

THE NEW ACP-EU [COTONOU] AGREEMENT:

A USERS GUIDE

Part 1

**THE FINANCIAL AND TECHNICAL
CO-OPERATION PROVISIONS OF THE
NEW AGREEMENT**

Produced By

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Foreword

Trade and Development Studies Centre- Trust [TRADES CENTRE] with the support of Friedrich Ebert Stiftung - Zimbabwe undertook an initiative to produce User Guides on ACP – EU Cotonou agreement in four series covering the major areas of ACP-EU co-operation namely trade aspects, financial and technical co-operation, role of non-state actors and political dialogue. The User's Guide seek to; lead concerned actors through the various provisions of the Lomé Convention, provide an analysis from an ACP perspective of the new arrangements, identify issues likely to arise in the course of implementation and inform in simple language the content of the agreement. The User's Guides provide simplified and basic introduction to the new ACP-EU agreement for those in the ACP who are likely to be drawn into its implementation. The target group is ACP member states government officials, non-state actors in ACP states seeking to become involved in EU-ACP co-operation, ACP Parliamentarians with responsibilities related to the implementation of ACP-EU co-operation, the media in ACP countries, concerned academics and research institutions in ACP countries and general public. They seek not only to outline the new agreement, but place it in the context of ACP countries own efforts to promote their own economic and social development.

The ACP-EU Cotonou agreement has a number of new innovations in the area of Financial and Technical co-operation whose implications remain uncertain for those involved in the day to day work on ACP-EU development aid co-operation.

This Guide on Financial and Technical co-operation aims to; explain the changed structure of development co-operation instruments, review the changes to the programming process, outline how the programming process is to work, explore the implications of the new approach to programming, highlight issues arising from an ACP perspective and outline the review mechanisms incorporated into the new agreement. The Guide also aims to explore the challenges arising from the new review mechanism, outline how assistance with 'unforeseen needs' is to be handled, explore the implications of the new approach to 'unforeseen needs', outline how the new Investment Facility is to be structured and operated, explore the issues arising from the new Investment Facility and highlight issues of concern to the ACP as well as to review the overall implications from an ACP perspective of the changes introduced to financial and technical co-operation arrangements.

Trade and Development Studies Centre and FES share the hope that through these User's Guides, ACP countries will be in a better position to take advantage of the innovations in the new agreement as well as to enable them to take appropriate measures to mitigate effects negative effects emanating from the new engagement. We are convinced that this Guide will serve as a very important resource to every one involved in issues of development assistance between the ACP-EU. We recommend it highly to you especially the ACP stakeholders.

Dr. M. Tekere – TRADES CENTRE.

Dr. F. Schmidt - FES - Zimbabwe

Abbreviations

ACP African Caribbean and Pacific

CAP	Common Agricultural Policy
CARICOM	Caribbean community
CDI	Centre for the Development of Industry
CTA	Centre for Technical Co-operation in Agriculture
CSS	Country Support strategy
EC	European Community
EDF	European Development Fund
EPAs	Economic Partnership Agreements
EU	European Union
FTA	Free Trade Area
FES	Friedrich Ebert Stiftung
GDP	Gross Domestic Product
GSP	Generalised System of Preferences
LDCs	Least developed countries
NAOs	National Authorising Officers
NGOs	Non- Governmental Organisations
Non-LDCs	Non –Least Developed Countries
NEW ERA	New Enhanced Regional Agreements
REPAs	Regional Economic Partnership Agreements
SADC	Southern African Development Community
US	United States of America
WTO	World Trade Organisation

1 THE CHANGED STRUCTURE OF AID INSTRUMENTS

1.1 Aid Arrangements Under Lomé IV

Under Lomé IV allocated funds were made available through a range of co-operation instruments and a number of joint institutions. The 10 basic aid instruments however, fell into 3 broad categories:

- programmable assistance;
- non-programmable assistance;
- loan financing.

Programmable resources were allocated geographically at the beginning of each five-year financing cycle. That is to say, at the beginning of each five-year financing cycle a set allocation was made to each of the 70 ACP countries for the financing of co-operation programmes in each individual ACP country¹.

How the money allocated for development co-operation activities in each ACP country was to be used, was the subject of joint discussion between the European Commission and the government of each country. These discussions led to the drawing up of a plan of how this money was to be used over the coming years. This plan or **indicative programme** as it was known would set out:

- the development objectives of the overall programme;
- the specific activities to be supported;
- the organisations and agencies to be involved;
- the timetable for the implementation of activities;
- where appropriate, the accompanying policy measures which the ACP government committed itself to, so as to ensure the viability of the programmes to be implemented in the long term.

Once this indicative programme was agreed and approved it became known as the **National Indicative Programme**.

¹ Similar allocations are made to each of 7 regional groupings of ACP countries to finance regional co-operation activities between neighbouring ACP countries.

WHAT IS PROGRAMMING?

The programming exercise is the process of consultation between the EU and individual ACP Governments through which the **utilisation of the money allocated to individual ACP countries over the five year life of the Convention is planned.** It determines:

- * **the priority sectors for support;**
- * **the type of assistance to be provided;**
- * **the most appropriate agencies for implementation.**

There is a need for ACP countries to prepare themselves for the programming dialogue in order to ensure that the deployment of EU assistance is consistent with national development objectives.

In the past ACP participation in the programming process has been largely restricted to state actors, however under the new agreement considerable emphasis is placed on **bringing non-state actors in to the programming process.**

A similar programming process was undertaken to determine how aid made available for regional co-operation should be used. Where functioning regional co-operation organisations existed, which had been mandated to negotiate on behalf of regional groupings of ACP countries, the European Commission would negotiate regional indicative programmes with these organisations. The secretariat of the Caribbean Community (CARICOM) and the secretariat of the Southern African Development Community (SADC) are two examples in this regard.

Where such regional bodies existed, the regional priorities set out in the National indicative Programmes of the countries concerned, were expected to reflect the priorities identified through the regional dialogue. Where no functioning regional co-operation organisation existed, these regional priorities identified in the neighbouring NIPs, set the framework for the deployment of aid being made available for the coming 5 years.

Under Lomé IV Programmable aid accounted for some 51.7% of the total funding made available for specific activities and was managed by the Development Co-operation Directorate of the European Commission. This nationally programmed development assistance was always seen as the principal instrument of ACP-EU financial and technical co-operation, and was deployed **in support of the ACP states own efforts to promote long term economic and social development, in line with national development priorities.**

In contrast **Non-Programmable** resources were allocated not on a geographical basis but on an issue specific basis. While programmable aid was intended to support long term development, non-programmable assistance was intended to assist ACP states in addressing short term problems which could drive long term development efforts off course. As such, non-programmable instruments were nominally open to all ACP states, depending on **the**

structure of their economies and the economic circumstances that they faced. If certain defined situations occurred then individual ACP countries could be eligible for support from non-programmable resources.

The **STABEX** scheme provided assistance to agricultural dependent ACP economies when faced with unforeseen yet specified levels of export earnings losses from specific agricultural exports. The **SYSMIN** scheme provided similar support for mineral dependent economies, when faced with unforeseen yet specified levels of export earnings losses from specified mineral exports. In some instances, such as the STABEX scheme, transparent eligibility criteria existed which allowed for an open calculation of the additional assistance to be made available to an agriculturally dependent ACP country, in the face of agricultural export earnings losses.

AID INSTRUMENTS UNDER LOME IV

Programmable Instruments

- * National Indicative Programme
- * Regional Indicative Programme

Non-Programmable Instruments

- * STABEX
- * SYSMIN
- * Structural Adjustment Support
- * Emergency Aid
- * Aid to Refugees and Returnees

Loan Instruments

- * Interest Rate Subsidies
- * Risk Capital Loans
- * Own Resources Loans

Joint Institutions

- * Centre for the Development of Industry (CDI)
- * Centre for Technical Co-operation in Agriculture (CTA)

Other non-programmable instruments included: **emergency aid**, which provided aid in response to emergency situation in ACP countries; **aid to returnees and refugees**, which provided longer term assistance for economic and social rehabilitation of refugees and returnees; the **structural adjustment support facility**, which provided assistance to ACP governments undertaking particular **mutually agreed** structural adjustment measures².

These non-programmable instruments accounted for some 27.6% of the total funding made available and were managed by the Development Co-operation Directorate of the European Commission.

² Where a World Bank approved structural adjustment programme was in place, such support would be automatic. Where no such World Bank approved programme was in place, it was often more difficult to secure structural adjustment support under the Lomé Convention.

Loan finance resources were administered by the European Investment Bank and provided the principal instrument of support for enterprise development, both private and parastatal. This loan financing could be made available in a variety of forms. The major distinction however was between **Risk Capital** loans and **Own Resource** loans.

Risk Capital loans were financed from **grants** made available by EU member states. Since the original source of these loans did not need to be repaid, these loans could be made available at low rates of interest and under highly favourable repayment terms.

Own Resource loans however, were drawn for EIB's own borrowings on European capital markets. The original source of these loans thus needed to be repaid. As a consequence, while grant funds were used to provide an interest rate subsidy, fairly strict viability criteria were applied to all loan proposals submitted for **Own Resource** loan funding. In addition stricter repayment terms were applied to **Own Resource** loans than to **Risk Capital** loans. These loan instruments accounted for 20.7% of total aid resources made available to ACP countries.

In addition to these financial instruments 2 joint ACP-EU institutions exist: the Centre for the Development of Industry (CDI) and the Centre for Technical Co-operation in Agriculture (CTA). In slightly modified form these two joint institutions continue to exist under the new arrangement. The Centre for the Development of Industry (CDI) has been given a broader mandate and is now the Centre for the Development of Enterprise (CDE).

In contrast to Lomé IV however, the new ACP-EU agreement has dramatically reduced number of instruments through which aid is deployed.

1.2 Aid Arrangements Under The New Agreement

It was widely felt in the European Commission, that the system of different aid instruments, which had been growing in complexity since 1975, was now far too cumbersome and actually distorted the aid process. In the Lomé re-negotiations the European Commission argued in favour of a radical rationalisation of available aid instruments, arguing that this would greatly reduce the management burden and hence the delays in aid delivery which have so plagued ACP-EU co-operation. Despite major reservations over the practicality and value of the proposed changes, ACP Ministerial negotiators eventually agreed to the EU proposals. As a consequence the new agreement establishes only 2 basic aid instruments: **a facility for long term development co-operation and an Investment Facility.**

AID INSTRUMENTS UNDER THE NEW AGREEMENT

- * **Long Term Development Co-operation Facility;**
- * **Investment Facility**

Some **EURO 11,300 million** has been made available in grants from EU member states under the new agreement, to finance long term development co-operation activities.³. Some **EURO 2,200 million** has been made available from grants from EU member states to finance activities under the **Investment Facility**, while a further **EURO 1,700 million** is to be made available to the Investment Facility from the EIB's own resources. How this total aid package is financed and how it is to be used is set out below.

THE 9TH EDF FUNDING PACKAGE

Million EURO

OVERALL AMOUNT	15,200
- EIB	1,700
- 9th EDF	13,500

Of this 13,500 million EURO in grant aid some:

- 2,200 million EURO was allocated to the **Investment Facility;**
- 11,300 million EURO was allocated to the **Long Term Development Co-operation Facility.**

Of the 11,300 million EURO allocated to the long-term development co-operation facility some:

- 1,300 million EURO was allocated to **Regional Co-operation & Integration;**
- 10,000 million EURO was allocated to **National Long Term Development Co-operation.**

Of this 10,000 million EURO allocated to national long-term development co-operation some:

- 90 million EURO was allocated to the CDE;
- 70 million EURO was allocated to the CTA;
- 4 million EURO was allocated to the Joint Assembly.

³ The facility established to finance the new ACP-EU agreement is known as the 9th European Development Fund (EDF).

In addition, to these funds, the European Commission will seek to identify all types of aid destined for ACP countries financed under the annual budget and all outstanding yet unutilised funds which have been made available to ACP-EU co-operation under previous Lomé Conventions. All these additional funds will then be deployed under the 9th EDF within mutually agreed co-operation strategies.

In terms of the volume of funds outstanding yet unutilised funds under previous EDF, the European Commission has suggested that this could be as much as a further EURO 9,000 million. Other estimates however, which take into account EU procedures and existing EU commitments on projects not yet under implementation, suggest that the volume of outstanding unutilised funds is far lower.

THE QUESTION OF UNUTILISED FUNDS

Estimates drawn up by the European Research Office on behalf of the Liaison Committee of European Non-Governmental Development Organisations, on the basis of the situation pertaining for the 7th EDF at the end of December 1996 suggested that as little as 5.6% of the initial allocation could be considered truly unutilised and thus outstanding and hence be available for “rolling over”. The vast majority of other undisbursed funds (47% of the total) were at various stages of commitments. Extrapolating from this and removing all aid allocated to loan financing; as little as EURO 650 million could be available for “rolling over” into the 9th EDF. This excludes however any residual volumes left under the STABEX, SYSMIN and structural adjustment support instruments, final allocations from which will not be completed before December 31st 2000.

2 THE NEW AID INSTRUMENTS

2.1 How The Long Term Development Co-operation Facility Will Operate

2.1.1 Two Part Country Allocations

Under the long-term development co-operation facility each ACP country will receive a country allocation. This country allocation will consist of two parts:

- ? a “base case” element which will cover project and programmes similar to those available under the earlier Lomé programmable aid and structural adjustment support arrangements;
- ? a “high case” element, which will cover unforeseen needs and provide additional funding to countries which are successfully implementing co-operation activities.

The initial allocations to ACP countries will reflect both the current **needs** and past **performance** of the individual ACP country. The assessment of the **needs** of individual ACP countries will be based on:

- per capita income;
- population size;
- social indicators;
- level of indebtedness;
- concentration of dependence on export earnings;
- export earnings losses.

The assessment of an ACP country’s **performance** will be based on the country’s:

- progress in implementing institutional reforms (including administrative, legal and policy reforms);
- performance in the use of aid resources allocated under previous Lomé Conventions;
- the effectiveness of the implementation of current Lomé aid operations;
- commitment to poverty alleviation or reduction;
- commitment to sustainable development measures;
- macro-economic and sectoral performance.

According to the Commission the aid allocation process will be driven by the need to **improve the primary poverty reduction focus of EU aid interventions**. One of the first implications of this approach will be a greater concentration of aid resources on least developed ACP countries.

It is envisaged that ACP countries will be informed of the amount of aid to be made available under the initial allocation, shortly after the new ACP-EU agreement has been formally signed (scheduled for June 2000). Once the initial allocation has been made known and the **Country Support Strategy** paper for each ACP country has been completed, the utilisation of each 9th EDF country allocation will be jointly programmed. This programming process will be extended to include all resources allocated under previous Lomé Conventions, which

are still unutilised. However this programming process will differ significantly from previous Lomé programming exercises.

2.1.2 Rolling Programming and Performance Reviews

Under the new agreement a system of “rolling programming” has been introduced. This will involve the identification of specific activities to be financed in 2-year blocs, within a 5 year rolling programme for the deployment of EU assistance. Each year the two-year planning horizon will move forward one year, with the possible modification of **areas of activity** and the **resources made available**. **Whether any modifications are made will depend on the annual evaluation of the country performance in effectively utilising available aid in pursuit of clearly articulated and shared objectives.** Every two to three years there will be a **strategic performance review**, which could lead to changes in both the **direction of the programme** and the **volume of aid made available**.

The significance of this system of “rolling programming” is that it introduces a regular annual performance review, linked to mid term and end of term performance reviews, on the basis of which aid allocations to individual countries can be modified. This means that the new system introduces a clear **“use it or lose it” imperative to the deployment of EDF aid.**

COMMENTS AND OBSERVATIONS

*The on-going policy dialogue which the EU is proposing, linked to rolling programming, is likely to **impose a considerable administrative burden on ACP countries.** Under previous Lomé Conventions average commitment and disbursement rates for **least developed ACP countries** have tended to be **below those of non-least developed ACP countries.** If too rigorous performance criteria are applied to least developed countries within this new **“use it or lose it”** philosophy, then a situation could arise **where least developed ACP countries are actually receiving proportionally less aid under the new arrangement than they received under the previous Lomé IV arrangement.** This is something which will need to be carefully monitored.*

The European Commission however is not seeking to emphasise this dimension of the new arrangement. The European commission is rather stressing how the rationalisation of co-operation instruments and the on-going nature of the programming dialogue will lead to greater **continuity, flexibility** and **transparency** in how ACP-EU co-operation activities are conducted.

2.1.3 Regional Co-operation

Within the financing made available for long term development co-operation a special allocation has been set-aside for support to regional co-operation. This regional envelope will initially consist of EURO 1,300 million. These funds will be used to support regional co-operation programmes, with a particular emphasis on support to regional economic integration

The European Commission appears to be proposing a re-alignment of ACP regional groupings. Such a realignment would be based on formal **membership of regional groupings with a mandate for economic integration**. ACP countries, which are not part of a regional integration grouping, however will still be able to benefit from regional funding under a separate heading for intra-ACP co-operation, which will be established within the EURO 1,300 million allocation to regional co-operation.

The European Commission feels that, if aid for regional programmes is to be made available to specific regional groupings then such regional integration groupings should:

- a) have a clear mandate for the promotion of regional integration;
- b) be effectively owned by their membership;
- c) have a reason for their existence other than simply getting hold of EU aid funds;
- d) have a clear and realistic work programme with an ability to actually achieve the stated objectives.

Where such a mandated regional integration grouping exists it is expected that a clearly mandated **Regional Authorising Officer** will be appointed. Such **Regional Authorising Officers** will then be responsible for developing coherent regional strategies in association with a designated regional EU Delegation. From the Commission's view it is expected that the Regional Authorising Officer should identify **clear integration objectives and where appropriate include relevant functional co-operation programmes**.

On the basis of this regional strategy an EU response strategy will be developed. This will be based on:

- an analysis of the region;
- an assessment of the proposed strategy;
- the contribution of other donors;
- the EU's own areas of expertise.

This will then determine how funds allocated in support of regional economic integration initiatives and programmes of functional regional co-operation are to be used.

From the European Commission perspective the agenda established for regional integration should wherever possible be linked to **the eventual conclusion of a Regional Economic Partnership Agreement with the EU**. Such a **Regional Economic Partnership**

Agreement would lead to the progressive establishment of a free trade area between the EU and the regional ACP grouping⁴.

The European Commission envisages that work on developing a regional indicative programme will begin as soon as ACP countries have redefined their regions and confirmed the mandate of regional bodies for regional economic integration.

The European Commission is also of the opinion that where a large number of small states are involved priority may be given to developing a coherent regional strategy in order to ensure greater consistency between national and regional programmes.

Where ACP governments decide to use funds from their own national allocations in support of regional integration and co-operation activities the European Commission will see this as an indication of the strength of the national commitment to the regional integration process which is underway. Such demonstrations of strong national commitment would then be taken into account in deciding on the overall size of the allocation to be made to each ACP region.

Unlike national co-operation programmes, there will be no formal annual operational reviews for regional co-operation programmes. There will however be mid-term and end of term reviews to assess performance in 2003 and 2005. It is therefore essential for ACP governments to ensure that regional programmes are **clearly articulated with realistic and achievable objectives linked to measurable performance indicators.**

Without the establishment of an objective yardstick for assessing the performance of regional programmes, the aid reallocation process, over which **the European Union has exclusive control**, could become highly arbitrary. Indeed, the possibility would exist for the EU to use a regional groupings' **willingness to conclude a regional economic partnership agreement, as the basis for determining whether existing allocations should be scaled down or additional aid should be made available.** This would be regrettable, since in many ACP regions the necessary preconditions for the establishment of Regional Economic Partnership Agreements are unlikely to exist by the time the existing interim trade arrangement comes to an end in 2008. Against this background, any mid term allocations to ACP regional groupings should be based on **an objective assessment of the overall performance of the regional programme, for the implementation of which financing has been made available.**

⁴ For more details on the proposed Regional Economic Partnership Agreements see the companion User's Guide to Future ACP-EU Trade Relations

PREPARING FOR THE NEW PROCEDURES

It is recognised in the Commission that considerable additional human resources will be needed to put into effect the new arrangements, which are “dialogue intensive”. According to the Commission this will require a re-direction of human resources at the Commission in Brussels and in the EU delegations, towards preparation, implementation and evaluation of overall co-operation activities. However, to date insufficient attention has been paid to the human resource constraints which many ACP governments will face in getting to grips with highly human resource intensive processes of dialogue. The only action taken to date has been the development of training modules, the establishment of a “help desk” in the Commission in Brussels and the scheduling of regional training seminars to introduce ACP state and non-state actors to the new procedures. An initial schedule for the regional training seminars was as follows:

*	Pacific	Fiji	9-12 June 2000
*	Southern Africa	Botswana	26-29 June 2000
*	Caribbean	Dom. Rep.	10-13 July 2000
*	East Africa	Mauritius	24-28 July 2000
*	Central Africa	Gabon	11-14 September 2000
*	West Africa	Burkina Faso	25-28 September 2000

However, this highly ambitious schedule has proved unrealistic and new dates are being set for each regional seminar. It must be recognised that these regional seminars will need to be merely the starting point for a much more intensive process of capacity building and training. Within this process of capacity building and training, particular attention will need to be paid to how non-state actors are to be brought into both the process of programming and the wider implementation of ACP-EU co-operation activities, if this important new dimension of ACP-EU co-operation is to be effectively realised.

2.2 How The Investment Facility Will Operate

The **Investment Facility** will replace the previous system of “Risk Capital” and “Own Resource” loans, which was administered by the EIB under Lomé IV. The new **Investment Facility** will bring together all the funding previously administered by the European Investment Bank, as a **revolving fund**, to provide financial assistance in support of private sector development in ACP countries. It will not seek to compete with existing financial institutions and will not substitute for private sector investment. Rather **it is hoped that the new facility could provide funds which would act as “leverage” in mobilising other forms of investment.**

COMMENTS AND OBSERVATIONS

The primary focus of the European Investment Bank continues to be its operations within the European Union. The EIB is not a development finance institution, like the Commonwealth Development Corporation or similar such bodies. As such major reservations remain concerning the appropriateness of the EIB as the principal administrator of any such Investment Facility for ACP countries. In addition, important questions relating to the appropriateness of loan financing packages on offer, given the actual structure of demand for investment resources in ACP countries remain largely un-addressed. As a consequence there are questions marks over the likely effectiveness of the new Investment Facility in promoting the type of investment in ACP countries which is capable of fostering poverty focussed sustainable development

The main purpose of the **Investment Facility** will be to:

- directly finance enterprises;
- indirectly finance enterprises through local financial institutions;
- support privatisation processes;
- provide private infrastructure financing;
- support and build local financial and capital markets.

Unfortunately to date no detailed guidelines to govern the operation of the Investment Facility have yet been drawn up by the European Commission and the EIB.

However a number of matters have been broadly agreed including:

- the establishment of a separate **Investment Facility Committee** which will monitor the use of Investment Facility funding;
- the provision of interest rate subsidies of 3% on an automatic basis for: infrastructure projects to develop the private sector in least developed countries; public sector projects and privatisation projects with social or environmental benefits in all ACP countries;
- the provision of interest rate subsidies of up to 3% on a case by case basis for other projects.

In addition in keeping with the stricter emphasis which is now being placed on **performance**, the EIB will be expected to draw up a “rolling business plan” for the Investment Facility

HOW EXPORT EARNINGS LOSSES ARE TO BE DEALT WITH

The earlier STABEX and SYSMIN schemes will be discontinued from December 31st 2000. Under the new agreement **additional allocations** will now be made available to any ACP country facing **both a worsening export earnings situation and a worsening public finance deficit**.

Both trends in export earnings losses and trends in the public deficit will determine the eligibility of individual ACP countries for additional resources. With respect to export earnings losses, ACP countries will be considered eligible for additional aid where

* a 10% (2% for least developed ACP countries) loss of earnings from all goods exported is experienced compared to the average of the 3 first years of the preceding 4 year period.

Or

* where a 10% (2% for least developed ACP countries) loss of export earnings from the total of agricultural or mineral product exports is experienced compared to the average of the 3 first years of the preceding 4 year period, and the country derives 40% of total export revenues from either agricultural or mineral exports.

With regard to the trend in the public deficit, ACP countries will be considered eligible for additional aid where there is:

* a 10% (2% for least developed ACP countries) worsening of the programmed public deficit for the year in question or the following year.

Where these **two criteria are met additional funds may be allocated**, which would then be deployed within the framework of the indicative programme. Part of the money may however be set aside for use in the affected sector. Under Lomé IV there was no limit on how many years aid could be made available under STABEX and SYSMIN. Under the new agreement no country may benefit from these provisions for more than four successive years.

3 THE PROGRAMMING PROCESS: PLANNING THE USE OF EU AID

3.1 Programming Under Previous Lomé Conventions

Programming has been an important feature of ACP-EU co-operation since the first Lomé Convention was signed in 1975. Under early Lomé Conventions the programming exercise was primarily concerned with ensuring that EU development assistance was deployed in ways supportive of national development priorities of each ACP country. When EU aid was mainly made available in support of **individual development projects**, this involved simply ensuring that the projects supported were indeed part of national development plans.

However as the EU sought to increasingly extend aid to **sectoral programmes**, the programming process began to include discussions about the **sectoral policy framework**. As the EU began to provide macro-economic assistance, so the policy dialogue during the programming process became more complex. Programming came to involve not only the identification of priority areas for funding but also the development of broader policy measures which the ACP government concerned committed themselves to adopting.

Thus over the course of successive Lomé Conventions, the primary focus of the programming process has gradually changed. What began as a simple exercise in ensuring EU aid was deployed in line with national priorities, evolved into an exercise in which ACP governments were requested to make clear policy commitments with regard to the framework to be established for the deployment of EDF aid. The programming concept under the new ACP-EU agreement has been further modified in subtle yet significant ways.

3.2 The Approach To Programming Under The New Agreement

Nominally each ACP country's own policy agenda remains the starting point for the programming process. However, discussions in Europe around the review of EU Development Co-operation Policy and the reform of the management of EU external assistance, are placing considerable emphasis on ensuring the **programming process deploys EU aid in line with EU development co-operation policy priorities and objectives**. While at a general level this is unlikely to pose major problems, difficulties are likely to arise in interpreting **how best to operationalise these general policy objectives**, particularly when discussing the "right policy mix" to be set in place in each ACP country.

It is far from clear what this subtle yet significant shift in emphasis will mean in practice for both aid deployment and the policy dialogue process.

From the European Commission perspective 6 key features underpin the new approach to programming. These are:

- the primacy to be given to an ACP country's own policy agenda as the starting point for programming;
- the necessity of ensuring that all available EU aid at a country level is deployed within a single comprehensive policy framework;
- the need to ensure greater complementarity between the deployment of EDF aid and the deployment of aid from EU member states and other donors;

- the importance, where ever possible, of adopting a **sector based approach** to the deployment of EU aid;
- the importance of concentrating aid deployed in a focal sector or sectors;
- the need to ensure that aid programming and programme implementation is managed within a single logically coherent framework.

From the European Commission perspective the two most important aspects of the new approach are the adoption of a **sectoral concentration** and a where possible a **sector wide approach**. In the European Commission's view, sectoral concentration should mean that for medium to large NIPs (over 40 million Euro) there should be no more than 2 focal sectors. For smaller programmes only 1 focal sector and for programmes less than 10 million Euro only one project.

Under pinning this desire to concentrate aid in a limited number of areas are concerns **over the management burden imposed by more dispersed programmes**. Linked to this, the adoption of a **sector wide approach** in close consultation with other donors should lead to the establishment of a coherent sectoral policy framework for the deployment of both local and external resources. With this and a coherent public sector expenditure programme in place, the EU would then be able to increasingly deploy its aid in the form of **budgetary support targeted at commonly agreed sectoral policies and programmes**. This would further reduce the management burden placed on the European Commission at a time when EU administered aid programmes are coming under intense criticism⁵.

However, it is recognised that this approach will not be possible in all ACP countries, since the administrative basis for transparent budgeting and sectoral planning is not always in place. This approach does however represent the "ideal type" to which ACP-EU co-operation programmes should aspire.

⁵ For a scathing criticism of the management of the EU's external assistance programmes see the 7th draft of the Communication to the Commission on the "Reform of the Management of External Assistance", Commission of the European Communities, 11 May 2000.

THE COMMISSION'S MANAGEMENT PERFORMANCE

“.. the Commission faces a critical situation. Its management performance has deteriorated over time to the point of undermining the credibility of its external policies and the international image of the European Union. EC external assistance programmes have a reputation for slow and unresponsive delivery, poor quality and excessively centralised and rigid procedures....”

“...The average length of project/programme implementation has continuously increased over the last few years with a corresponding trend in the backlog of outstanding commitments that reached euro20 billion by the end of 1999. In the last five years the average delay in disbursement of committed funds has increased from 3 years to 4.5 years....”

“...The Commission is convinced that the present situation is unsustainable. Far reaching reform is urgently needed...”

“...muddling through with the present system is not an option. The aim must be to attain acceptable levels of quality, timely delivery and financial security of external assistance...”

“The external aid programmes are a vital instrument in ensuring the EU continues to have a strong voice in the world. However, if the necessary resources are not made available the Commission will have no alternative but to propose a very substantial reduction in the volume of EU aid programmes managed by the Commission (to perhaps as little as a third of present levels). The clear message to the budgetary authority is that without the necessary administrative underpinning, assistance programmes will have to be scaled back to what can be effectively and securely managed..”

(Excerpts from Communication to the Commission on the
“*Reform of the Management of External Assistance*”,
Commission of the European Communities, 11May 2000.)

3.3 Stages of The Programming Process

Under the new ACP-EU agreement there are 4 main stages to the programming process¹:

- the preparation and development of a **Country Support Strategy (CSS)** based on the country's own medium-term development objectives and strategies;
- a clear indication from the Community of the indicative programmable financial allocation from which the country may benefit during the five-year period;
- the preparation and adoption of an indicative programme for implementing the CSS;

- a review process covering the CSS, the indicative programme and the volume of resources allocated to it.

To a certain extent these stages are somewhat different to those under Lomé IV. Firstly, the introduction of jointly prepared **Country Support Strategy** papers appears as a new innovation in the programming process. However, the reality is that it replaces the EU's own internal **Country Strategy papers**, which formed the basis of the EU's approach to national indicative programmes under Lomé IV. The EU Delegate and Country Desk Officer largely drew up these EU country strategy papers.

The principal difference in the new arrangement is that the **Country Support Strategy** process **will formally involve individual ACP governments** and a *“wide range of actors in the development process”*, and will not simply be an internal EU exercise. However, in the light of the capacity constraints facing the majority of ACP governments it is an open question as to whether this change will have any meaningful impact on how these strategy papers are drawn up.

COMMENTS AND OBSERVATIONS

*It remains to be seen whether the drawing up of the **Country Support Strategy** document will bring ACP governments substantively into the process of determining EU country strategies or whether it will merely constitute formal ACP endorsement of Country Support Strategy documents drawn up by the EU.*

The second major difference is the introduction of a more formalised annual, mid term and final review process. Here again it remains to be seen how substantive this change is. Already under previous Conventions, the EU Delegates drew up annual reports and since Lomé IV this has nominally been an exercise conducted jointly by the EU Delegate and the national Authorising Officer in the country concerned. Now however, time frames are being set for the formal review of these country programme implementation reports. It remains to be seen just how effective this review process will be in bringing about improvements in the efficiency and effectiveness of EU aid.

3.4 The Time Frame For Programming

In the European Commission it was initially envisaged that the programming process would take around 6 months from start to finish. The European Commission has identified 9 distinct phases to the programming process, beginning with each ACP countries national development strategy and ending with the finalisation and adoption of an indicative rolling programme for each ACP country (see “Stages of The Programming Process”). The European Commission hopes to complete the programming process by early 2001. Working back from this date, the substantive process of programming in most ACP countries should begin at the latest in September 2000.

STAGES OF THE PROGRAMMING PROCESS

National Development Strategy
(starting point)

Dialogue Driven Analysis of the Country Context with Government
Civil Society, EU member states & other donors
(6 weeks)

Draft CSS sent to Brussels for discussion within the European Commission geographic
Directorate,
Quality Support Group and Policy Group
(4 weeks)

Formal Preparatory Discussions in the Field Between Commission
(HQ & Delegations), NAO and EU Member states
(2 weeks)

Revised draft CSS (final version) submitted to Brussels and processed
At HQ
(1 week)

Translation and Circulation to EDF Committee
(5 weeks)

Discussion in EDF Committee and opinion given on the draft
(1 week)

Formal Approval by the Commission
(1-2 weeks)

Finalisation and Adoption by head of Delegation and NAO in the field
(2 weeks)

TARGET DATE COMPLETION OF PROCESS
EARLY 2001

Assuming that the broad parameters of a national development strategy are in place then the dialogue between ACP State and non-state actors should take place from the **end of August** through until the beginning of **October 2000**. During this 6-week period an analysis of the country situation should be thoroughly discussed by state and non-state actors, and the proposed country support strategy should be drawn up. Given the novelty of the new arrangements and the desire to fully incorporate non-state actors into these discussions and subsequent programmes, **this timetable appears highly ambitious**. It should be noted that within this envisaged timetable **more time is allocated for internal European discussions** of ACP Country Support Strategy documents than is allocated to the **process of internal discussion within ACP countries**. This is somewhat disconcerting, if one considers the importance which needs to be attached to recipient led development co-operation processes.

Undoubtedly these time frames will “slip” and programming is unlikely to be completed until the second half of 2001. However, such “slippage” **should not be a major source of concern**, since **the internal EU process of ratifying the new ACP-EU agreement is unlikely to be completed before 2002**. Since no expenditures under the 9th EDF can be made until this ratification process is completed, there would appear to be no reason to rush through the process of compiling **Country Support Strategy** documents, at the expense of the effective participation of ACP state and non-state actors and full ACP ownership of the final strategy adopted.

3.5 Drawing Up The Country Support Strategy

The drawing up of the **Country Support Strategy** will be the foundation of the programming of EU aid resources to individual ACP countries over the next five years. The **Country Support Strategy** will be drawn up jointly by the ACP State and the EU, but should nominally involve *“consultations with a wide range of actors in the development process”*. The **Country Support Strategy** should be based on the needs and specific circumstances of each ACP State and is intended as an *“instrument to prioritise activities and to build local ownership of co-operation programmes”*.

Nominally each **Country Support Strategy** should include the following standard elements:

- *an analysis of the political, economic and social country context, constraints, capacities and prospects including an assessment of basic needs, such as income per capita, population size and social indicators, and vulnerability;*
- *a detailed outline of the country's medium-term development strategy, clearly defined priorities and expected financing requirements;*
- *an outline of relevant plans and actions of other donors present in the country, in particular including those of the EU Member States in their capacity as bilateral donors;*
- *response strategies, detailing the specific contribution the EU can provide. These shall, to the extent possible, enable complementarity with operations financed by the ACP State itself and by other donors present in the country;*
- *a definition of the nature and scope of the most appropriate support mechanisms to be applied in implementing the above strategies.*

While under the new agreement the drawing up of the Country Support Strategy is a joint process, internally, the European Commission sees **the EU Delegate and the Commission HQ staff, playing a major role in drawing up the Country Support Strategy**. From the European Commission perspective, the EU Delegate, in preparing the Country Support Strategy is expected to be familiar with the ACP country's policy agenda for the coming 5 years. The EU Delegate will expect the ACP government to have established:

- a transparent and comprehensive budgetary process;
- a detailed and realistic revenue and expenditure plan;
- a prioritised long-term development strategy, with clear time frames.

Where minimum level documentation is not available setting out these prerequisites, the EU Delegate will be expected to assist the ACP authorities in compiling such a national development policy framework.

It is recognised by the European Commission that developing this country analysis will be an intensive analytical exercise. In view of the very real human resource constraints which have plagued the European Commission's management of EU aid programmes, considerable emphasis is placed on close cooperation with other donors involved in similar exercises. As a consequence wherever possible the EU Delegate's is being advised to build on other planning processes initiated with the World Bank or IMF, particularly where Poverty Reduction Strategy Papers have been completed.

The EU believes that the outline assessment of the country's national development strategy and the analysis of the country situation should be **a realistic assessment of the country's situation** and not a political statement. As a consequence the EU's country analysis **will not be negotiated with the ACP government of the recipient country**. It is merely envisaged that the recipient government will be kept "fully involved in the process" and will be "informed of the results". However if the EU concludes that the ACP national governments agenda is unrealistic or is inconsistent with EU development cooperation policy objectives, then **EU cooperation activities will take place outside of the policy agenda of the recipient ACP state**.

Since the **Country Support Strategy** is intended to provide the basis of the indicative programme, and the indicative programme is intended to flow naturally from the analysis contained in the **Country Support Strategy** (rather than the strategy being constructed to justify the projects being put forward for funding), **this dimension of the EU's approach to drawing up the Country Support Strategy could substantially transform the nature of the programming process**.

COMMENTS AND OBSERVATIONS

There is a danger that the EU-ACP programming dialogue could become donor led and that ACP governments could become marginalised from the process of drawing up the Country Support Strategy. If this happens this could pose major problems in moving from the CSS to a clearly articulated and time tabled NIP. This is a problem which senior management and the quality control services of the European Commission will need to constantly bear in mind. This is important since "alienation" of ACP authorities from the early stages of the programming process is likely to store up major problems for when it comes to establishing and implementing concrete cooperation activities.

One of the main EU policy objectives which the **Country Support Strategy** should be consistent with, is the commitment to **poverty reduction**. Indeed the emphasis on **poverty reduction** is intended to inform the drawing up of all ACP Country Support Strategies. This being said, all the substantive changes which the European Commission has brought about in the basic framework for ACP-EU co-operation, **have yet to get to grips with the fundamental question of how, on a day to day basis, one is to ensure that EU aid interventions increasingly benefit the poor**.

An important starting point in this regard however would be to undertake a **poverty impact audit of the various different types of cooperation programmes which the EU has implemented in ACP countries**. To date however there has been little progress in this area.

3.6 Drawing Up The Indicative Programme

On the basis of this indicative allocation and the objectives and priorities of the **Country Support Strategy**, the ACP government is then expected to draw up and submit a draft indicative programme. It is emphasised that this draft indicative programme should contain:

- *the focal sector, sectors or areas on which support should be concentrated;*
- *the most appropriate measures and operations for attaining the objectives and targets in the focal sector, sectors or areas;*
- *the resources reserved for projects and programmes outside the focal sector(s) and/or the broad outlines of such activities, as well as an indication of the resources to be deployed for each of these elements;*
- *identification of eligible non-state actors and the resources allocated for non-state actors;*
- *proposals for regional projects and programmes;*
- *a reserve for insurance against possible claims and to cover cost increases and contingencies.*

This draft should then be the subject of an exchange of views between the EU and ACP Government, before the conclusion of a final indicative programme. This final indicative programme should include:

- specific and clearly identified operations, especially those that can be committed before the next review;
- a timetable for implementation and review of the indicative programme, including commitments and disbursements of resources;
- the parameters and criteria for the reviews.

In line with the rolling programming concept the NIP should:

- identify concrete operations which are at an advanced stage of preparation and which warrant funding in the next 2 years;
- identify areas of activity to be developed over the following 3 years;
- link specific activities to available EU aid resources, from all instruments.

Once finalised the indicative programme is annexed to the Country Support Strategy and forms an integral part of a document, which should guide the deployment of EU aid in the ACP country concerned in the coming years.

From the European Commission's perspective the NIP is intended to link a **blue print for ongoing cooperation at the sectoral level** with a **source of funding** to be deployed within a specific time frame. As such the NIP work programme should be **entirely consistent with**

the Country Support Strategy, completely transparent, fully comprehensive and yet realistic.

On this basis the indicative programme will then form the basis of:

- regular ongoing dialogue between the EU Delegate and the National Authorising Officer;
- annual reporting on the progress of implementation of the agreed activities;
- the mid term and final reviews which will determine whether the “high case”, performance related, element of the indicative programme will actually be made available to individual ACP countries

The new “use it or lose it” dimension to EU aid allocations **radically transforms the context in which ACP governments will be undertaking the programming process**. The need to use the funds within clearly specified time frames, if additional funding is to be secured, will have a number of important consequences for how ACP governments approach co-operation with the EU. It will put pressure on ACP governments to streamline institutional arrangements for aid programming and aid deployment so that available aid can be mobilised and deployed more quickly. While if successful this will increase the value of EU aid, it could also reduce the time for substantive consultations between the ACP State and non-state actors, which is such an important new dimension to the programming process.

COMMENTS AND OBSERVATIONS

*There is a danger that the emphasis on identifying programmes which are ready for implementation in the first 2 years of the rolling programming process, will simply lead to an extension of activities already being funded under existing EDF programmes. There is also the danger that it could lead to a shortening of development planning horizons. This would see only programmes which are easy to implement being put forward for funding (e.g. import programmes), while programmes in more difficult areas, such as rural development, would be largely excluded from ACP-EU co-operation activities. Either of these could seriously inhibit the development of new programme activities with a clearer **poverty reduction focus**.*

*The former danger is a particular source of concern. Already under the 8th EDF there was a tendency to **simply write up traditional EU co-operation activities, which had no clearly articulated poverty focus, as if they manifestly would directly benefit the poor**. The most notable example of this occurred under the Ethiopian 8th EDF NIP. The **EU Country Strategy paper** acknowledged the importance of: **the fight against poverty; addressing food security concerns promoting sustainable development; building civil society; developing decentralised co-operation protecting human rights**. It went on however to conclude that:*

“NIP/EDF 8 resources should mainly be used for road rehabilitation and maintenance within the framework of a road sector strategy”.

This was precisely what the EU had been doing under the Ethiopian National Indicative Programme since 1975.

Great care should be taken to avoid this type of evolution of the presentation of EU aid and so priority should be accorded to undertaking poverty audits of the actual poverty reduction impact of different types of EU co-operation activities.

The need to use funds quickly could also increase pressure on ACP governments to put forward for funding only projects which can be easily implemented. This could, for example, lead to a renewed emphasis on road construction and rehabilitation projects, where the European Commission has an established track record. It could also encourage ACP governments to request those forms of EU assistance which are quick disbursing. This would typically involve moving over to import assistance, which can be quickly disbursed in support of wider structural adjustment efforts.

THE NEED FOR TRANSPARENCY IN AID ALLOCATIONS

With the consolidation of the bulk of EDF grant financed aid into a single long-term development envelope and the introduction of a two component aid allocation system (with a “base case” and “high case” allocation), the **indicative nature of country allocations has been extended**. Only on the basis of favourable annual implementation reports and a favourable mid term performance review, will the “high case” country allocation be released. Indeed, if the mid term performance review is a bad one elements of the “base case” allocation could be withdrawn. This new aid allocation (and re-allocation) process **gives the European Commission far more discretionary power in allocating resources to individual ACP country programmes** than existed under previous Lomé Conventions.

There is a need to ensure that the discretionary powers which the European Commission now has, are used in **transparent and accountable** ways, so that **aid allocation decisions are seen to be fair and in line with commonly agreed criteria**.

All these possible trends could undermine efforts to develop a greater **poverty reduction** focus to ACP-EU co-operation activities, despite the renewed commitment to placing poverty eradication at the center of the ACP-EU co-operation process. How these trends work out in practice will hinge around the effectiveness of the process through which the **Country Support Strategies** and **National Indicative Programmes** are drawn up. If this process begins to identify the root causes of poverty in each country and puts forward practical measures to address the causes of poverty in the particular circumstances faced in individual ACP countries, then the new approach to programming will lay solid foundations for **poverty eradication**. However, if bureaucratic concerns about raising commitment and disbursement rates are allowed to take precedence, then the new programming approach will fail the poor in ACP countries.

Significantly the new ACP-EU agreement has established a far more rigorous review process for assessing the effectiveness of EU aid. This potentially holds the key to ensuring that EDF aid is increasingly targeted at the key policy objectives of ACP-EU co-operation, namely the promotion of poverty eradication and sustainable development.

4 IMPROVING THE EFFECTIVENESS OF EU AID

4.1 The Review Process

4.1.1 A More Rigorous Review Process

The new ACP-EU agreement seeks to establish a far more comprehensive review process than under previous Lomé agreements. The new ACP-EU agreement requires the National Authorising Officer (NAO) in each ACP country and the EU Delegate to each ACP country to:

- *annually undertake an operational review of the indicative programme;*
- *undertake a mid-term and end-of-term review of the CSS and the indicative programme in the light of current needs and performance*

Although in many respects the new review process builds on similar arrangements under earlier Lomé Conventions, a key new element is the rigor with which the whole review process is to be applied. Clear performance indicators, with quantifiable objectives, are to be set out in the **Country Support Strategy** and the **National Indicative Programme**. The review process will then use these indicators and objectives as a yardstick against which to judge an ACP country's performance. This performance assessment would then be linked to a review of the **utilisation and volume of resources allocated to an individual ACP country programme**. **If the aid utilisation performance falls short of the scheduled levels or if the objectives jointly agreed in the Country Support Strategy not being met, then the utilisation of programmed aid could be changed or the volume of resources made available could be reduced.** Equally, those ACP countries which **achieve their performance targets, could benefit from additional aid allocations**. This more rigorous review process which links **how effectively aid is being used to the future availability of aid**, adds an entirely new dimension to what had formerly been seen as a routine task.

One important implication of the more rigorous review process is that ACP governments will need to pay careful attention to the objectives set down in the **Country Support Strategy** and the performance indicators set out in the **National Indicative Programme**. If highly ambitious objectives and performance indicators are agreed, without any commensurate improvement in the administrative capacity of the European Commission or the ACP authorities to implement co-operation programmes, then ACP governments could find themselves **losing part or all of the "high case" component of their country allocation**.

The European Commission's new approach contains a strong emphasis on increasing both the **rate of deployment of EDF resources** and the **effectiveness of EU aid in achieving clearly defined objectives**. This however raises the question as to the basis on which appropriate performance indicators are to be drawn up.

Will performance targets be set with reference to the past experience of ACP-EU co-operation, where often it has taken up to 13 years to fully use aid under each 5 year allocation. Or will performance targets be set with reference to the European Commission's new aspirations for more rapid deployment of available aid funds? If the latter is the case then unless there is a radical simplification of the administrative arrangements under which EDF aid is made available, few ACP countries are likely to find themselves receiving "high case" element allocations based on their performance.

Alternatively should performance targets be set with reference to progress towards internationally agreed goals, such as those relating to access to education? Even this type of approach however is not without its problems. How, for example, can countries severely affected by HIV/AIDS be expected to reach these targets, when the AIDS pandemic is leading to growing numbers of AIDS orphans, increased school drop out rates and a crisis in the supply of properly trained teaching staff?

Against this background how performance targets are set becomes very important. There is a need to ensure that performance targets are **realistic in the light of the particular circumstances facing individual ACP countries** and the probability that unforeseen events may occur to undermine the achievement of jointly agreed objectives.

4.1.2 The Annual Review Process

According to the terms of the new ACP-EU agreement the annual assessment process should cover:

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

Each annual assessment is to be based on an **annual operational review**. These annual operational reviews will in turn be based on **regular monthly monitoring reports** and the ongoing reporting system established within the EU Delegations. This in turn will be based on **regular and on-going dialogue with the office of the NAO**.

It is hoped that through this system of monthly reporting any problems which arise will be swiftly identified and appropriately addressed. The **annual operational review** should thus be the culmination of this ongoing monitoring and dialogue. In the Commission's view the annual operational review should emerge naturally from the on-going dialogue process and should impose no major substantive additional burden on ACP administrations.

COMMENTS AND OBSERVATIONS

*Careful consideration needs to be given to the **human resource constraints on ACP administrations** in the light of the intense nature of the proposed dialogue process. In some ACP countries a single official in the office of the NAO may have responsibility for relations with all multilateral donors, as well as the day to day conduct of relations with the EU. Against this background there is a need to **review the human resource capacity of the office of the NAO and the other responsibilities which designated ACP officials may have.** Equally there is a need to review the process of internal communication within ACP governments between the office of the NAO and the line Ministries responsible for implementing co-operation activities. This should seek to ascertain to what extent, the office of the NAO has sufficient capacity to follow the progress of co-operation activities under implementation by line Ministries on a month to month basis. Where appropriate simple systems of communication between line Ministries and the NAO's office should be established.*

The **annual joint Delegate/NAO reports** are to provide the basis for the annual assessment. The EU Delegation (in consultation with locally represented EU member states) will be expected to prepare a brief **position paper** on issues raised in the annual review. The **EDF Committee**, composed of representative of EU member states will then have an **exchange of views** on the annual operational reviews. The results of the annual operational reviews of every ACP country programme will then be transmitted to the joint **ACP-EU Development Finance Committee**.

This whole annual review should be completed within 60 days of the formal initiation of the in-field review phase. **The first trial annual operational review is scheduled to take place in mid 2001.**

Significantly in the light of these annual reviews, the National Authorising Officer and the EU Delegate can adapt and revise the Country Support Strategy and the indicative programme. National Authorising Officers in individual ACP countries facing unforeseen problems should take full advantage of this possibility under the annual review to modify the CSS and the NIP. Modifying the CSS and the NIP in the light of unforeseen problems will allow performance targets to be established on a more realistic basis, before the strategic mid-term review, during which decisions on the level of aid to be finally made available will be taken.

COMMENTS AND OBSERVATIONS

*EU member states are unlikely to have ratified the new ACP-EU before 2002. Since the European Commission is unable to disburse any 9th EDF funds until the ratification process is completed, there is a question mark as to what the first annual operational review in mid 2001 should actually entail. However, given the shared emphasis on **poverty eradication**, ACP governments could use this first annual operational review to call on the EU to conduct both a **poverty impact audit** of the different types of EU aid currently made available (road projects, import support, health sector interventions etc) and an **implementation audit**. The implementation audit should establish how long it has taken to move different types of projects through the various stages of the project cycle and the principal causes of delay encountered under different types of aid programme. This could then assist individual ACP governments in establishing clear and realistic indicators against which their future aid utilisation performance is assessed.*

4.1.3 The Mid-Term and End of Term Reviews

The **mid term and end of term reviews**, will build on and consolidate the annual reviews and will update and modify the programme if required. During this phase the Delegate's **position paper** will evaluate the effectiveness of the CSS and propose any necessary changes, including with regard to the **level of financial resources made available**. This paper will in summary form:

- analyse the country performance in meeting set targets;
- outline any substantive changes to be proposed to the CSS;
- contain a proposal for the confirmation or reallocation of resources.

The European Commission's HQ Policy Group, who will confirm or modify its findings, will discuss this mid term/end of term draft position paper. Where major changes are proposed the **Quality Support Group** will also consider the paper. This consolidated EU position will then be the basis for EU Delegates negotiations/discussions with the NAO and non-state actors in the ACP country concerned.

Formal conclusions initialled by both sides would then be submitted to the EDF Committee for their consideration and approval before a formal modification of the programme can take place. It is envisaged that these strategic reviews would be completed within 90 days.

It is recognised that the new system is demanding, with tight time constraints. However it is felt that if the process can be well organised from the start then it is realistic. The strategic mid term and end of term review process will lead to either:

- a modification of the strategy and an internal redeployment of resources; or
- a confirmation of the existing strategy and allocation; either
- a downward revision of the initial resource allocation; or
- an upward revision of the initial resource allocation.

It should be noted that the European Commission would take the resource allocation decision after consultation with EU member states and the EDF Committee, but that **resource allocation decisions will not be discussed with the recipient ACP country in advance.**

Effectively the European Commission will take decisions over the total amount of aid finally to be made available to each ACP country, on a **unilateral basis** in the light of the **achievement of performance indicators set out in the Country Support Strategy and the National Indicative Programme.** It is therefore essential that each ACP government establish **appropriate and realistic indicators**, against which to judge their own performance in taking up and using aid made available by the EU under the country allocation in the coming 3 to 5 years. If these performance indicators (which will first be assessed in mid 2003) are **over ambitious**, ACP governments could find themselves failing to meet the targets they have set themselves. This could result in the “high case” component of their indicative allocation being unilaterally reduced by the EU.

Since there is currently no appeals procedure for any EU decision to reduce country allocation if performance indicators have not been met **the importance of establishing realistic and achievable performance targets cannot be over estimated.**

THE LAST OF THE EDFS? THE LONGER TERM IMPLICATIONS OF ROLLING PROGRAMMING

*Rolling programming is seen as an ongoing process throughout the expected 20-year life span of the current agreement. The Commission appears to favour a system whereby **plans and projects would be updated and carried forward each year within a rolling 5-year time scale within this 20-year time frame.** Country Support Strategies would thus evolve over time in the light of the ongoing reviews and achieved performance*

This could have important implications for the future funding of ACP-EU co-operation activities. Previous EDFs have taken up to 13 years to spend each 5-year allocation. With considerable scope for the **reallocation of resources** and with resource allocation decisions being based on a **performance review** every two to three years, it is conceivable that **the 9th EDF could well be the last five year multi-annual framework established for the financing of ACP-EU co-operation activities.**

After all, what could be the justification for making additional funds available in 2005, when the bulk of existing funds have not yet been spent. From a European Commission perspective, it would be much more sensible to make additional funds available within the rolling programming process established for each country, as and when such funds are actually needed. In this light, it is entirely conceivable that the current 9th EDF could be the last 5 year multiannual aid allocation to ACP-EU co-operation activities.

TRADE AND DEVELOPMENT STUDIES CENTRE TRUST [TRADES CENTRE]

We are pleased to inform our long standing and prospective partners about the formal establishment of Trade and Development Studies Centre Trust [TRADES CENTRE] formerly known as Lome Trade Research Unit [LOTRU] as an independent research and training centre incorporated and registered with the Deeds Register in Zimbabwe. It is a non-profit making organisation controlled by a Board of Trustees whose members are eminent persons drawn from various sectors in southern Africa.

Our Vision. The economic renaissance of southern Africa and its poor communities in the Third Millennium will more than ever before depend on the impact of current fundamental global changes in the international, regional and national trading policy regimes being driven by the momentum of technological revolution, information technology and the neo-liberal philosophy, yet in the same region this problem issue is not subjected to assiduous close scrutiny. The aim is to establish a rigorous, consistent and ongoing programme on trade and development policy research, analysis and capacity building on ACP-EU co-operation, EU-SADC trade relations, US-SADC trade [AGOA], WTO, national trade and development issues. TRADES CENTRE'S vision is to develop into a southern Africa regional Centre of excellence on policy research, analysis and civil society capacity building on trade and development issues.

Our Objectives. The main objective of Trade and Development Studies Centre is policy-relevant training and research particularly focusing on the nexus between trade and development, aid and development, poverty reduction and welfare improvement in the context of WTO, post Lome IV ACP-EU co-operation, COMESA/SADC-EU co-operation, the SA-EU trade and development co-operation agreement, US-SADC [AGOA] trade, regional trade/economic agreements and national trade and development policies. A central objective of TRADES CENTRE is to provide southern Africa with technical, analytical support in developing and backstopping their positions in multilateral and inter-regional trade negotiations and support regional integration. TRADES CENTRE will also strive to build the capacity of poor communities on trade issues in order to assist them in meeting challenges posed by emerging trade regimes.

Our Approach. TRADES Centre aims to undertake practical, realistic, concrete and technically competent research work and training of civil society that produce feasible and implementable results taking into account the circumstances existing on the ground. Like its predecessor [LOTRU], the TRADES CENTRE will adopt both a demand driven and a proactive approach in bringing up issues that affect its target group.

Our bias. TRADES CENTRE is biased in favour of developing countries in particular southern Africa and its poor communities. Our aim is to analyse trade and development issues from the perspectives of southern Africa's poor communities, to explore the implications of the various international, regional and bilateral trade agreements, regional integration, national trade and development policies and other policy options on southern Africa for the poor.

Our Target Groups. Consumers of the results of the work of TRADES CENTRE include small scale farmers, consumer and faith groups, workers unions, informal traders, policy makers, parliamentarians, business community, NGOs and donor community. It is therefore the objective of TRADES CENTRE to improve the capacity of its target group to engage and interpret policy issues and decisions as they impact on the poor.

Resources. The main resource for the TRADES CENTRE is its pool of professionals and expertise within its permanent establishment, associated members and international experts and consultants committed to working in support of TRADES CENTRE vision. It receives financial support from various donor agencies and also generates resources from its own activities with no profit motive.

Deliverables. The results of the TRADES CENTRE activities will timeously be delivered and made publicly available through conferences, seminars and workshops for the target groups, briefing materials, publications, circulation in mass media, training programs and tutorials..

Philosophy. Generation and delivery of quality products timely. Practical, realistic research and training easily accessible and implementable and which produces concrete policy proposals aimed at improving the welfare of poor people and communities in southern Africa.

In its efforts to meet its objectives and deliver results TRADES CENTRE values the support by you and your organisation and we look forward to close co-operation in future. We welcome partnerships including funding.

Dr Moses Tekere:

Director and on Behalf of the Board of Trustees

