

044529/EU XXIII.GP  
Eingelangt am 01/10/08

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 1.10.2008  
SEC(2008) 2538

**COMMISSION STAFF WORKING DOCUMENT**

**accompanying the**

**COMMUNICATION ON REGIONAL INTEGRATION FOR DEVELOPMENT IN  
ACP COUNTRIES**

**The Regional Strategy Papers and Indicative Programmes of the  
10<sup>th</sup> European Development Fund**

{COM(2008) 604}  
{SEC(2008) 2539}

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## 1. OVERVIEW

The 10<sup>th</sup> EDF regional strategies and programmes are the primary instrument of EC support to ACP regional integration. These documents, which are the result of a political dialogue between the EC and ACP regions, include:

- A joint analysis of the state of play of regional integration;
- A joint assessment of the challenges confronting each ACP region;
- A joint response strategy including, in the RIP, priorities for the allocation of EC financial resources.

The **framework for the Regional Strategies** is based on the ACP-EC Partnership Agreement, in particular the part relating to regional cooperation and regional integration, including the economic cooperation pillar which envisages the conclusion of the Economic Partnership Agreements (EPAs).

The European Consensus on Development of 20 December 2005 underlined the multidimensional character of poverty eradication and indicated the following sectors of Community intervention according to their contribution to poverty alleviation: the link between trade and development; the support for regional integration and cooperation; the importance of economic infrastructure; food security and rural development; governance and support for economic and institutional reforms; conflict prevention.

In the case of Africa, the Joint EU-Africa Strategy adopted in December 2007 underpinned the EU-Africa Partnership on the basis of the principles of solidarity and partnership between equals, which shall be realised through a strengthened political dialogue. In this regard, the EU-Africa Partnership on trade, regional integration and infrastructure presents three types of priority efforts in which regional organizations play a crucial role: support for the strategy of African integration; increasing African capacity in the fields of regulation, standards and quality control; and implementing the EU-Africa Partnership on infrastructure.

Other important strategic documents that have informed the new regional strategies under the 10th EDF are the Global Climate Change Alliance initiative and the EU Aid for Trade strategy.

**The 10<sup>th</sup> EDF shows a strongly increased emphasis on regional integration.** While the overall EDF substantially increased from the 9<sup>th</sup> to the 10<sup>th</sup> EDF, the regional envelope almost doubled to €1.78 billion, reflecting EU-ACP consensus on the importance of regional integration for development.

**The new RSPs/RIPs will respond to the challenges** jointly identified by the EC and each region, and respond broadly to five main priorities: strengthening regional institutions; building regional integrated markets; supporting business development; connecting infrastructure networks; developing regional policies for sustainable development. More precisely, they will:

- Provide, in all regions, support for *regional mechanisms to foster peace and stability*, prevent and manage conflicts, and fight security threats (such as organised crime), thus furthering a broadly-defined regional human security agenda. In West, Southern and East

Africa, EDF support will help strengthen the regional pillar of the pan-African architecture of peace and security.

- Pay particular attention to *regional economic integration*, with almost 75% of the indicative appropriation (i.e. €1.3 billion) likely to be devoted to this area.
- Within the regional economic integration agenda, focus on *specific regional priorities*, with an emphasis on the completion of more integrated markets; the development of productive capacities; and the improvement of infrastructure networks and enhanced regional cooperation for the promotion of sustainable energy policies. There will be a particular focus on EPA support measures: almost half of the Caribbean RIP would be allocated to their EPA commitments.
- Reflect the *diversity of ACP regions* in terms of their priorities for sustainable development. This applies, in particular, to the second focal sector in the Pacific (fisheries) and in Central Africa (forestry). Support for food security and agriculture is foreseen in West Africa, and for land, water and marine resources management in East Africa.
- Support *good regional governance*, with an emphasis on capacity-building for non-state actors.

The following sections give a more detailed overview of each RSP/RIP. However, Regional Strategy Papers are being finalised. The information provided here is without prejudice to the formal adoption of the programmes by the Commission.

## 2. WEST AFRICA

The formulation of the strategy and the regional programming covers the region of West Africa, comprising the 15 Member States of the Economic Community Of Western African States (ECOWAS) and Mauritania. Poverty levels in West Africa remain alarming. The attainment of the Millennium Development Goals (MDGs) remains, in light of current trends, difficult to reach. The region comprises 13 LDCs (Least Developed Countries). Similarly, the 16 countries of the region are characterised by severe economic vulnerability, a low GDP per capita and basic social indicators lower than the average for sub-Saharan Africa. ECOWAS and the West African Economic and Monetary Union (WAEMU) are the two Regional Organisations (ROs) mandated for the 10th EDF regional programming, which also includes Mauritania, although not a member state of either ECOWAS or WAEMU.

### 2.1. Situation in the region

Among the major difficulties that the region faces, nothing has led to more destabilisation and impoverishment in all respects than **armed conflict**. Indeed, nine of the fifteen ECOWAS member states were identified in 2006 as being in a situation of "fragility" owing to conflict. New challenges are also emerging in the region related to organised crime (drug trafficking, human trafficking, money laundering, terrorist networks).

It is urgent to **consolidate democracy** and achieve a high level of social and political cohesion in order to prevent conflicts. During the last fifteen years, the majority of the countries of the region have attempted to take up this challenge and embarked, at different levels, on a process of democratisation. The practice of democratic pluralism has gradually settled in the region with the holding of free elections, constitutional reforms to limit the term of the presidential office and consolidate the division of powers, freedom of opinion and greater respect of human rights. In addition, the resolution of the conflicts in Liberia and Sierra Leone and the ongoing crisis resolution in Côte d'Ivoire mark a new chapter in peace and political stability at the regional level. Important progress remains to be achieved however.

Boosted by the rise in the price of raw materials, the absence of "active conflicts", increased macroeconomic stability and a considerable increase in official development aid, robust **economic growth** in West Africa has been maintained in recent years. However, West Africa remains a fragmented and slightly integrated region, with the EU remaining its main trading partner.

### 2.2. Issues and challenges for the regional integration process

The region faces major challenges which are both political and economic. In **political** terms, West Africa is a region with certain countries still undergoing a fragile democratic transition, others in the process of crisis resolution or in a post-conflict situation, where open or embryonic conflicts severely impede development and cross-border criminality develops.

In **economic** terms, the fragmentation of the economic area, the lack of infrastructure for development and a weak industrial base associated with low competitiveness levels, are factors that hinder regional integration, economic growth and poverty reduction. In the longer term, the structural rise in prices of energy and agricultural products, as well as climate change, will constitute a political, as well an economic, challenge.

There is however a strong political will in the region to persevere with the process of regional integration. The main objective is to promote peace, stability, democracy and good governance in the region and to create a broad, open and competitive economic area.

This in itself, coupled with the challenge of opening to the outside world, represents a challenge. It is in this context that the region perceives the opportunities and challenges of an **Economic Partnership Agreement (EPA)** with the EU. The EPA has to serve as a catalyst for development, underpinned by enhanced trade relations and development cooperation which contributes to the consolidation of regional integration and growth for sustainable development of the countries of the region.

### **2.3. State of play and way forward for the regional integration process**

ECOWAS and the WAEMU share the same objective of regional integration and have decided to implement jointly a "strategy of acceleration of the integration process in West Africa". This strategy envisages a co-operation mechanism and convergence between the two regional organisations. It is articulated in the **West Africa Regional Growth and Poverty Reduction strategy paper** drawn up by the two regional organisations. The four priorities of the common Regional Strategy are:

- Conflict management and the promotion of democracy and good governance to strengthen social cohesion and the effectiveness of policies;
- Deepen integration of the economic area to reduce trade costs and increase competitiveness in order to accelerate diversification and enhance growth;
- Development/interconnectivity of infrastructure and harmonisation and coordination of sectoral policies in support of the integration of the economic area and the enhancement of its competitiveness;
- Strengthening of human capital and facilitation of mobility through a common space in order to support growth and make it distributive.

The common objectives of the document were translated into separate priority action plans, but which are complementary and convergent between ECOWAS ("Vision 2020: Towards the people's ECOWAS") and WAEMU ("Programme Economique Régional").

Important progress has been made in the implementation of the priority pillars of the regional strategy and the new phase of EC-West Africa cooperation should allow the consolidation of the acquis and the deepening of the integration process.

#### *"Conflict Prevention, Promotion of Democracy and Governance"*

The relationship between conflict prevention, conflict management, peace and security features explicitly in the agenda of ECOWAS, which has become particularly proactive and has gained considerable experience in "Preventive Diplomacy and Mediation". This proactive approach, which is conducted in co-operation with the United Nations, the European Union and the African Union, came to the fore in the management of the conflicts in Côte d'Ivoire, Togo, Sierra Leone and recently in Guinea, although the reaction time and decision-making could be improved. Two protocols (incorporated in the revised Treaty) on Non-aggression and Mutual Assistance in defence matters, constitute the historical basis of regional policies with regard to security, peace, conflict prevention and conflict management.

In the field of **security**, ECOWAS has adopted the Convention on Small Arms and Light Weapons. This has resulted in the setting-up of a "light weapons" unit and an operational unit



ECOSAP in Bamako. The Heads of State of the region have approved the establishment of the ECOWAS Standby Force (ESF) which forms part of the African Standby Force (ASF) under the umbrella of the African Union.

In the field of **governance**, ECOWAS strengthened its expertise in electoral assistance and monitoring and has created a special unit for this purpose. The organisation seeks, in the long term, to engage its member states in a process of harmonising their constitutions and electoral legislation. ECOWAS now has a Common Approach on **Migration** which was adopted by the Heads of State Conference in 2008.

In the fight against **organised crime**, ECOWAS has advanced several initiatives including a regional fund and an operational unit. In the fight against money laundering and the financing of terrorism, the GIABA (Groupe Inter-Gouvernemental d'Action Contre le Blanchiment de l'Argent en Afrique) is now operational. Finally, ECOWAS is preparing a common approach on human trafficking, in particular the trafficking of children.

#### *"Deepening Integration of the Economic Area"*

One of the major achievements was the establishment of a **WAEMU customs union**, which came into force on 1 January 2000. The harmonisation of the trade liberalisation schedules of ECOWAS and WAEMU, based on the WAEMU TEC, decided at the ECOWAS Heads of State Conference in January 2003, also constitutes an important step forward and should allow for the creation of a regional customs union in the short term.

The realisation of the **ECOWAS customs union**, initially scheduled for 1 January 2008, was deferred. In order to move to a customs union for the whole of West Africa, a balance will have to be found between countries that want to liberalise certain products to keep consumer prices down and those that want to protect them to protect local production.

The establishment of a **common market** is less advanced. There are difficulties at four levels: the need to strengthen internal liberalisation; the significant gap between the adoption of agreements and protocols at the regional level and the reluctance of Member States to implement them effectively at the national level; the continuing existence of tariff and non-tariff barriers in the majority of states; and the lack of regional interconnectivity in transport and telecommunications.

The dismantling of internal tariffs and the reduction of non-tariff barriers constitute the two major elements for **free movement of goods** within the region. As a result of the harmonisation of the trade liberalisation schedules of ECOWAS and WAEMU in 2003, tariff preferences are based on rules of origin common to both institutions. The Convention of Interstate Road Transit (TRIE – Transit Routier Inter-États) offers a common regional legislative framework for cooperation in road transport.

In the field of **investment and the free movement of services**, the region has made important progress in financial integration, particularly in the WAEMU area which has set up an integrated financial market. Regional organisations have deployed resources and are making efforts to develop micro-finance to facilitate saving and access to credit for the poor. The insufficient level of mutual recognition of university degrees presents a genuine obstacle to access to the service market, as West African countries increasingly enjoy a critical mass of experts able to export their services both within and without the region.

Important progress has been achieved in the area of the **free movement of persons**. However protection of the rights of residency and establishment remain weak, requiring the harmonisation of national legislation relating to the labour market and property rights.

The **standardisation and quality control** activities are very often limited to microscopic examination and often focus only phytosanitary aspects. Only some countries have capacities in the fields of standardisation and accreditation. At the regional level, the extension of the "WAEMU Quality Programme", when fully operational, should allow the adoption of a framework for establishing a regional system of accreditation/certification, standardisation and quality promotion.. With regard to **trade-related rules** (competition, intellectual property and public procurement), the work is at the preliminary stage of harmonising and developing a regional legislative framework.

*"Sectoral Policies and Development and Interconnectivity of Infrastructure"*

ECOWAS formulated an **agricultural policy** (ECOWAP), adopted in January 2005, aiming to ensure the region's food security and sanitary quality as well as enhancing regional production. ECOWAS and CILSS (Comité permanent Inter Etats de Lutte Contre la Sécheresse dans le Sahel) signed, in December 2006, a memorandum of understanding of which the objective is to make CILSS the technical implementation agency of ECOWAS programmes. WAEMU, for its part, adopted the Agricultural Policy of the Union (PAU, 2001) which aims to contribute in a sustainable way to meet the alimentary needs of the population, the economic development of the Member States and poverty reduction.

Regarding the development of **interconnectivity**, road transport remains the overriding priority. ECOWAS adopted a "Priority Road Transport Programme" (PTRP – Programme de Transport Routier Prioritaire), the objective of which is to facilitate trade and to accelerate regional economic integration. More recently, and in accordance with the NEPAD action plan, ECOWAS and WAEMU have implemented a Regional Facilitation Programme of Transport and Inter-state Road Transit. In the field of telecommunications, the regional organisations launched actions with the aim of harmonising legislative and regulatory frameworks. Moreover, ECOWAS launched its second programme, Intelcom II, for the rehabilitation and modernisation of connections between the Member States. WAEMU has formulated a Regional Economic Programme (REP) in which infrastructure represents 70% of actions foreseen in the first five-year period.

In the field of **energy**, ECOWAS aims to strengthen cooperation and the harmonisation of energy policies of the Member State through the implementation of a programme for the development, generation and distribution of electricity on a regional level (WAPP) and a from West Africa Gazoduc project connecting Nigeria to Togo, Benin and Ghana. Meanwhile, WAEMU has formulated a Community energy programme, the main components of which are the promotion of renewable energy, the interconnectivity of electrical supply networks and the adoption of an integrated energy planning system.

The upgrading and improvement of companies' competitiveness constitute the two major components of the **private sector policy**.

#### **2.4. Proposal for a regional strategy between the EC and West Africa**

The overall objective is to contribute to the deepening of the process of regional economic integration of West Africa and its gradual inclusion in the global economy, enhancing their growth and improving their competitiveness. Community aid is based on the aim of convergence of both integration processes (ECOWAS and WAEMU), while respecting the pragmatic and flexible approach of the region that allows different speeds of integration.

## **2.5. EC response strategy**

The strategy is based on the three pillars of the partnership between the EU and the region: political dialogue as reflected by the ministerial troikas; cooperation relating to development through support for the integration agenda and to commercial matters as reflected by the EPAs. The objective is to support the deepening of the region's integration agenda, and to facilitate the application of community commitments. An important role will have to be given to the regional aspects of the EPA programmes for development in the regional development strategy.

### *Regional integration and EPA*

The region is to be assisted in the consolidation and convergence of the customs unions of WAEMU and ECOWAS, as well as in the strengthening of the common market through, i.a. macroeconomic stability, growth, implementation of free movement of goods, services and persons, and facilitation of inter-state payments.

Certain sectoral policies that are a priority for the consolidation of the common market could be strengthened: energy, agriculture and food security, environment and transport.

The region is also to be supported in implementing the EPA effectively to benefit from the opportunities it offers and to reduce the possible costs resulting from its implementation. Account should be taken of the acquis of the negotiations of the EPA with the region of West Africa regarding the development dimension of the Agreement and areas already agreed with the region and with the two signatory countries of the interim agreement, Côte d'Ivoire and Ghana. Implementation modalities of the accompanying measures approved by both signatory countries of the interim agreement for the period before the signature of a regional EPA should be envisaged. Moreover, support could be envisaged to maximise benefits at the regional level of the implementation of the Action Plan drawn up under the Special Partnership between Cape Verde and the EU.

### *Peace, security and good governance*

The overall objective is to contribute to a significant improvement of governance and of regional stability through: support for ECOWAS capacity in the areas of safeguarding regional stability and conflict prevention, coupled with an in-depth political dialogue; a regional policy on migration; the fight against proliferation of small arms and other munitions; electoral assistance and observation; and promotion of good governance and fight against terrorism.

## **2.6. Main elements of the regional indicative programme**

The RIP total indicative allocation for West Africa amounts to €598 million. This envelope will be distributed as follows:

*Focal area 1: Deepening of regional integration, enhancement of competitiveness and EPA (€419 million)*

This focal area is divided into the following components:

- support to the implementation of reforms and adjustments related to the establishment of the customs union and the common market (including the free circulation of people and of capital) and the consolidation of macroeconomic stability. Actions related to the customs union include the implementation of the common tariff, trade facilitation and the modernisation of the customs administrations.

- support the implementation of the EPA by maximising the expected benefits (implementation of rules on SPS, TBT, intellectual property, competition, public procurement, investment, services) and minimising the cost of adjustment (contribution to the absorption of the net fiscal impact, in complementary with fiscal reform);
- strengthening the competitiveness of the productive sector (based on the regional study prepared with the support of UNIDO);
- support to food security at regional level;
- strengthening of the institutional capacities of regional organisations;
- support the policy for regional interconnectivity (including co-financing with NIPs for key transnational infrastructure).

*Focal area 2: Strengthening of good governance and regional stability (€120 million)*

This focal area is divided into the following components:

- support to the establishment of the ECOWAS Standby Force (ESF) and in particular its civil aspects;
- support to the formulation and implementation of a regional policy with regard to migration in connection with the policies of freedom of movement and of combating human trafficking;
- support to the implementation of the regional programme of tackling the proliferation of small arms and other munitions;
- support to the ECOWAS in electoral assistance policies and in preparation of electoral observation missions;
- support to actions and initiatives of ECOWAS and African Union in the promotion of good governance, the fight against terrorism, actions in the field of SSR/DDR, money laundering and trafficking of drugs and humans.

This implementation of this focal area will be coupled with an in-depth political dialogue aiming at the promotion of democratic values, respect for human rights, the rule of law and good governance.

*Non-focal area (€59 million)*

Regional policies in the area of human development (enhancement of research and of regional institutions in the areas of health, education and culture), environment and sustainable management of natural resources (e.g. energy) will be supported, as well as non-state actors and the monitoring and management of the RIP and of the technical cooperation facility.

*Implementation methods*

The implementation of the programme will be based on the procedures of the recipient (contribution agreements), on the one hand, and the importance of financing mechanisms specific to the region, such as a regional fund for EPA established in accordance with the aid-effectiveness principles of the Paris Declaration, on the other. This fund shall channel financing for the implementation of this strategy, in particular the "EPA programmes for development".

Co-financing with the European Regional Development Fund (ERDF) will be considered to enhance the co-operation between the region and the EU's relevant outermost regions (Madeira, Açores and Canarias).

### **3. EASTERN AND SOUTHERN AFRICA AND THE INDIAN OCEAN**

The Member States which form part of the ESA-IO region are heterogeneous in terms of size, economic structure, as well as resources endowment. They however share a common objective to address poverty reduction through regional economic integration and trade.

The Regional Organisations (ROs) which are concerned with the ESA-IO RSP are COMESA, EAC, IGAD and IOC. The four ROs have decided to pursue the collaboration they started under the 9th EDF, to jointly prepare and implement the 10th EDF RSP/RIP for the ESA-IO region.

Substantial progress has been made in ESA-IO countries towards MDGs with targets achieved on goals covering education, child health, safe water provision and telecommunications.

However, despite these advances, it is highly unlikely that the rate of progress may be sufficient to reach the targets by the due date (i.e. 2015). Moreover, in planning terms, reported progress made on many of these targets needs to be re-examined in light of the expected 34% increase (about 115 million) in the population in ESA/IO countries by 2015. This will affect the extent to which economic growth can be translated into improved standards of living, and provision for improvement in basic facilities such as food, housing, schools, jobs, water and sanitation, energy production and access, waste management and the protection of the natural environment.

#### **3.1. Situation in the region**

The ESA region has particularly complex regional, political, social and economic dimensions. These include the confluence of various cultures and religions; autonomy or territorial claims (many of them related to ethnic and religious identity); disputed borders, population growth, climate change and related pressures on natural resources; proliferation of small arms and light weapons (SALW) and arms trafficking across the region. As a result, during the post-independence period the region has suffered from numerous intra-regional conflicts. The four Regional Organisations (ROs) of COMESA, EAC, IGAD and IOC have been actively involved in developing and implementing conflict prevention and arbitration systems.

On the political side, and as a general rule, most one-party governments have been replaced with democratic systems and multi-party democracies. Election processes have been strengthened, though efforts are still needed on credibility and legitimacy.

Poverty reduction is seen as the major economic challenge for the region and is the overall focus of the region's economic policies. For poverty reduction to take place there is a need to have sustainable economic growth in a peaceful environment coupled with equitable distribution of wealth. Minimum but not sufficient, conditions for economic growth include diversifying the export base; reducing costs of doing business (partly through improving the efficiency of the transport, communications and energy sectors); and creating an enabling environment for the private sector to invest and operate.

### **3.2. Issues and challenges for the regional integration process**

The economic integration agenda is being developed in parallel through COMESA and EAC, with the ultimate goal in both ROs to achieve a full customs union, a common market and a monetary union. In this context, the role of IGAD and IOC is to promote their sub-regional specificities, such as small islands vulnerable economies, the importance of sustainable management of natural resources (notably coastal and marine resources), and ensuring productivity gains in agriculture to guarantee food security. An important constraint lies in the limited energy supply. Despite the existence of high potential for energy generation, the COMESA region is facing serious energy deficits and high energy costs.

The political agenda is explicitly considered by EAC, which aims at achieving a political federation. In addition, COMESA and IGAD have a mandate to address peace and security under the broader umbrella of the AU, while EAC and IOC also address issues of peace and security. Ultimately, in the ESA-IO region the process of convergence in these agenda would allow the attainment of the AU objective of an African Economic Community in the long term.

The decision taken by the region to remain united as a negotiating party for a comprehensive ESA EPA and EAC EPA constitute a challenge and a further opportunity to strengthen the process of regional integration. A deeper and well functioning regional internal market, progressively and asymmetrically opened to the EU, can contribute to generate economic growth.

### **3.3. State of play and way forward for the regional integration process**

Over recent years, Africa has established a continental Peace and Security framework, the African Peace and Security Architecture (APSA), based on the AU Protocol on Peace and Security. The APSA includes several components, namely the AU Peace and Security Council (PSC), the Panel of the Wise, the Continental Early Warning System (CEWS) and the African Standby Force (ASF).

Sub-Regional Organisations (SRO)/Regional Mechanisms (RMs) such as the ESA-IO ROs are pillars and building blocks of the APSA. Their relevant structures (e.g. regional early warning systems) are to feed into the continental set-up and the linkages with the AU are of paramount importance.

To accelerate regional economic integration, ESA-IO Member States recognise the need to increase commitment in linking economic integration measures like CUs and Common Markets with a minimum of joint legislative and political structures. In this respect, EAC has adopted a comprehensive political integration agenda.

EAC's ultimate objective is to establish a Political Federation. So far, EAC has undertaken sensitization and consultation meetings in Member States since 2007, and EAC countries have signed a MoU on defence which will be translated into a protocol. Multi sectoral committees have been formed on human rights, electoral councils, anti corruption bodies in view to come up with a common framework for the region. People's views and consensus is the cornerstone to sustainable political federation. This work is taken forward by the East African Legislative Assembly.

The COMESA Treaty recognises that peace and security are fundamental pre-requisites to social and economic development and also vital to the achievement of regional economic integration objectives of the Common Market.

COMESA's role in addressing issues of peace and security currently focuses on conflict prevention through preventive diplomacy. COMESA has held annual consultations between different stakeholders such as parliamentarians and civil society in issues of peace and security. COMESA has now embarked on two key programmes: Post Conflict Reconstruction and Development (PCRD) and Early Warning, aiming at strengthening the capacity of national institutions in promoting peace and security.

IGAD also plays role in this area, as its mandate was expanded in 1996 to include co-operation in political affairs, the promotion and maintenance of peace and security, and humanitarian affairs. Notably, 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. IOC's role in political cooperation has been expanded in 2008 to include the promotion and maintenance of peace and security.

### *Convergence of the Trade Agenda*

All ROs recognise the need for co-ordination and harmonisation of trade policies and programmes. The Summits of COMESA, EAC and SADC have since 2001 initiated this process through specific declarations which led to the establishment of a Tripartite Mechanism including a Task Force at the Secretariat level. Following several meetings of the Tripartite Task Force, a Tripartite summit is planned for October 2008. The Summit is expected to provide political impetus for a more pro-active harmonisation of the regional agendas and programmes.

From a technical point of view, there is potential to harmonise the trade regimes of COMESA and EAC. Although COMESA's CET is based on a four band tariff structure, two of them are zero-rated and correspond to the same categories of products that are covered by EAC's first tariff band which is also zero rated. If COMESA and EAC are to merge their CUs, they will also have to adopt the same CET and CTN.

COMESA, with EAC and SADC, see the need to address the issue of non-tariff barriers and their removal if the cost of trade is to be decreased. The organisations are working on a NTB monitoring mechanism, with significant inputs from non-state actors, which will allow NTBs to be recorded and eliminated. In a similar vein, continued efforts are required to adjust to international SPS standards, in order to improve the region's access to markets in the developed world, in particular regarding agricultural products.

COMESA and EAC use the same Rules of Origin which apply to all tariff lines and which are based on either wholly produced or substantial transformation 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 and EAC Courts of Justice.



### **3.4. Proposal for a regional strategy between the EC and Eastern and Southern Africa and the Indian Ocean**

The overall objective is to contribute to the eradication of poverty in member countries by supporting economic growth and developing trade. The specific objectives are to support the regional integration agendas of the ROs; to strengthen regional cooperation and to support the integration of the region into the global economy.

In accordance with the principle of alignment, the RSP will support the strategies of the ESA region. The focus of the response strategy is therefore on:

*Consolidating the regional economic integration agenda.*

To achieve this objective, interventions will focus on trade policy issues, addressing supply side constraints, adjustment costs and building productive capacities; and deepening regional integration by preparing for a common internal market and a monetary union by achieving free movement of people and labour, right of establishment, macroeconomic convergence, and supporting sectoral policies. For both these themes, the development matrices would be taken into account.

*Promoting political integration and cooperation* in the region, also by addressing peace and security and good governance.

The response strategy is consistent with other ongoing processes, in particular the EPA negotiations with their development agenda and the Horn of Africa Initiative.

The Strategy also takes into consideration the harmonisation process among ROs leading to policy convergence.

### **3.5. EC response strategy**

In supporting the region's agendas, the RSP will focus on deepening regional economic integration and furthering the regional political cooperation agenda also foreseeing a series of flanking measures aimed at assisting the region to tackle regional political problems in a coordinated fashion. More precisely:

*Deepening regional integration*

Support will go at fully implementing the customs unions and moving towards a common internal market (and eventually monetary union) through the implementation of the necessary regulatory framework, providing financial support for the trade liberalisation process and its possible economic and fiscal costs.

It will also aim at leveraging funds for trade-related infrastructure to deepen regional integration and ensure the sustainable management of the natural resources (e.g. energy) of the region as a core asset for livelihood systems so that it provides a basis for sustainable food security.

*Strengthening the political integration/cooperation process*

The aim is to build a coherent regional view on the concept of good governance, establishing regional mechanisms for early warning, conflict prevention, management and resolution, post-conflict reconstruction, and overall capacity building in the areas of peace and security.

### **3.6. Main elements of the regional indicative programme**

The RIP total indicative allocation for the ESA-IO amounts to €645 million. This envelope will be distributed as follows<sup>1</sup>:

#### *Focal area 1: Regional economic integration (€548 million)*

This focal area is divided into the following components:

- Trade-related assistance and capacity-building: assistance to the ROs in implementing their economic integration mandates;
- Alleviation of the impact of economic and fiscal adjustments on public expenditure;
- Support to private sector development;
- Infrastructure: development of a comprehensive regional transport, energy and communication policy and development of infrastructure proposals on the basis of the regional Transport and Communication Strategy and Priority Investment Plan;
- Improvement of land and water resources management to develop agricultural and food production;
- Improvement of the capacity of the region in deriving economic benefits from its marine resources and managing it in a sustainable way;
- Conservation of natural resources and sustainable management of environment and energy resources.

#### *Focal area 2: Regional political integration/cooperation (€64 million)*

This focal area is divided into the following components:

- Support to the regional pillar of the pan-African architecture of conflict prevention, peace and security;
- Support to post conflict reconstruction for conflicts with a regional dimension;
- Launch of a structured dialogue with regional partners on governance and security.

#### *Non-focal area (€32 million)*

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<sup>1</sup> This distribution includes €30 million earmarked for activities under the Initiative for CEPGL (Communauté Economique des Pays des Grands Lacs / Great Lakes Economic Community Countries), in complementarity with the support under the Central Africa RIP.

- Assisting the region in knowledge development and capacity building (including for non-state actors and cooperation between education institutions in the region and fostering co-operation between academic and economic fields);
- Enhancing capacity development of ROs and improve inter-regional coordination support to IRCC)

#### *Implementation methods*

Two financing mechanisms will be employed. Contribution Agreements will be used where appropriate. In all other cases (notably taking into account the size and the nature of projects), traditional financing agreements will be the preferred financing mechanism.

The ROs may collaborate with other countries or regions as well as Overseas Countries and Territories (OCTs) and Outermost Regions (OR) of the EU to implement projects in the context of this Regional Indicative Programme. Specific attention will be given to the development of a concerted EDF and European Regional Development Fund (ERDF) programming, with a view to strengthen ACP/OR functional cooperation at ESA regional level.

The ROs may also participate in projects of other regions, notably neighbouring regions. Adequate funding for such participation shall be made available in the framework of this RIP. The region itself may co-operate in pan-African and intra-ACP cooperation schemes, including those involving non-ACP developing countries.

#### 4. SOUTHERN AFRICAN DEVELOPMENT COMMUNITY (SADC)

The SADC Regional Strategy Paper and the Regional Indicative Programme will support the fourteen countries of the Southern African Development Community<sup>2</sup> (SADC); they may also support the Southern African Customs Union<sup>3</sup> (SACU) whose members are all also members of SADC and, in specific cases, non-state/civil society actors. The region is composed of a highly diverse set of countries in terms of size, level of development and economic specialization; seven are LDCs. Overall, achieving the MDG by 2015 remains a very difficult challenge: about 45 % of the population (250 million people) still lives on \$1 a day.

In respect of most other ACP regions, Southern Africa presents a highly complex configuration of regional organizations membership. Most notably, eight of the SADC fourteen members are also members of either COMESA or EAC.

The three organizations are in the process of discussing the implications of such situation within a tripartite dialogue. In the meantime, providing support to regional economic integration requires that this reality be taken into account and that consistent and balanced solutions are identified for all countries and regional organizations involved.

##### 4.1. Situation in the region

After several decades of political confrontation and instability, Southern Africa is now a relatively peaceful and stable region with a positive, albeit still limited, economic growth trend. However challenges persist in the area of democracy, peace and security, notably in Zimbabwe, where the political situation and the dramatic economic crisis impacts on the region and has provoked significant migration flows. In Angola and the Democratic Republic of Congo, post-conflict situations give also rise to specific issues such as the need for repatriation of refugees and internally displaced people.

The region is also the worst affected in the world by HIV/AIDS, which has greatly reduced life expectancy.

Economic growth and convergence have been positive for the last five years, although below the targets necessary to achieve the MDG, which would require a higher rate of investment. Furthermore the sustainability of economic growth is compromised by the fact that the economies of the majority of Member States' are poorly diversified and depend mostly on natural resources. All in all, translating the economic gains of the last years into poverty reduction remains an overarching challenge in the region. Despite being relatively well endowed in natural resources, SADC is one of the poorest regions in the World. Further, some of the countries in the region rank also among the most unequal in the world.

The global increase of food prices has aggravated and already pervasive problem of food insecurity in the region, affecting in particular the most vulnerable groups of the population. SADC's advancement towards reaching the MDG on hunger is substantially off track. More than a third of the population is undernourished. Although efforts to address food insecurity have been undertaken, new environmental, economic and social shocks have hit the region placing a large number of people, whose coping strategies have eroded further, under threat.

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<sup>2</sup> The 15 members to SADC are: South Africa, Botswana, **Lesotho**, Namibia, Swaziland, Angola, **Mozambique**, Zimbabwe, **Zambia**, **Malawi**, **DRC**, **Tanzania**, Mauritius and **Madagascar (LDC in bold)**. Seychelles reintegrated SADC at the August 2008 Summit.

<sup>3</sup> Botswana, Lesotho, Namibia, Swaziland and South Africa.

#### **4.2. Issues and challenges for the regional integration process**

The region faces a number of economic and political challenges that in the coming years will determine its progress in the fight against poverty and toward higher sustainable development:

- The solution of the current Zimbabwe political and economic crisis, that can be crucially facilitated by actions at the regional level;
- The strengthening of the business and investment environment, including through support for physical infrastructure.
- The streamlining of the regional integration agenda across the different organizations involved. Multiple national memberships of regional economic communities continue to pose a challenge for defining a reliable regional Agenda and eventually achieving closer economic integration.

The negotiations of Economic Partnership Agreements between the SADC countries and the EC have taken place against this background of multiple memberships of regional economic communities: less than half of the current SADC membership chose to be part of the SADC EPA group. In 2008, Malawi, Zambia, Zimbabwe, Madagascar, Mauritius and Seychelles are negotiating the EPA within the Eastern and Southern Africa grouping (ESA), Tanzania with the Eastern African Community (EAC) and DRC with the Central Africa configuration.

As for the SADC EPA group, Botswana, Lesotho, Namibia, Swaziland (BLNS) and Mozambique initialled an Interim EPA with the EC at the end of 2007. In 2008 negotiations have continued with these countries –plus South Africa and Angola- with the aim to conclude a full EPA by the end of 2008. In the SADC Interim EPA, the BLNS countries, all members of SACU, agreed to open their markets on the basis of the tariff regime included in the bilateral agreement between the EU and South Africa (the TDCA) envisaging to achieve more than 86% of trade coverage by 2015. Mozambique will liberalise substantially its traded goods within 10 years (2018). Botswana, Lesotho, Swaziland and Mozambique have also agreed to continue negotiations on services and investment in 2008.

Another key factor will be the role adopted by South Africa, the region's economic and political heavyweight. Its strong involvement is essential to give a positive impulse and direction to the regional process.

In the face of these challenges, the SADC secretariat is constrained by insufficient human and financial resources. As a result, the secretariat's ability to meet the extensive requirements of its mandate and implement the region's integration Agenda is hampered.

#### **4.3. State of play and way forward for the regional integration process**

SADC is an intergovernmental organization funded in 1992 on the basis of the former Southern African Development Co-Ordination Conference (SADCC). The regional integration agenda and policy perspectives of the region are reflected in the SADC Regional Indicative Strategic Development Plan (RISDP) and the Strategic Indicative Plan for the Organ on Peace and Security (SIPO) both launched in 2003. These documents reflect the two parallel tracks of SADC integration project: a trade integration track (a market-driven economic project with an emphasis on trade and investment) and a development integration track (a politically-driven process that deals with political and security issues).

The RISDP reaffirms the commitment to good political, economic and corporate governance within a democratic environment, the participation of civil society, the respect for the rule of law and the participation in the AU NEPAD programme.

The SIPO establishes the roadmap and legal instruments for the implementation of the Organ and the Protocol on Politics, Defence and Security Cooperation, embodying a range of policies and institutional mechanisms at the regional level for promoting and maintaining peace and stability.

On trade integration, the SADC countries established a free trade area in August 2008, liberalizing 85% of all products by the end of the year and the remaining 15%, including sensitive products, by the end of 2012. The RISDP sees the FTA as a first step towards the establishment of a customs union in 2010 and a common market in 2015. As EAC (where Tanzania is a member) is already an operational customs union and COMESA plans to launch its customs union in 2008, potentially including eight SADC members, inter-regional coordination is crucial in this area.

SADC has adopted or is in the process of adopting or ratifying more than thirty Protocols and other agreements notably on Transports, Communications, Standards, Fisheries, Taxation, Macroeconomic Convergence, Finance and Investment. The choice of proceeding via specific Protocols rather than on the basis of a single coordinated Treaty implies that progress in implementation varies between the different areas covered.

#### **4.4. Proposal for a regional strategy between the EC and SADC**

The main objective is to increase economic growth and reduce poverty in the SADC region through higher levels of regional economic integration. The specific objective is the wider economic integration agenda of the full SADC membership notably through the planned Free Trade Area and SADC Customs Union and the successful implementation of the Economic Partnership Agreement for the SADC group. In addition the strategy aims to reinforce the political stability, integration and democratic momentum of the region. Both objectives are consistent with the AU-EU Strategy for Africa and working plan and the SADC RISDP and SIPO.

#### **4.5. EC response strategy**

Interventions are foreseen under two main areas: regional economic integration and trade; political cooperation. More precisely:

##### *Regional economic integration and trade*

The aim is to assist SADC countries to meet the challenges of the implementation of the SADC Free Trade Area, Customs Union and the SADC-EU Economic Partnership Agreement. There will be two components. The first will support implementation of the SADC-EU EPA in those SADC countries that are members of the SADC EPA group, consistently with the prioritised needs identified by the Regional Preparatory Task Force (RPTF). The second component will provide wider support to SADC economic integration and trade policies, including investment promotion, regional infrastructure and food security.

##### *Regional political cooperation*

Investment will go in the embedding of governance, peace and security, which are vital to support and strengthen the recent achievements in the region. Support will also be granted to the regional pillar of the Pan-African architecture of conflict prevention, peace and security and associated flanking policies. Most activities will take the form of capacity building in the context of regional governance including a regional political integration programme.

#### **4.6. Main elements of the regional indicative programme**

The RIP total indicative allocation for SADC amounts to €116 million. This envelope will be distributed as follows:

##### *Focal area 1: Regional economic integration (€92.8 million)*

This focal area is divided into the following components:

- Trade Integration: simplification of the rules of origin in the context of the SADC Protocol on Trade; cooperation on customs matters (assist SADC countries to meet the requirements of the WCO Framework); capacity-building for sanitary and phyto-sanitary control; upgrading of Standards Bodies; support for the removal of technical barriers to trade.
- Support for structural reforms in SADC: agriculture and livestock; fisheries (including fisheries management through research monitoring, control and surveillance); sectors with potential for smallholders (for instance: small scale farming and cattle holding, fishing/aquaculture, horticulture, small scale mining, handicraft); assessment of the impact of revenue losses and improvement of revenue collection methods (including possibly additional financial support to counterbalance net revenue losses); facilitation of economic adjustments required by the implementation of regional integration policies (including social and economic costs of adjustment).
- Infrastructure development: support the region in developing its policy environment and projects derived from the SADC Regional Infrastructure Development Master Plan, notably in the field of energy, transport, and telecommunication, and in implementing the SADC Protocol on Transport, Communications and Meteorology.
- Food security policy and information management: assist SADC in fulfilling its facilitating and coordinating functions through the Agricultural Information Management System (AIMS).
- Capacity building: support measures identified by an Institutional Assessment as being necessary to raise the Secretariat's administration, financial management and technical levels of capacity to standards commensurate with its role as the executive arm of a major African economic community. This includes in particular support to the Secretariat for the implementation of trade agreements, the assistance of SADC National Committees and the mainstreaming of gender and HIV issues.

##### *Focal area 2: Regional political cooperation (€17.4 million)*

This focal area is divided into the following components:

- Good governance: this includes capacity building assistance for the further implementation of the SADC Principles and Guidelines Governing Democratic Elections.
- Regional pillar of pan African architecture of peace and security: accompanying the operationalisation of the SADC Stand-by Force by ad-hoc training of police forces; strengthening the capacity of the Regional Early Warning Centre in terms of logistics, technical tools and professional skills; mediation: training of mediators and experts.
- Disaster management

*Non-focal area (€5.8 million)*

- Technical Cooperation Facility
- Support to non-state actors

*Implementation methods*

Based on the recommendations of the 2007 Institutional Assessment study, a major assumption is that SADC will become eligible to receive assistance through Contribution Agreements by 2010 (subject to the Secretariat being assessed as having the capacity to implement a Contribution Agreement or having put in place measures that would provide such capacity).

Should the SADC Development Fund (Article 24 of the SADC Treaty) become successfully operational within the time span of the 10th EDF, the feasibility of channelling financial support to it will be assessed.

Without prejudice to the programming arrangements concluded between the EC and South Africa, contributions from the European Programme for Reconstruction and Development in South Africa, which South Africa has earmarked or will earmark for regional activities in its Multi-annual Indicative Programmes, may complement the resources from the EDF for regional activities under this Regional Indicative Programme.

In addition, one of the prime policy measures to be taken by SADC to implement its regional strategy is close cooperation with the other regional organisations which are involved in economic integration activities - notably the Common Market of East and Southern Africa (COMESA) - with a view to coordinate the implementation of the respective Regional Indicative Programmes of the SADC and the East and Southern Africa (ESA) regions. Coordination is ensured through the Interregional Coordination Committee in which SADC is participating and the dedicated SADC-COMESA-EAC Tripartite task force.

Coordination will also continue to be pursued with the National Indicative Programmes of SADC Member States.



## 5. CENTRAL AFRICA

The 10th FED for Central Africa covers a geographical region of 5.4m km<sup>2</sup>, and represents a population of about 90 million people. The region includes 8 countries: the 6 countries of CEMAC (Cameroon, Republic of Congo, Gabon, Equatorial Guinea, CAR - Central African Republic, Chad) as well as the Democratic Republic of Congo (DRC) and São Tomé e Príncipe (members of CEEAC). The region corresponds to that of the EPA negotiating group.

The group of Central African countries will probably not attain the MDGs. Among the 8 countries, there are 3 middle-income countries (Cameroon, Congo-Brazzaville and Gabon; Equatorial Guinea is still classified as an LDC despite growing income levels).

### 5.1. Situation in the region

The **political** situation in Central Africa is fragile, and the conflicts in the Great Lakes region and Darfur constitute a factor of instability. In addition to international initiatives, such as the European Mission to Chad and CAR (EUFOR), initiatives are undertaken by the region, such as the CEEAC mission in CAR and the establishment of a regional capacity in the field of peace and security by CEEAC. The region needs progress in terms of **governance**. Several countries of the region are considered amongst the most corrupt (Transparency International).

In **economic** terms, Central Africa is characterised by an abundance of natural resources such as wood, oil, metals and other mining commodities. Some of these economies are integrated to global markets mainly through exports of fossil fuels, which represent nearly 40% of regional GDP. Intra-regional trade is very weak. The main obstacles to sustainable growth are: a) a narrow production base with low productivity, sensitive to external shocks, b) low employment creation and low level of investment; c) an unattractive business environment; d) severe access problems for landlocked countries;

**Transport** in the region is principally based on the road network, but there are no reliable connections between the capitals, and the cost of transport is extremely high. Insular countries also have problems with interconnectivity and aviation security. The **energy** sector of region's countries is characterised mainly by (i) a high hydro-electric potential, (ii) a low percentage of the population with access to basic energy services, (iii) important oil resources (Congo, Guinea, Gabon, Cameroon and Chad). Despite the abundance of energy sources, producers and consumers face high costs and access difficulties.

Concerning **environment**, Central Africa's forests contain the most important source of biodiversity in Africa with a large number of rare or endangered species. The situation is threatened by forest fragmentation due to agriculture, exploitation for forestry and mining, and demographic growth. The forestry sector represents between 5 and 13% of GDP, and on average 10% of the basin's external trade.

### 5.2. Issues and challenges for the regional integration process

The region faces challenges which require important efforts from all regional actors and the support of the international community. A challenge of particular importance is the weak engagement of member states and the importance of short term national interests over medium term regional interests.

**Stability and security** is a priority linked with a substantial improvement of political governance. The intervention capacity of CEEAC in this domain has still to be improved, and capacity building will have to be continued.

Several challenges exist for **economic integration**. The implementation of regional norms and reforms is incomplete at national level. It will therefore be necessary to work towards the effective implementation of the CEMAC customs union (and its extension to the DRC and São Tomé e Príncipe) as well as the free circulation of people and the establishment of an effective common market. To do so regional organisations need to be strengthened by improving their capacities and governance.

Despite the importance of monetary stability, regional integration does not seem to have had a significant effect on growth, **diversification** and **competitiveness** of the region. These poor results could be explained by the persistence of several obstacles to an effective implementation of regional integration, including: fragmentation of infrastructure and basic services (including transport and energy) ; the persistence of non tariff barriers to trade; an adverse business environment ; weak access to credit (despite over-liquidity of banks); and insufficient professional capacity.

The challenge of deepening regional integration is allied with the challenge of opening the economy to the world. Following the signature of the interim **EPA** by Cameroon at the end of 2007, the negotiations to complete a full regional agreement continue. Accompanying measures include strengthening of capacities, improvement of productive sectors, deepening of regional integration and improving business environment. A contribution is also foreseen to help mitigate the net fiscal impact of trade liberalisation, along with fiscal reforms.

**Environmental** challenges are the preservation of protected areas and the reduction of deforestation; improvement of transparency and governance of natural resource sectors, and effective implementation of legislation and the fight against illegal exploitation.

**Regional solidarity** should take into account the different economic and political situations of countries in the region. The effective payment of contributions by member states to regional institutions would be a first step of regional solidarity. A subsequent challenge is the **mobilisation of funds** at regional level as well as from development partners to support the regional integration process.

**Capacity and implementation issues:** An improvement in the capacity of the two regional organisations – CEMAC and CEEAC – to rationalise their agendas, find synergies together and advance towards a progressive convergence remains an essential condition for the success of the region in its development efforts. The strengthening of integration must be conceived as a process which contains both deepening and enlargement: (i) the deepening of CEMAC to create a solid core and an effectively integrated zone based on the current regional integration process and (ii) the enlargement of this zone to include DRC and São Tomé e Príncipe, and convergence with CEEAC in order to attain the critical mass necessary for a regional market. Particular attention should be given to the creation of condition for the effective integration of DRC.

Finally, even if the partial overlap of the two institutions risks slowing down the regional integration process, its position in the centre of the continent constitutes a high potential to open to the rest of Africa and a role for the development of the continent, in particular for trans-African corridors.

### **5.3. State of play and way forward for the regional integration process**

Regional integration in Central Africa is characterised by overlapping mandates and weak co-ordination of two regional institutions, and insufficient ownership of the regional integration process by member states.

**CEMAC** (Communauté Économique et Monétaire de l'Afrique Centrale) was created in 1994. The regional integration is still limited, with advances in norms, but not enough in terms of effective implementation. Important institutional reforms have been undertaken, which are likely to have a positive impact on the institutional framework. CEMAC is developing a **regional economic programme** with an action plan for 2015 and foresees the re-launch of FODEC (Fond de développement communautaire) which will dispose of 20% of the profits of the Bank of Central African States (BEAC) to finance integration projects.

CEMAC is the most advanced organisation in economic integration in Central Africa. It is a **customs union** as well as a monetary union, but its implementation is neither complete nor uniform. This overall problem risks affecting the customs union and the institution's credibility. The harmonisation process with DRC and São Tomé e Príncipe (which are not part of CEMAC but are in CEEAC and in the Central Africa EPA group) has started, but must be strengthened. The same problems of incomplete implementation and distortions exist in the **fiscal** area and in the **free circulation of people**. In the area of **trade-related rules** some initiatives are being developed on competition and technical norms, but no common action is foreseen yet in other areas such as intellectual property and public procurement.

**CEEAC** (Communauté Économique des États d'Afrique Centrale) was created in 1983, and currently unites 10 countries (Angola, Burundi, Cameroon, CAR, Congo, Gabon, Equatorial Guinea, Chad, DRC and Sao Tome e Principe). CEEAC suffered a crisis during the '90s, largely caused by conflicts in 7 of the then 11 member states. Since 1999, CEEAC has gradually restarted its activities, notably in the area of conflict prevention. The priorities for 2015 are (i) peace and security, (ii) infrastructure (notably transport) and (iii) energy, water and environment. CEEAC has just endorsed a document of strategic vision for 2025, but the institution is still in the initial phase of structuring and recruiting personnel. The **CEEAC Free Trade Area** was launched in 2004 and is being progressively implemented with a view to harmonise the process with CEMAC. For free movement of persons, a regulation exists for certain categories of community nationals, and a convention on mutual assistance and judicial co-operation has been adopted.

Beyond economic and trade integration, the development of sectoral approaches is taking place under the leadership of both CEMAC and CEEAC: a) for **transport**, a master plan in Central Africa was adopted in 2003; and for inland navigation issues the CICOS (Commission International du Bassin Congo-Oubangui-Sangha), was created as a specialised institution of CEMAC b) for **energy** a regional approach is also developed, with the creation in 2003 of the PEAC ("pool énergétique de l'Afrique Centrale") which has become a body of CEEAC. c) for **industry**, a regional approach is proposed by CEMAC, but there is still an effort to be made for the application of business rules (OHADA treaty) and for the reduction of administrative burdens d) for **environment** the approach is strongly integrated by the creation of COMIFAC (Conference des Ministres en charge des forêts d'Afrique Centrale) for the orientation, co-ordination and decision making of sub-regional initiatives. A convergence plan was adopted and a treaty came into force in 2006. In October 2007, CEEAC gave the status of "specialised institutions" to COMIFAC and COREP (Comité Régional des pêches du Golfe de Guinée). e) for **agriculture and food security** (an area which becomes increasingly important in the region) a regional approach is currently being developed.

Cooperation for **macro-economic stability** is particularly well-developed in CEMAC, even though the multilateral surveillance mechanism is not yet sufficiently effective. The unavailability of reliable and harmonised data is an important obstacle, and a regional statistic Fund has just been created. The harmonisation of public finances is an area for further improvement for future years.

With regard to **political integration**, CEEAC was designated by the African Union as reference organisation for Central Africa for the continental architecture of peace and security. It created a Peace and Security Council for Central Africa (COPAX). Non-aggression and mutual assistance pacts were signed by member states in 1996 and 2000 respectively. A department for human integration, peace, security and stability was established at the Secretary General level. An early warning mechanism (MARAC) and the multinational force of Central Africa (FOMAC) are currently being implemented. Within CEMAC, a non-aggression, solidarity and mutual assistance pact between members was concluded in February 2005. The multinational force of CEMAC (FOMUC) has been present on the territory of CAR from 2002 to June 2008 in a peace operation financed by the EC and France to maintain peace and security. This force is now under the responsibility of CEEAC.

#### **5.4. Proposal for a regional strategy between the EC and Central Africa**

The general objective is to contribute to an inclusive economic growth, contributing to poverty reduction. The specific objective is to support the regional integration process of the Central African region in a context of good governance as its integration in the world economy. The strategy will support the process of rationalisation and convergence launched by the two regional organisations. EC response strategy

#### **5.5. EC response strategy**

The response strategy will cover two focal sectors:

##### *Support to economic and trade agenda*

In supporting trade and economic regional integration, the objective is to deepen the regional economic integration process, to support integration of the region in the world economy and to implement EPAs (accompanying measures) The Strategy will support economic diversification, competitiveness, business environment and infrastructure and the sectoral strategies (including environment)

##### *Political integration*

The support aims at the consolidation of regional stability. It will contribute to strengthening the capacity of the region in the area of peace and security (consolidation of the early warning system, political and diplomatic actions, support to civil society, training) in synergy with the support given at pan-African level.

#### **5.6. Main elements of the regional indicative programme**

The RIP total indicative allocation for Central Africa amounts to €165 million. This envelope will be distributed as follows:

*Focal area 1: Support to economic and trade agenda (including natural resource management at regional level) (amount: 85-90%)*

This focal area is divided into the following components

- The implementation of a regional integration agenda: harmonisation and internal liberalisation (implementation of a common market) and external (common external tariff and liberalisation) and contribute to mitigate the costs related to these reforms.
- Support to economic growth and diversification, and improvement of competitiveness, business environment, and physical infrastructures (transport , energy);

– Sectoral policies: environment, agriculture, interconnectivity, higher education, etc

*Focal area 2: Support to the political integration agenda of the region (amount: 5-8%)*

The support will continue and develop the results of ongoing cooperation and accompany the development of the capacity of CEEAC in the area of conflict prevention and resolution.

*Non focal area:* Institutional support and technical cooperation facility. Moreover, an amount of € 15 million is earmarked for activities under the Initiative for CEPGL (Communauté Economique des Pays des Grands Lacs / Economic Community of the Great Lakes Countries), in complementarity with the support under the ESA RIP. *Implementation methods*

CEMAC and CEEAC should continue their efforts to refine their synergies and complementarities. The aim is to optimise the effectiveness of co-operation while advancing in the harmonisation and rationalisation process launched by the AU. A dialogue mechanism between CEMAC and CEEAC will be established in the framework of implementation of the RIP and support will be given for this.

A fund managed by the region could be established to manage part of the resources of the RIP.

For other development partners, synergy at regional level is being explored with Member States (support for the regional economic programme of CEMAC and also for peace and security), with the World Bank and the African Development Bank (mainly for the facilitation of transport and institutional support to regional organisations) and with other partners for the environment in the framework of the partnership for forests in the Congo basin.

## 6. CARIBBEAN

### 6.1. Situation in the region

The Caribbean region consists mainly of small island states and suffers from the many disadvantages that derive from small size (narrow range of resources; high dependence on international trade, and hence vulnerability to global developments). The Caribbean states are also more **vulnerable** than many other developing countries due to the interaction of the following socio-economic and natural characteristics: limited land resources and difficulties in waste disposal management; geographic remoteness and isolation; limited diversification and very open economies; weak institutional capacity and high costs of basic infrastructure; environmental/ecological vulnerability.

The countries of the region are predominantly **multi-party democracies**, and hold regular national elections, with well developed local government structures. This has been confirmed by the numerous successful election processes conducted in the Caribbean throughout 2005-2008 allowing incumbent governments to return to office or changes of governments. Transitions to new governments, where there have been changes, have been smooth. Nevertheless, the need to support the regional institutions persists.

National administrations and **democratic institutions** are in place and generally well consolidated. These democratic institutions are entrenched in the constitutions of most of the Member States. In some instances, the institutions require capacity development to successfully carry out their mandates and to implement their work programmes. Accountability structures are in place and are operational in most CARIFORUM Member States. They are part of the formal national governance structures.

An overall growth of 3.9% was reported for 2007, with **growth** rates ranging between 7.5% in the Dominican Republic and 1% in Dominica. A slow down compared to the previous year in which the surge in commodity prices, and significant public and private investment ahead of the Cricket World Cup had boosted the economic performance and led to impressive growth rates, e.g. in the case of Trinidad and Tobago of 12% or Antigua and Barbuda (11%). The slowdown can be attributed largely to global financial shocks and rising food, oil prices. While the outlook for 2008 is positive for most countries, inflationary pressures and the slowdown in the global economy emanating from developments in the US, including the depreciation of the US dollar, are likely to pose downside risk to any projections with the notable exception of exports to the area of Euro influence.

### 6.2. Issues and challenges for the regional integration process

Considerable challenges for the regional integration process remain, both at the level of the OECS, CARICOM and Cariforum.

The gains made by the OECS would be consolidated through the creation of an integrated system of governance. The Economic Union will provide an appropriate platform from which the ultimate objective of political union among the Member States of the OECS can be easily visualised and the effort required for its attainment can be better assessed.

In the context of the CSME the free movement of services entails the removal of all barriers to the right of establishment, and the free movement of persons entails providing for the free

movement of specified skills, contingent rights, facilitation of travel and an equivalence and accreditation infrastructure.

All of these initiatives are to be complemented by the harmonisation of laws in all the relevant areas. These laws are to be enacted into legislation in each Member State.

The purpose of creating the Single Economy is to establish a single economic space in CARICOM. The key policy perspectives are the adoption of common sectoral programmes and the establishment of common support measures. The sectoral programmes and enabling environment will focus on industry, micro and small enterprise development, services, tourism, agriculture, transportation and energy. Common support measures will involve Human Resource Development, Research and Development, Environmental Protection, Intellectual Property Rights, Investment Policies and Incentives, Macro-Economic Policies, Monetary Policy, Financial Infrastructure, Social Infrastructure and Public/Private Sector relations.

The European Commission and 15 CARIFORUM countries initialled an **Economic Partnership Agreement (EPA)** on 16 December 2007. CARIFORUM and its Member States will need to put in place the institutional, legal and other frameworks in order to be able to fully implement EPA provisions. This will require existing and new technical and financial EU support within the context of future EDF cycles, EU Member States and other donors. In the Joint Declaration on Development Co-operation, annexed to the EPA agreement, the Member States of the European Union have confirmed their intention to ensure that an equitable share of Member States' Aid for Trade commitments will benefit the Caribbean ACP States, including for funding programmes related to the implementation of this Agreement. In that same Joint Declaration, both CARIFORUM and the EU agreed on the benefits to be derived from regional development mechanisms, including a regional development fund, accessible to all CARIFORUM States, to mobilise and channel EPA related development support.

The initialisation of the EPA in December 2007 calls for regional integration to be firmly established; this means that the CARIFORUM countries are under considerable pressure to continue making substantive adjustments in a number of areas to ensure the de facto implementation of a progressive liberalisation.

### **6.3. State of play and way forward for the regional integration process**

The Organisation of Eastern Caribbean States (OECS)<sup>4</sup> is the inner circle of Caribbean economic/monetary integration, incorporating seven of the smaller Caribbean states. Established in 1981, its main objective is economic integration among its member states. In 2006, they announced plans for full economic union with a new proposal for an OECS treaty outlining the steps to be followed in establishing an economic union.

The next circle and main pillar of regional integration in the Caribbean region is the Caribbean Community, or **CARICOM**. The three main areas of activity of this regional organisation are: economic co-operation; co-ordination of foreign policy; and functional cooperation including health, education, youth, sports, science and tax administration.

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<sup>4</sup> Antigua and Barbuda, Dominica, Grenada, Montserrat, St Kitts and Nevis, St Lucia and St Vincent and the Grenadines. Anguilla and the British Virgin Islands are associate members.

Virtually all Members States (12 out of 14) CARICOM are engaged into a Regional Integration process aiming at establishing a **CARICOM Single Market & Economy (CSME)**. The CSME, which contributes to deepening the integration process based on both market and economic integration, has taken shape under the Revised Treaty of Chaguaramas and is essentially about the creation of a seamless economic space. When completed, the CSME will provide for the free movement of goods, services, capital, labour and right of establishment and harmonised laws and regulations affecting commerce.

The establishment of CSME has been a **two-stage process**. In 2006, the Single Market component of the CSME was launched and will be devoted, during 2008 and 2009, to achieve harmonization in several areas of economic policy, including the broadening of monetary cooperation and establishment of a single currency, as well as unified tax and incentive systems. In a second stage, a full monetary union will be established between 2010 and 2015, and structural policies will be coordinated in several sectors.

A third organisation, **CARIFORUM**, was created in 1992 as a political group to conduct the relations with the EU and including not only the CARICOM Member States, but also the Dominican Republic, Haiti and Suriname (both non-members at the time) and Cuba. Since then, CARIFORUM has expanded its activities in a range of sectoral and thematic policies.

CARIFORUM actively implements measures to improve efficiency and pursue deregulation and regional co-ordination in **transport and communications** and related areas. In respect of **agriculture and fisheries**, CARIFORUM members pursue strategies of rationalisation, increasing competitiveness levels, export diversification and adherence to international standards. CARIFORUM continues to pursue initiatives in the **manufacturing** sector to increase international competitiveness and to promote and support the development of international business, ICT and tourism.

The Region pursues policies intended to spread the benefits of tertiary and university level **education**. The region is committed to **poverty eradication**, achieving the MDGs and empowerment of vulnerable groups, gender inequality, the exposure of its youth and its rich culture. Its approach to youth issues must seek to focus on HIV/AIDS and illegal drugs, training for remunerative employment and empowerment.

CARIFORUM Member States will undertake accompanying measures which integrate **disaster and environment management** and pursue good governance strategies which promote economic, social and human development and provide an environment in which people can prosper.

The special CARICOM summit on **security** has decided on a range of measures, including an Action Plan to curb the high levels of crime in the region. Closely linked to this is also the strengthened co-operation in the fight against drugs and related crimes.

Finally, a **free trade area between the Dominican Republic and CARICOM** has been established, and all Caribbean countries are also part of the **Association of Caribbean States (ACS)**.

#### **6.4. Proposal for a regional strategy between the EC and the Caribbean**

Since 1975 the EC has been the largest grant donor to the Caribbean region. Overall EC/CARIFORUM cooperation is aimed at poverty reduction through interventions in economic regional integration and cooperation, as well as addressing vulnerabilities and social issues.



The overall aim is the beneficial integration of the Caribbean region into the world economy through sustainable economic growth, regional cohesion and stability, and continued improvements in living conditions. This strategy supports regional integration processes aimed at establishment of a harmonised economic space for the generation of sustainable and equitable economic growth, and includes in a coherent manner the EPA. This is intended to facilitate the region in structural transformation and the repositioning of its economy in response to global developments.

### **6.5. EC response strategy**

The 10th EDF Regional Support Strategy is based on the policy agenda of CARIFORUM States and the Communication on the Caribbean of 2 March 2006, as well as on the CARIFORUM-EC Economic Partnership Agreement (EPA).

The Regional Strategy (RS) takes into account the recent political developments which point to stability in the Region including restoration of the democratic process in Haiti and assistance to that country in its development efforts. It also takes into account historical and current economic features and trends in CARIFORUM. More particularly, the RS seeks to frame the assistance to CARIFORUM countries in their economic diversification efforts, namely to move away from overdependence on commodity exports and into services. Such assistance is provided through support for regional integration and cooperation efforts aimed at developing economic competitiveness and gradual entry into the global economy. The RS takes into account the special relationship between the CARIFORUM and the EU through provisions to assist the region in fully implementing and deriving maximum development benefits from the CARIFORUM/EC EPA. Lastly, the RS also takes into account the physical and social vulnerabilities having the potential to negatively impact on regional economic and social development.

The primary focus of the strategy is to provide support to regional integration and cooperation among CARIFORUM countries taking into account the needs related to the implementation of the EPA.

The themes selected for intervention are based on the various integration and cooperation processes in which CARIFORUM Member States are involved, namely the OECS, the CARICOM, enlargement of regional markets and the need to build capacity to meet EPA commitments. The intent is to achieve a concentration of focus for the interventions to be made under the regional programme.

The Response Strategy is also coherent with the National Indicative Programmes of the 10<sup>th</sup> EDF. Focal areas of the NIPs are in the area of governance and competitiveness or infrastructure/interconnectivity (Haiti, Suriname and Guyana), macroeconomic budgetary support (Jamaica) or poverty reduction (Grenada). Non-focal sectors focus among other things on Governance (Guyana, Trinidad and Tobago), good governance in the tax area (Barbados, Belize, Dominica, Grenada, St. Lucia, St. Kitts & Nevis, St. Vincent & the Grenadines) as well as capacity building related to EPA (Jamaica).

### **6.6. Main elements of the regional indicative programme**

The RIP total indicative allocation for the Caribbean amounts to €165 million. This envelope will be distributed as follows:

*Focal area: Regional economic integration/cooperation and EPA priority areas (€143 million)*

This focal area is divided into the following components:

- CARICOM Integration (€24.4 million) : supporting the process of CARICOM integration including the establishment of a Single Market Economy (CSME), an area of free circulation of goods, services, people and capital;
- OECS Economic Union (€6.6 million): supporting and deepening of OECS integration and support for OECS integration into the CSME
- Strengthening Intra-CARIFORUM regional co-operation (€3.1 million): focusing on Dominican Republic/Haiti bilateral cooperation; supporting closer cooperation between CARICOM and the Dominican Republic
- Investing in human capital (€9.9 million): preparing the people and institutions of CARIFORUM to respond to the challenges posed by global trade and economic realities, including the CARIFORUM-EU EPA, in partnership with Caribbean centres of excellence, such as regional universities.
- EPA implementation (€72.6 million): supporting priority EPA implementation and accompanying measures at the OECS, CARICOM and CARIFORUM levels.
- Integration and cooperation in the wider Caribbean (€6.6 million): supporting CARIFORUM/Départements d'Outre-Mer (DOM)/OCT integration and cooperation; supporting CARIFORUM-cooperation with Latin American Caribbean countries and sub-regional institutions or integration processes.

*Non-focal area: Addressing vulnerabilities and social issues (€22 million)*

- Crime and security cooperation (€10 million): supporting regional security cooperation structures building on the CARICOM Action Plan and foster CARIFORUM-wide cooperation in the fight against illicit drugs and related crimes;
- Civil society participation (€8 million): promoting stakeholder ownership and participation in the development, integration and cooperation processes in the region.
- Institutional support / programme implementation (€1 million).

#### *Implementation methods*

The implementation modalities will be designed to secure timely programming and efficient implementation through a limited number of projects/programmes and through the use of quick disbursing mechanisms which maintain transparency and accountability. In this context, at the occasion of the 3<sup>rd</sup> EU-Cariforum Summit (Lima, May 2008) both regions have made a high level commitment to "work together to achieve optimal disbursement rates, through the adoption of innovative and flexible implementation mechanisms". Leaders also confirmed that "the best way of establishing the regional development fund referred to in the EPA Joint Declaration on Development Cooperation, by the nearest possible date, as an effective channel for aid disbursement".

## 7. PACIFIC

For the purposes of EU external relations and development cooperation, the Pacific region includes 15 states that are parties to the EU-ACP Cotonou Partnership Agreement. The Pacific region comprises 6 least developed countries, one low income country, five lower middle income countries and three upper middle income countries.

All 15 Pacific ACP countries are regarded as small island development states. They are heterogeneous in terms of size (land area varies from 21 km<sup>2</sup> for Nauru to 400,000 km<sup>2</sup> for Papua New Guinea), economic structure, as well as resources endowment. They however share a common objective to address sustainable economic growth through regional integration and trade.

Progress toward reaching the Millennium Development Goals has been made overall but it is uneven. The Pacific region has performed well in reducing poverty and in advancing primary education. Progress towards gender parity in secondary school is not as good, and in health improvements has been slower, particularly in low income countries. HIV is on the increase in many Pacific ACP, with Papua New Guinea already reaching generalised epidemic rates. Finally, Pacific island countries rank among the most vulnerable in the world to natural disasters.

In 2005 Pacific Forum Leaders adopted an Agreement establishing the Pacific Islands Forum an intergovernmental organisation opening the way for a more structured and formalised procedure. This provided new impetus to the EU relations with the Pacific Islands, resulting in a Strategy for a strengthened partnership between the EU and the Pacific adopted in May 2006. The Strategy has three components: i) the relationship / political dialogue between the EU and the Pacific countries; ii) development action focused on governance, regionalism and the sustainable management of natural resources and iii) more efficient aid delivery.

The Regional Organisation (RO) which is mandated by the Pacific ACP for EDF programming is the Pacific Islands Forum Secretariat (PIFS) to which 14 of the 15 Pacific ACP belong. Timor Leste is not a member of the PIFS but has observer status at the annual Leaders meeting of the Forum.

### 7.1. Situation in the region

Overall, most Pacific ACP States are relatively young democracies and face a wide range of development challenges that include governance and capacity development of public institutions. There is still a need for **state consolidation**.

The Pacific islands have maintained satisfactory levels of national **safety and security** and addressed on their own and by means of regional assistance and co-operation the instances of political instability and conflict that have occurred notably since 2000. The main causes of conflict in the region are often related to ethnic differences, land disputes, disparity of economic opportunity and a lack of confidence in the ability of central governments to resolve provincial differences.

Apart from the case of Timor Leste, where a UN peace-keeping force has been deployed since October 1999, peace and security issues have always been dealt with internally by the region. A regional mechanism referred to as the Biketawa Declaration has been in force since 2000. Requests for assistance and mediation under the Biketawa Declaration were taken up on two occasions: the Regional Assistance Mission to the Solomon Islands (RAMSI) following ethnic tensions in 2003 and the Pacific Regional Assistance to Nauru (PRAN) after near

economic collapse in 2003/4. The Pacific Islands Forum also played key role in the political process which followed the military coup in Fiji in December 2006. As a result Fiji committed to hold parliamentary elections by March 2009. The Forum and Fiji have established a high-level working group that meets regularly and considers main issues concerning the situation in Fiji.

**Governance and democratization** in the Pacific region have improved in the last few years, including in the area of media ownership and control, the involvement of civil society and the participation of external observers in electoral processes. However, some of these changes have been top-down and the situation in Fiji, in particular, is extremely complex as regards a return to free elections. The low literacy levels and social vulnerability in the Solomon Islands leave room for the electoral processes to be manipulated. In the highly literate Kingdom of Tonga, which experienced rioting in 2006, domestic legislation is being revised to expand democratic suffrage.

As regards the **macroeconomic** situation, the region's combined GDP is projected to grow by 4.5% in 2008, up from an average of 2.8% between 2005 and 2007.

The economies of Papua New Guinea (PNG), Vanuatu and Solomon Islands (which together comprise more than 70% of the PACP population) are now growing at 6%. Good macro-economic policies are being increasingly applied in most countries, most remarkably in PNG. Responsible fiscal policies have reduced deficits and helped to keep inflation low. However, inflation remains a risk in the Melanesian countries due to their heavy inflows (aid and forest revenue in the Solomon Islands, commodity revenue for PNG and East Timor, and property investments for Vanuatu). The economies of Fiji and Tonga, on the contrary, have been contracting in the wake of political instability and inflation has increased.

Smaller Island States<sup>5</sup> (SIS) economies have grown at less than 3% for the last three years, four of them at less than 2%.

Overall, growth has occurred in several sectors but remains volatile in the Pacific. It is estimated that economies will need to grow annually at about 7% to 8% to create employment and improve livelihoods.

The environmental profile of the Pacific region is characterised by high degrees of endemism and levels of biodiversity, but relatively small numbers of species, high degree of vulnerability to a wide range of natural events and high economic dependence on the marine and coastal environment. Pacific island countries actually rank among the most vulnerable in the world to natural disasters.

## **7.2. Issues and challenges for the regional integration process**

The Pacific region faces important challenges towards regional integration. First and foremost, it is challenged by the **physical geography**, being the largest geographical entity in the world. Small countries are scattered on a huge ocean and transport connections are extremely expensive. The region is also very diverse in terms of size of the countries, their resource end economic base.

As regards the partners of the regional institutions, there are **asymmetries** between the Pacific islands on one hand and Australia and New Zealand on the other. These two blocs are quite different from the economic, historical and cultural point of view and different objectives may also have to be reconciled in regional forums.

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<sup>5</sup> Tuvalu, Kiribati, Cook Islands, Niue, Nauru, Palau and RMI

In the short term, regional cooperation and integration in the Pacific may work best at the political level, while economic/commercial integration is a longer term strategic objective. Pacific ACP progress towards economic integration uses a step by step approach and applies the subsidiarity principle in much the same way as has been increasingly applied in the EU.

The regional integration process among the Pacific countries was institutionalised in the early 2000 and evolved into an agreement to give the **Pacific Islands Forum** legal personality in 2005. The Forum is supported by **ten Regional Organisations** with technical mandates ranging from higher education to fisheries, tourism and energy.

The **Economic Partnership Agreement (EPA)** with the EU aims to use trade as an instrument for development, through a comprehensive WTO compatible trade agreement and through its synergetic implementation with development cooperation. EPA will be reciprocal but asymmetric in favour of the Pacific ACP. Negotiations entered a crucial phase during 2007, when the deadline jointly set by ACP and EU in the Cotonou Agreement and reflected in the WTO waiver was approaching. Under time pressure, negotiations focused on preserving ACP market access complying with the parameters for a WTO-compatible free trade area. An interim Economic Partnership was therefore initialled with Papua New Guinea and Fiji. Significant progress has been made since then in a number of areas including principles, trade in goods, fisheries, development cooperation and dispute settlement.

The decision taken by the Pacific Forum ACP to remain united as a negotiating party for a comprehensive Pacific EPA constitutes a challenge and a further opportunity to strengthen the process of regional integration. A deeper and well functioning regional internal market, progressively and asymmetrically opened to the EU and other key trading partners, can certainly contribute to economic growth.

### **7.3. State of play and way forward for the regional integration process**

In 2005, Forum Leaders adopted the **Pacific Plan for Regional Cooperation and Integration** (the 'Pacific Plan' 2005-2010), which includes an Economic Partnership Agreement (EPA) with the EU as one of its economic growth objectives.

The Pacific Plan's overarching goal is to enhance and stimulate economic growth, sustainable development, good governance and security for Pacific countries through regionalism. It has a number of strategic objectives developed around four pillars:

- Economic growth: the Plan aims to increase trade and investment; improve infrastructure and service deliver and enhance private sector participation
- Sustainable development: it aims to reduce poverty; improve natural resource and environmental management; improve health, education and training; improve gender equality; involve youth and promote sports and cultural values.
- Good governance: the Plan aims at improved transparency, accountability, equity and management efficiency
- Security: the Plan aims to achieve improved political and social conditions for stability and safety.

Concerning **trade and economic integration**, progress has been made towards the establishment of a number of free trade agreements.

The **Pacific Island Countries Trade Agreement (PICTA)** aims to establish a free trade area between the 14 Forum Pacific ACP countries by 2017. 11 states have so far ratified and six

countries have announced domestic regulations for trading under PICTA<sup>6</sup>. No customs union is foreseen at this stage. It currently covers trade in goods, and in 2007 it was agreed to extend its provisions to services.

The **Melanesian Spearhead Group (MSG) Preferential Trade Agreement** concerns the four Melanesian states of Vanuatu, PNG, the Solomon Islands and Fiji. The MSG provides for the gradual and progressive removal of tariff and non-tariff barriers between trading parties, and full liberalisation by 2013. It covers both goods and services but the schedule to the Agreement covering trade in services has not been developed yet. The final outcome of the MSG Agreement should be a customs union. The MSG was formally recognised as a sub-regional organisation in March 2007 and the MSG Secretariat was officially opened in Port Vila (Vanuatu) in May 2008.

The **Pacific Agreement on Closer Economic Relations (PACER)** is a Forum-wide framework agreement including Australia and New Zealand. It entered into force in 2002 and eleven Forum members have ratified it so far. PACER intends to promote regional economic integration and supports the progressive integration of the Forum region into the world economy. Negotiations on a detailed trade agreement, required for liberalisation, may begin in late 2008. Meanwhile, Forum Trade Ministers have agreed to look into the possibility of a more comprehensive framework for trade and economic cooperation which would at the very least include trade in services, known as "PACER-Plus".

The Pacific region has made remarkable progress in advancing regional integration through regional cooperation in developing **common sectoral policies for sustainable development**, particularly for the management of natural resources and the provision of social services.

As regards **fisheries**, three organizations are responsible region-wide for managing fisheries in the Western and Central Pacific Ocean through a regional approach: the Pacific Islands Forum Fisheries Agency (FFA), that runs a vessel monitoring system, the Secretariat of the Pacific Community (SPC), that carries out scientific research on the state of fish stocks, and the Western and Central Pacific Fisheries Commission (WCPFC) that determines the total allowable catch and level of fishing effort in the area governed by the so called "Tuna Convention". The Convention entered into force in June 2004 and the European Community is a full member.

FFA members and in particular the subset of Parties to the Nauru Agreement (PNA) have established a number of regional arrangements which reflect the fact that highly migratory species like tuna require special management considerations due to their movement between Exclusive Economic Zones (EEZs) of coastal states as well as onto the high seas. Another key regional initiative is the Niue Treaty on Cooperation in Fisheries Surveillance and Law Enforcement in the South Pacific Region.

Pacific island countries are the most vulnerable to the impact of **climate change**. In 2005 Forum Leaders endorsed the Pacific Islands Framework for Action on Climate Change (PIFACC) as a regional platform for deepening and broadening climate change cooperation.

The region has also adopted the Pacific Islands Regional Oceans Policy to improve the understanding of the **oceans** and sustainably develop and manage ocean resources. The Regional Pacific Disaster Risk Reduction and Disaster Management Framework for Action provides another coordinated "all hazards" approach. National and mitigation responses for civil protection and community risk management are assisted by the South Pacific Sea Level

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<sup>6</sup> Cook Islands, Fiji, Niue, Samoa, Solomon Islands and Vanuatu

and Climate Monitoring Network, which uses sophisticated sea level monitoring gauges in 12 countries and territories across the Pacific.

The provision of **education** and health services poses practical challenges to the Pacific ACP with scattered islands and remote rural communities because of high costs and efficiency barriers. The establishment of the Pacific Association of Technical and Vocational Education Training (PATVET) as a peer network of regional training institutions is a good example of progress in this area. Meanwhile, impressive progress has already been made in higher education, which is traditionally provided at the regional level by universities<sup>7</sup> with highly evolved distance education facilities.

Basic education is also pursued through regional cooperation: the seven-year old Forum Education Action Plan (FBEAP) will be evaluated in 2008 with a view to developing a regional education support mechanism. The EDF and NZAID have jointly funded the Action Plan.

The regional response for the provision of **health services** has focused on telemedicine and the adoption of a regional strategy for combating HIV/AIDS and other sexually transmitted infections STIs. The mid-term review of this strategy showed some evidence of reduction in risk behaviour in several countries. The strategy will be extended for a further five years to cover 2009-2013, as agreed by the Leaders Forum in 2007. A regional framework is also envisaged by the WHO to strengthen prevention and control of non-communicable diseases (leading cause of death in Pacific Island countries and territories).

#### **7.4. Proposal for a regional strategy between the EC and the Pacific**

The overall objective is to contribute to the sustainable development of the Pacific ACP by supporting economic growth at the same time as preserving the natural resources and the fragile island environments on which such growth is predicated. Specific objectives are to support the regional economic integration agenda as set out in the Pacific Plan and to flank this with environmental sustainability measures. Adaptation to climate change will be a particular concern, given the extreme vulnerability of Pacific islands to the effects of global warming and sea-level rise.

#### **7.5. EC response strategy**

The Response Strategy is guided by the EU Pacific Strategy and the Pacific Plan, which address the main challenges of the Pacific ACP countries. The Response Strategy thus proposes to place greater emphasis on support to regional cooperation and integration in order to build up a critical mass, including by considerably increasing the 10th EDF regional financial envelope compared to previous RIPs.

The main focus will be on the 'four pillars' of the Pacific Plan, economic growth, sustainable development, good governance and security. More precisely:

##### *Regional economic integration, EPA and regional sectoral policies*

The aim is to enhance sustainable livelihoods by exploiting economic opportunities through regional cooperation and economic integration in Pacific ACPs. This will be done through supporting the full implementation of the Forum ACP-wide PICTA, implementing regional economic initiatives for building human capacity for provision of services, and investing in

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<sup>7</sup> Fiji School of Medicine and USP in Fiji (which also has campuses in Vanuatu and Samoa) and the University of Technology (UNITECH) and the University of PNG (UPNG) in PNG

other productive sectors of regional importance. This will also leverage funds for trade-related infrastructure to deepen regional integration.

#### *Sustainable management of natural resources and the environment*

The objective is to ensure that economic growth is sustainable and will not deplete natural resources and the environment, so that both are preserved for future generations of Pacific Islanders. This will be achieved by promoting and strengthening sustainable development and management of marine and land resources, including ecosystems, through governance, practices and capacity at all levels.

### **7.6. Main elements of the regional indicative programme**

The total indicative allocation for the RIP of the Pacific region amounts to €95 million. This envelope will be distributed as follows:

#### *Focal area 1: Regional Economic Integration (€45 million)*

This focal area is divided into the following components:

- Assist the region in meeting its regional economic integration objectives particularly by facilitating regional trade arrangements and integrating into the world economy, notably through the EPA.
- Assist the region in developing its economic resource base in key productive sectors.
- Create an enabling environment and expand the region's export base in order to be able to respond to the opportunities provided by regional and international trade arrangements.
- Contribute to the region's efforts to develop a well educated labour force, capable of adapting to rapidly changing regional and global markets and services.

#### *Focal area 2: Sustainable Management of Natural Resources and the Environment (€ 40 million)*

This focal area is divided into the following components:

- Assist the region in developing cost effective solutions to natural resources and environmental development challenges.
- Address vulnerability issues in the Pacific, in particular those associated with fragile ecosystems, waste management, disaster preparedness and adaptation to climate change. Fragile habitats will be protected through waste management, renewable energy generation and disaster preparedness (taking special account of the risks posed by sea-level rise in the many atoll islands) so that the tourist, recreational and living environment is preserved for future generations.

#### *Non focal area (€ 10 million)*

The financial envelope will be used for institutional capacity building through the financing of a Technical Cooperation Facility project (€3 million) and giving technical support to the RAO (€3 million). Funds will also be committed to assist non-state actors (€4 million).

Flanking measures aimed at assisting the Pacific ACP tackle regional political problems in a coordinated fashion will be promoted through the region-to-region EU-PIF Political Dialogue launched in 2008 and supported where appropriate from budget mechanisms such as the Stability Instrument.



### *Implementation methods*

Two financing mechanisms will be employed. Contribution Agreements will be the preferred channel, provided that the RAO has demonstrated, by means of an institutional assessment, that it meets international standards in management, accounting, audit and procurement. In all other cases (notably taking into account the size and the nature of projects), traditional financing agreements would be used.

If the Trade Development Facility (TDF) were set up and if such a Facility would be a more efficient channel for the financing of certain RIP activities, funds for implementing such activities could be channelled through the TDF.

## List of acronyms

ACP	African, Caribbean, Pacific
ADB	African Development Bank
AIMS	Agricultural Information Management System
ASF	African Standby Force
AU	African Union
CAR	Central African Republic
CARICOM	Caribbean Community and Common Market
CARIFORUM	Caribbean Forum
CEEAC	Communauté Économique des États d'Afrique Centrale
CEEMAC	Communauté Économique et Monétaire de l'Afrique Centrale
CET	Common External Tariff
CICOS	Commission Internationale du Bassin Congo-Oubangui-Sangha
CLISS	Comite Permanent Inter-états de Lutte Contre la Sécheresse dans le Sahel
COMESA	Common Market for Eastern and Southern Africa
COMIFAC	Conférence des Ministres en charge des forêts d'Afrique Centrale
COPAX	Peace and security council for Central Africa
CSME	Caribbean Single Market Economy
DDR	Disarmament, demobilisation and re-integration
DDU	Déclaration en Douane Unique
DOM	Département a l'outre mer
DRC	Democratic Republic of Congo
EAC	East African Community
EC	European Commission
ECODRUG	ECOWAS Anti Drug Fund
ECOSAP	ECOWAS Small Arms Control Programme
ECOWAP	ECOWAS Agricultural Policy
ECOWAS	Economic Community of West African States
EDF	European Development Fund
EEZ	Exclusive Economic Zones
ELAC	Economic Commission for Latin America and the Caribbean
EPA	Economic Partnership Agreement
ERDF	European Regional Development Fund
ESA	Eastern and Southern Africa
ESF	ECOWAS Standby Force
EU	European Union
EUFOR	European Mission to Chad and CAR
FBEAP	Forum Education Action Plan
FFA	Pacific Islands Forum Fisheries Agency
FODEC	Fond de développement communautaire
FOMUC	CEMAC multi-national force
FTA	Free Trade Area
GCCA	Global Climate Change Alliance
GDP	Gross Domestic Product
GIABA	Groupe Intergouvernemental d'Action Contre le Blanchiment de l'Argent en Afrique
HIV	Human immunodeficiency virus
IGAD	Intergovernmental Authority on Development
IO	Indian Ocean
IOC	Indian Ocean Commission
IRCC	Inter-regional Co-ordinating Committee
LDC	Least Developed Country
MARAC	Central African early warning mechanism
MDG	Millennium Development Goal
MS	Member State
MSG	Melanesian Spearhead Group
NEPAD	New Partnership for Africa's Development
NSA	Non-state actors
OAPI	Organisation de la propriété intellectuelle
OCTs	Overseas Countries and Territories

ODA	Overseas Development Assistance
OECS	Organisation of East Caribbean States
OR	Outmost Region
PACER	Pacific Closer Economic Relations
PATVET	Pacific Association of Technical and Vocational Education Training
PDCT-AC	Master plan for transport in Central Africa
PER	Regional economic programme
PICTA	Pacific Island Countries Trade Agreement
PIF	Pacific Island Forum
PIFACC	Pacific Islands Framework for Action on Climate Change
PIFS	Pacific Island Forum Secretariat
PNA	Parties to the Nauru Agreement
PNG	Papua New Guinea
PRAN	Pacific Regional Assistance to Nauru
PTRP	Programme de Transport Routier Prioritaire
RAMSI	Regional Assistance Mission to the Solomon Islands
RAO	Regional Authorising Officer
REP	Regional Economic Programme
RIP	Regional Indicative Programme
RISDP	Regional Indicative Strategic Development Plan
RO	Regional Organisation
RPTF	Regional Preparatory Task Force
RSP	Regional Strategy Paper
SACU	Southern African Customs Union
SADC	Southern Africa Development Community
SADCC	Southern African Development Co-ordination Conference
SIDS	Small Island Developing States
SIPO	Strategic Indicative Plan for the Organ on Peace and Security
SIS	Smaller Island States
SME	Small or medium sized enterprise
SPS	Sanitary and Phytosanitary Measures
SSR	Security Sector Reform
TBT	Technical Barriers to Trade
TDF	Trade Development Facility
TEC	Tarif Extérieur Commun
TRIE	Transit Routier Inter-états
UDEAC	Douanière et Économique de l' Afrique Centrale
UN	United Nations
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organisation
USD	US Dollar
WAEMU	West African Economic and Monetary Union
WCO	World Customs Organisation
WCPFC	Western and Central Pacific Fisheries Commission
WTO	World Trade Organisation