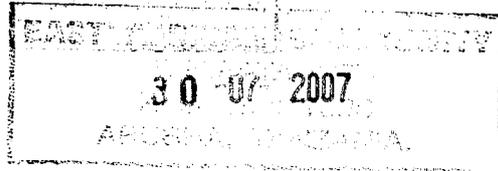
  
COMESA

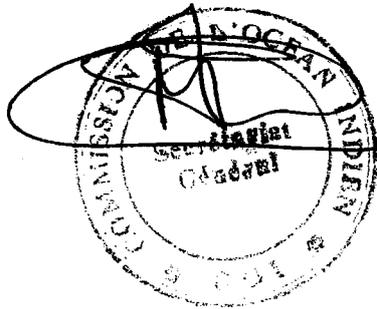
For the Commission

  
The stamp is circular with the text "EUROPEAN UNION" at the top and "COMMISSION" at the bottom. It contains a signature and the date "30/07/2007".

East African Community

  
The stamp is circular with the text "SECRETARIAT OF IGAD" at the top, "DJIIBOUTI" in the center, and "SECRETARIAT OF IGAD" at the bottom. It contains a signature and the text "Indian Ocean Commission" and "2653".

  
The stamp is rectangular with the text "EAST AFRICAN COMMUNITY" at the top, "30 07 2007" in the center, and "AFRICA" at the bottom.

  
The stamp is circular with the text "COMMISSION OF THE INDIAN OCEAN" at the top and "SECRETARIAT" and "Madagascar" at the bottom. It contains a signature.