

## ANNEX 1

### 1. IDENTIFICATION

Title/Number	Support to the Global Climate Change Alliance (GCCA) under the 10 <sup>th</sup> EDF Intra-ACP envelope – Cris n°2009/021-508		
Total cost	<b>EC contribution:</b> 100% EUR 40,000,000 from the Intra-ACP envelope of the 10 <sup>th</sup> EDF		
Aid method / Method of implementation	- Partially Decentralised management - Centralised Management - Joint management		
DAC-code	41010	Sector	Environment

### 2. RATIONALE

#### 2.1. Sector context

Climate change is of high concern to developing countries, in particular those of the ACP group, as expressed in several recent political declarations on climate change. The main ones include the May 2008 Caribbean/EU joint declaration, the November 2008 joint Pacific /EU declaration, and the December 2008 joint Africa/EU declaration on climate change. In addition, a joint ACP/EU declaration on Climate change was agreed at the May 2009 Joint ACP-EU Council.

The proposed intervention supports the implementation of the Global Climate Change Alliance (GCCA) in ACP regions and countries. The GCCA between the European Union and poor developing countries most vulnerable to climate change was launched in September 2007.<sup>1</sup>

The GCCA intends to step up cooperation between the EU and the developing countries that are hit earliest and hardest by climate change and have the least capacity to react. The Alliance is based on two pillars:

- 1) **Improved political dialogue on climate change** and exchange of experiences in addressing its impact.
- 2) **Concrete financial support** for adaptation to the negative effects of climate change and, where beneficial for the achievement of poverty reduction aims, for mitigation measures.

The proposed activities are consistent with the European Consensus of 2005 which states that adaptation to the negative effects of climate change will be central in the Community's support to Least Developed Countries and Small Island Developing

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<sup>1</sup> Communication on Building a Global Climate Change Alliance between the European Union and poor developing countries most vulnerable to climate change of October 2007 -COM(2007)540- and Staff Working Document on the implementation modalities of the GCCA of July 2008- SEC(2008)2319

States (Part 2, Art. 76). Assisting third countries in addressing climate change is not only part of the larger goal of striving for environmental sustainability but also to ensure poverty alleviation through adaptation so that the implications of climate change do not undermine progress towards the Millennium Development Goals.

As far as Africa is concerned the proposed programme is one of the means to deliver on the priorities identified under the strategic partnership on climate change part of the joint Africa/EU Strategy and first Action Plan (2008-2010) endorsed by the Lisbon Africa/EU Summit in December 2007.

The proposed intervention is in line with the principles of the Paris Declaration and the EU commitments on the aid effectiveness agenda. Efforts will be made in particular to ensure proper donor coordination. This will be mainly driven from field level where coordination mechanisms already exist or are being set up in the area of environment and climate change. Where they are felt insufficient, EC regional and in country offices will pay a special attention to activate those mechanisms, supported by head quarters efforts to coordinate at central level with bilateral and international organisations working in this field.

## **2.2. Lessons learnt**

The initial support under the GCCA currently shaped at country level under the ENRTP shows that there is great political interest and increasing demand for climate assistance. Also the political dialogue and the high level discussions in international fora, in view of the completion of the climate negotiations under the UNFCCC at the end of 2009, justify the choice of the focus on climate change within the intra-ACP strategy and warrant early action.

In complement to actions initiated under the GCCA at country level, it is felt important to support the ACP group as a whole, favouring exchange of experience, cross-fertilisation and to increase capacity in the climate change area with a strategic regional focus.

## **2.3. Complementary actions**

This programme will complement several other major ongoing initiatives. The Commission has earmarked EUR 70,000,000 from the Environment and Natural Resources Thematic Programme (ENRTP) over the period 2007-2010 to start up the GCCA. In this respect, support is being designed at national level for the following 12 ACP + 3 other countries: Vanuatu, Cambodia, Maldives, Bangladesh, Tanzania, Belize, Guyana, Jamaica, Mali, Madagascar, Mauritius, Mozambique, Rwanda, Senegal and Seychelles.

In addition, under the ENRTP around EUR 22,000,000 have been contracted for CC specific projects in developing countries for capacity building and pilot projects e.g. on bio-energy, gas flaring, local adaptation methods etc. Further under the ENRTP, climate related projects in the field of forest management, improved forest governance and avoided deforestation are foreseen for a total amount of around EUR 107,000,000 of which EUR 75,000,000 have been contracted. Another complementary climate-related envelope from the 10<sup>th</sup> EDF intra-ACP is focused on Disaster Risks Reduction (DRR) (EUR 180,000,000). This is why the current

Programme will not in priority support DRR, even though this is one the GCCA priority areas.

The programme will also complement the ongoing 9<sup>th</sup> EDF support to multilateral environment agreements (MEA). The objective of the EC/ACP MEA programme is to enhance capacity for the implementation and negotiation of major environmental conventions in ACP countries (EUR 21,000,000 through the UNEP, FAO, SAICM Secretariat and the Global Mechanism of the UNCCD), through regional hubs and support to specific MEAs, including the climate change one. The Intra-ACP GCCA Programme will build on the work initiated under the MEAs programme and will be fully coordinated in terms of specific activities, particularly for capacity building purposes. As far as thematic interventions are concerned close coordination will be ensured between this GCCA Intra-ACP programme and the work undertaken by the UNEP Risoe Centre on Energy, Climate and Sustainable Development in supporting African countries in their full and successful engagement in the global carbon market and the Clean Development Mechanism (CDM).

In view of the linkages between the above programmes and the proposed "Intra-ACP GCCA" programme, one of the first tasks of the Steering Committee of the latter will be to define modalities to ensure coordination and coherence of the actions to be supported at intra-ACP and regional level.

#### **2.4. Donor coordination**

Action proposed in this programme is complementary to existing international climate change initiatives, in particular those established under the United Nations Framework Convention on Climate Change and the Kyoto Protocol (e.g. Least Developed Countries Fund, Adaptation Fund, Climate Change window of GEF trust fund). Various international initiatives have emerged recently in the area of climate change. Coordination occurs on a regular basis with comparable programmes such as the World Bank's Pilot Programme for Climate Resilience (PPCR) and recent initiatives of the UNDP.

### **3. DESCRIPTION**

#### **3.1. Objectives**

The **overall objective** is to support the sustainable development of the ACP regions and countries, preserving their progress towards the Millennium Development Goals.

The **purpose** of the programme is to help the ACP group to better tackle climate change as a challenge to their development, in particular to improve the understanding of the effects of climate change and to contribute to adequate adaptation and mitigation responses.

## 3.2. Expected results and main activities

Specific results expected per component as well as the main activities are presented below:

### **3.2.1 First component – Technical Support:**

#### **3.2.1.1 An intra-ACP Climate Support Facility of EUR 4,000,000**

Expected results of the Climate Support Facility:

An increased resilience of the ACP countries to climate change will be achieved through the following results:

- (1) The capacity of regional institutions and countries to provide adequate responses to climate change is built;
- (2) dialogue within ACP groupings and between ACP and the EU on climate change is improved;
- (3) knowledge and experience between Africa, the Caribbean and the Pacific in bringing forward solutions to tackle climate change are exchanged;
- (4) the capacity of ACP negotiators to define positions and actively take part in the international negotiations is built.

Main activities provided through the Climate Support Facility:

- (1) support the dialogue and exchange of experience on climate change
  - (a) between the ACP and the European Union,
  - (b) between the ACP zones and
  - (c) within the ACP regions;
- (2) increase the capacity of ACP negotiators taking part in the international climate negotiations;
- (3) provide institutional support and capacity building to regional institutions/organisations (particularly in Central Africa and to those that are not the direct beneficiaries of the second component of the programme presented below, but that have a mandate on climate change related activities);
- (4) provide support for the implementation of the future climate international agreement under the UNFCCC for the (ACP) signatory countries of the three regions;
- (5) provide support for awareness raising activities and outreach actions to increase knowledge on such agreements and its implications for ACP countries;
- (6) provide technical assistance and expertise to ACP regions and countries for analytical work and specific activities linked to the increase of knowledge and the design of appropriate regional, national and local responses to the impact of climate change (including adaptation measures);
- (7) advise on how to effectively integrate climate change into regional, national and sector development policies, plans, and budgets.

### **3.2.1.2. An institutional support to the ACP Secretariat of EUR 700,000**

#### Expected results:

- (1) the ACP Secretariat's role of supervision, coordination, knowledge and monitoring of the GCCA Programme and EU/ACP climate relations and activities is adequately supported.

#### Main activities:

- (1) provide institutional support through technical assistance with a climate expertise to the ACP Secretariat for analytical work and specific activities linked to the implementation of this programme.

### **3.2.2 Second component: Support to the implementation of the EU-ACP joint declarations on climate: EUR 32,000,000**

#### **3.2.2.1 Africa : EUR 16,000,000**

Two sub-components have been identified: the first is a support to a pan-African initiative recently developed in the area of climate change, "ClimDev"; the second is a support to two regional economic communities in Africa.

##### **3.2.2.1.1. Support to ClimDev DEV Africa: EUR 8,000,000**

The overall objective of ClimDev is to respond to the climate change and variability challenges for Africa's development, with a focus on climate sensitive sectors.

Specific objectives of ClimDev include increasing the climate resilience of Africa's population, addressing the need for improved climate information in Africa and strengthening the use of such information for decision making.

An indicative amount of EUR 8,000,000 has been earmarked to contribute to the implementation of ClimDev Africa, which was mentioned explicitly in the strategic partnership number 6 on climate change under the EU/Africa Joint Strategy approved at the Summit in December 2007.

#### Expected results:

1. increased capacity in African climate and weather institutions as well as other related institutions, to be able to provide the climate information services and analysis as required;
2. improved availability and use of quality climate information and services addressing needs of local, national and regional scale decision makers throughout the continent;
3. demonstrated value and dissemination of best climate adaptation practices.

#### Main activities:

1. upgrade the management of climate and hydrological data;
2. detect and attribute carbon sources and sinks
3. early warning, seasonal forecasting and long term climate projections
4. development and dissemination of analytical tools for decision support
5. development of best practice for climate change preparedness;
6. knowledge support to African climate negotiators
7. support to identification, implementation and dissemination of best adaptation practice

ClimDev <sup>2</sup> will be implemented under the direction of the Joint AUC-UNECA-AfDB Secretariat. The results will be delivered by the African Climate Policy Centre (ACPC) and the ClimDev Africa Special Fund (CDSF).

The ACPC is in the process of being established within UNECA as the African climate centre of excellence. The ACPC, is the ClimDev Africa policy arm.

Several agencies (including from UK, DK, Nw and SE) have already expressed interest to provide support. Close coordination will take place to ensure complementarity of the envisaged support.

The EUR 8,000,000 GCCA contribution to ClimDev will support the start-up and functioning of the ACPC. Part of the funds will also be used to support the climate change unit in the AUC. The implementation will be done through a Contribution Agreement signed between the EC and UNECA.

### **3.2.2.1.2. Supporting activities in jointly agreed priority areas of action, EUR 8,000,000**

Regional Economic Communities, particularly in Africa, have an increasingly significant role to play in shaping and implementing regional policies and interventions relevant for climate adaptation and mitigation.

Because it is impossible to cover through this programme the large number of RECs in Africa, it is necessary to select those RECS where work in this area is the most promising in view of existing strategies and in terms of geographic coverage. This has led to the selection of COMESA and ECOWAS as partners for this programme.

#### **3.2.2.1.2.1. COMESA, EUR 4,000,000**

An indicative amount of EUR 4,000,000 has been earmarked for implementation with the Common Market of Eastern and Southern Africa (COMESA).

COMESA has started activities in the area of climate change, particularly dealing with agriculture, land use and livelihoods. The present component is designed to complement and step up these activities.

The COMESA framework in the climate area is adopted under the tripartite process that also involves the Southern African Development Community (SADC) and the East African Community (EAC)

The general objective of the present component is to increase COMESA's capacity to support its member states in dealing with the effects of climate.

#### Expected results:

1. increased capacity to deal with climate negotiations themes that are especially important for COMESA Member States such as: adaptation, technology transfer, flexible mechanisms related to the carbon market (Clean Development Mechanism), Reducing Emissions from Deforestation and Degradation (REDD) and Agriculture, Forestry and Land Use (AFOLU);
2. increased climate resilience of agricultural systems (increased awareness and improved practice of agricultural practice facing drought and weather variability).

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<sup>2</sup> Climate for Development in Africa (ClimDev-Africa) – Executive Summary, June 2009, Joint AUC, UNECA, AfDB paper

3. low-carbon, climate resilient solutions are incorporated in development strategies / the process for their incorporation has been supported.

Main activities:

1. capacity building activities (such as training or other): the COMESA Secretariat will be re-enforced to be in a position to support their Member States on the key subjects of the climate negotiations;
2. support to COMESA Member States to take advantage of the international carbon market: for example preparation of proposals under the CDM and proposals that can benefit from the voluntary carbon market;
3. pilot operations for improved climate resilient agricultural practice to be carried out in selected COMESA Member States in close coordination with the other components of COMESA's climate change initiative.

**3.2.2.1.2.2. ECOWAS, EUR 4,000,000**

An indicative amount of EUR 4,000,000 has been earmarked for implementation with the Member States of the Economic Community of West African States (ECOWAS), which is one of the recognised Regional Economic Communities (RECs) in Africa. The activities will be implemented by the Inter-State Committee to Combat Drought and Desertification (CILSS), which is a specialised body for ECOWAS dealing among others with environmental and climate change issues.

All Activities carried out by the CILSS under the GCCA will be carried out in close coordination and complementarity with those carried out under the EC DCI-FOOD financed *"Programme Régional de gestion durable des terres et d'adaptation aux changements climatiques au Sahel et en Afrique de l'Ouest."*

Expected results:

1. Increased capacity to deal with climate negotiations themes that are especially important for the Sahel and West Africa such as: adaptation, technology transfer, flexible mechanisms related to the carbon market (Clean Development Mechanism), and Agriculture, Forestry and Land Use (AFOLU);
2. better integration of climate change in national strategies for sustainable land management;
3. improved systems of weather information and capacity to analyse climate data and trends;
4. contribution to incorporating low-carbon, climate resilient solution in development strategies.

Main activities:

1. capacity building activities such as training of trainers: the CILSS Secretariat will be re-enforced to be in a position to support its Member States on the key subjects of the climate negotiations;
2. support to Member States to take advantage of the international carbon market: mainstreaming of low-carbon climate resilient solutions in national development strategies, preparation of proposals under the CDM and proposals that can benefit from the voluntary carbon market;
3. capacity building activities to reinforce regional institutes responsible of delivering weather information and data;

### **3.2.2.2 Caribbean: EUR 8,000,000**

The component for the Caribbean region will support the implementation of the joint Declaration on climate change approved between the EU and the CARIFORUM in May 2008. In line with this Declaration, the main objective will be to support the implementation of the Caribbean regional climate change strategy.

The institution responsible for this part of the programme will be the Caribbean Community Climate Change Center (CCCCC) in Belize. Although the CCCCC is a CARICOM institution, the activities of the programme will benefit all the countries members of the CARIFORUM and Cuba.

#### Expected results:

1. Improved regional knowledge and dialogue on climate change leading to an enhanced exchange of experience, better coordination between implementation of regional and national strategy and an increased negotiation capacity.
2. enhanced capacity at national and regional level in particular in the areas of vulnerability assessments, development of climate scenarios and climate impact analysis, identification of adaptation options and integration of climate change in national development policies, planning and budget;
3. participation in and taking advantage of the carbon market (support for possible CDM projects design, support for REDD initiatives);
4. experience in adaptation through implementation of pilot projects that could demonstrate best practice replicable in other countries of the region;
5. improved coordination of the policies of the CARIFORUM countries in response to the adverse effects of climate change and increased exchange of experience.

#### Main activities:

1. Organisation of meetings, workshops and other capacity building, dialogue and coordination activities that will foster an effective networking with national and regional relevant counterparts on climate change issues and challenges
2. Capacity building activities (including training and others): the CCCCC will be reinforced to be in a position to deliver capacity building activities that will benefit national institutions from the region dealing with climate issues and other national or regional public and private entities working in climate sensitive activities, in particular with the objective to support to the integration of climate change in regional, national and sectoral development strategies in all the CARIFORUM countries and Cuba; capacity building activities at community level will also be considered; capacity building activities will also encompass support for national and/or regional CDM participation and support for REDD initiative;
3. Support to climate monitoring, climate modelling, vulnerability assessments activities, development of regional/country specific climate scenarios and climate impact studies; identification and cost-benefit analysis of adaptation options; dissemination of those to relevant regional and national stakeholders;
4. Develop regional tools: communication strategy on climate for the region, etc;

5. Institutional Support for the CCCCC secretariat: develop the CCCCC capacity to perform adequately the mandate given by the CARICOM Heads of States; develop tools to ensure sustainability of the Center such as the definition of a medium term development plan;
6. Implementation of adaptation pilot projects in selected countries members of CARIFORUM, in sectors to be defined as having a particular regional or bi-national interest such as water management, biodiversity, infrastructures, land-use and insurance.

### **3.2.2.3 Pacific, EUR 8,000,000**

The Pacific component of the programme will support the implementation of the joint EU-Pacific Islands Forum Declaration on climate of November 2008. In line with this declaration, the Programme will support the implementation of the Pacific Islands Framework for Action on Climate Change (PIFACC) (2006-2015).

The implementation will be led by the University of the South Pacific (USP), in partnership with SPREP, and in cooperation, as appropriate and whenever useful with other relevant regional (CROP) agencies such as the Secretariat of the Pacific Community (SPC) for agriculture adaptation and the Pacific Islands Applied Geoscience Commission (SOPAC) for hazard analysis and coastal zone mapping.

#### Expected Results:

1. Capacity Development: The capacity of Pacific Islands people to understand climate change, its impacts and how to adapt is built through the conducted training under this project. It will include different capacity building activities encompassing, inter-alia, actions such as formal (academic) training and informal (at community level) training.
2. Community engagement and adaptive action: The capacity of Pacific Island people to design, implement and sustain adaptive solutions to climate-change.
3. Applied research: The effects of projected climate-change impacts in the Pacific Islands region are better understood through applied research, and adaptive actions in a range of sectors and community contexts are monitored and evaluated, with a view to 'mainstreaming' appropriate actions into all development programs.

#### Main Activities:

1. Capacity development:
  - Formal Training.
  - Informal training.
  - Other Capacity Building Actions: to be defined during formulation of the Agreement with the USP including dialogue and coordination activities that will foster an effective networking with national and regional relevant counterparts on climate change issues and challenges.
2. Community engagement and adaptive action:
 

Community action projects in 'pilot' sites will be carried out. The countries would be chosen to represent different types of islands and problems common in the Pacific building synergies with ongoing work carried out under major adaptation projects in the region. Project sites would be predominantly in outer

(peripheral) and more vulnerable islands where the self-sufficiency issues are more acute.

### 3. Applied research:

Research will be carried out to better understand the degree and nature of the vulnerability of the communities of various sizes (cities, towns, villages) which occupy particularly vulnerable locations (e.g. atolls and river deltas), and to examine appropriate adaptation strategies.

## 3.3. Risks and assumptions

### Risks:

A significant share of development investments are at risk of being affected by climate change. However, very often attention to climate change in developing country governments' policies, strategies and projects is low, even in areas where climate is already posing considerable risk. Also very few opportunities exist to enhance capacities in this area and to exchange experience and best practice, in particular at regional level, particularly in the ACP context. It is therefore urgent to step up support for adaptation for the most vulnerable countries.

### Assumptions:

Main assumption is that climate change will remain high on the agenda of recipient regions and countries, following a comprehensive and ambitious post-Kyoto agreement in December 2009 in Copenhagen.

As mentioned above, during 2008 and 2009, there was an increased dialogue on climate change between the EU and the ACP countries. The proposed programme will further bring climate change dialogue to the forefront of the relations between the EU and African, Caribbean, Pacific regions.

## 3.4. Crosscutting Issues

Climate Change: implementation of the Global Climate Change Alliance will allow for better implementation of ACP countries national, regional and international commitments in the field of climate change and will contribute towards supporting these countries in adopting measures towards climate change adaptation.

Environmental Sustainability will inherently benefit from the implementation of the present program. The activities aiming at tackling climate change under the headings of adaptation and low-carbon development strategies will improve environmental sustainability. They will also contribute to maintaining progress on poverty eradication. None of the envisaged activities are damaging to the local environment.

Gender Equality: the programme will address gender issues through specific considerations to be integrated in proposing ad hoc measures, where relevant, in the definition of the implementation activities (e.g. training and research).

Good Governance: GCCA implementation is an important part of good environmental governance. The capacity building supported by the project aims to improve the process of policy planning, implementation, evaluation and reporting.

### 3.5. Stakeholders

The key stakeholders in this programme are:

- regional institutions/organisations of ACP group;
- governments and policy makers in ACP regions and countries;
- the wider group of stakeholders in the climate change area in ACP zone;
- key target group are the citizens of the ACP countries, in particular the most vulnerable ones which are the most affected by climate change impacts, as ultimately, enhanced action to address the effects of climate change will benefit poverty reduction.

## 4. IMPLEMENTATION ISSUES

### 4.1. Method of implementation

In accordance with Art. 14.6 of Annex IV of the ACP-EC Partnership Agreement, a Financing Agreement will be signed with the ACP Secretariat. The programme will be implemented as follows.

#### **4.1.1 – First Component: Technical Support**

For the first Component (Technical Support), composed of:

- Intra-ACP Climate Support Facility (EUR 4,000,000)
- Institutional Support to the ACP Secretariat (EUR 700,000)

the method of implementation will be partially decentralised management.

The Commission controls ex ante all the procurement and grant procedures.

Payments are executed by the Commission.

Service Contract with a Private Body through an International Restricted Tender Procedure.

There will be no Programme Estimates.

#### **4.1.2 – Second Component: Support to the Implementation of the EU-ACP Joint Declarations on Climate, EUR 32,000,000**

##### **4.1.2.1 – Africa: EUR 16,000,000**

##### ***4.1.2.1.1 – Support to ClimDev Africa: EUR 8,000,000***

Joint management through the signature of Standard Contribution Agreement under FAFA provisions between the EC and UNECA (reasons for the choice of UNECA are developed in Point 3.2.2.1.1).

#### **4.1.2.1.2 – COMESA: EUR 4,000,000**

Joint management through the signature of Standard Contribution Agreement between the EC and the COMESA Secretariat (reasons for the choice of the COMESA Secretariat are developed in Point 3.2.2.1.2.1).

COMESA has been screened (4 pillar assessment) for joint management.

#### **4.1.2.1.3 – ECOWAS: EUR 4,000,000**

- a) Centralised management through the Financing in full (derogation to the principle of co-financing) in the case of a Direct award of a Standard Grant Agreement signed with the CILSS as per Point 19e of Annex II of Note D(2008)9406 from 20/06/2008. A direct award is possible as CILSS has a role of specialised body of the ECOWAS Secretariat dealing with environmental and climate change issues and also has a regional scope. CILSS has a legal personality in international law (eligible for joint management mode)
- b) Provided Successful Completion of the ongoing 4-Pillar Assessment, joint management through the signature of a Standard Contribution agreement between the EC and the CILSS (reasons for the choice of the CILSS are developed in Point 3.2.2.1.2.2).

#### **4.1.3.2 – Caribbean: EUR 8,000,000**

Centralised management through the Financing in full (derogation to the principle of co-financing) in the framework of a Direct award of a Standard Grant Agreement signed with the CCCCC as per Point 19e of Annex II of Note D(2008)9406 from 20/06/2008.

A direct award is possible as CCCCC is the specialised body of CARICOM in the field of climate change.

#### **4.1.3.3 – Pacific: EUR 8,000,000**

- a) Centralised management through the Financing in full (derogation to the principle of co-financing) in the framework of a Direct award of a Standard Grant Agreement signed with the USP. (reasons for the choice of the USP are developed in Point 3.2.2.3) as per Point 19e of Annex II of Note D(2008)9406 from 20/06/2008. A direct award is possible as the USP is the only partner in the Pacific region with the necessary experience and expertise. USP has a legal personality in international law (eligible for joint management mode)
- b) Provided Successful Completion of the ongoing 4-Pillar Assessment, joint management through the signature of a Standard Contribution agreement between the EC and the USP

## **4.2. Procurement and grant award procedures**

### **4.2.1 Components of the programme implemented through partially decentralised management and centralised management**

## 1) Contracts

All contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.

Participation in the award of contracts for the present action shall be open to all natural and legal persons covered by the Financial Regulation applicable to the 10<sup>th</sup> EDF. Further extensions of this participation to other natural or legal persons by the concerned authorising officer shall be subject to the conditions provided for in article 20 of Annex IV of the Cotonou Agreement.

## 2) Specific rules of grants

- Grant Contracts will be negotiated, established, signed and performed by the Commission on behalf of the ACP Group of States as per Art. 19.c.4 of Decision 3/2008 of the ACP/EC Council of Ministers of 15/12/2008 to adopt amendments to Annex IV of the Partnership (Cotonou) Agreement.

- The essential selection and award criteria for the award of grants are laid down in the Practical Guide to contract procedures for EC external actions. They are established in accordance with the principles set out in Title VII 'Grants' of the Financial Regulation applicable to the 10th European Development Fund. When derogations to these principles are applied, they shall be justified, in particular in the following cases:

- Financing in full (derogation to the principle of co-financing): the maximum possible rate of co-financing for grants is 95%. Full financing may only be applied in the cases provided for in Article 253 of the Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of the Financial Regulation applicable to the general budget of the European Communities and in Article 109 of the Council Regulation on the Financial Regulation applicable to the 10th European Development Fund.

- Derogation to the principle of non-retroactivity: a grant may be awarded for an action which has already begun only if the applicant can demonstrate the need to start the action before the grant is awarded, in accordance with or Article 108 of the Financial Regulation applicable to the 10th EDF.

### **4.2.1 Components of the programme implemented joint management with an International Organisation:**

All contracts implementing the action are awarded and implemented in accordance with the procedures and standard documents laid down and published by the International Organisation concerned.

## **4.3. Budget and calendar**

The Financing Agreement shall be concluded by 31 December of the year following the year in which the global financial commitment was adopted.

The execution period of the Agreement will be 90 months as from the date of signature of the Financing Agreement. This execution period will comprise 2 phases:

1. Operational implementation phase that starts from the entry into force of the financing agreement and will have duration of 60 months (5 years).
2. Closure phase of a duration of 30 months that starts from the expiry date of the operational implementation phase.

The contracts implementing the financing agreement shall be signed at the latest within three years of the entry into force of the financing agreement. That deadline may not be extended. ('Sunset clause').

Any balance of funds remaining available under the EC grant shall be automatically cancelled 6 months after the end of the period of execution of the Financing Agreement.

<b>PROGRAMME COMPONENT</b>	<b>IMPLEMENTATION MODALITY</b>	<b>INSTITUTION IN CHARGE</b>	<b>DELEGATION IN CHARGE</b>	<b>BUDGET</b>
Intra-ACP Climate Support Facility	Service Contract	Private Body	AIDCO/C	EUR 4,000,000
Institutional Support to the ACP Secretariat	Service Contract	Private Body	AIDCO/C	EUR 700,000
ClimDev Africa	FAFA Contribution Agreement	UNECA		EUR 8,000,000
COMESA Component	Contribution Agreement	COMESA Secretariat	Zambia	EUR 4,000,000
ECOWAS Component	Grant Agreement or Contribution Agreement *	CILSS	Burkina Faso	EUR 4,000,000
Caribbean Component	Grant Agreement	CCCCC	Jamaica	EUR 8,000,000
Pacific Component	Grant Agreement or Contribution Agreement *	University of the South Pacific	Fiji	EUR 8,000,000
<b>VISIBILITY</b>				EUR 50,000
<b>EVALUATION</b>				EUR 125,000
<b>AUDIT</b>				EUR 125,000
<b>CONTINGENCIES<sup>3</sup></b>				EUR 3,000,000

<sup>3</sup> Use of Contingency funds will be subject to endorsement of the Steering Committee. In priority, Contingency Funds will be used to support actions under the "Intra-ACP Climate Support Facility".

<b>TOTAL</b>				EUR 40,000,000
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\* Institutional 4-Pillar assessments to be concluded in the last quarter of 2009.

#### **4.4. Performance monitoring**

To maximise impact and sustainability as well as ensure an appropriate level of monitoring, the EC will require, where possible, the use of an effective result-oriented monitoring system based on appropriate definition of performance baseline, targets and key financial, social and efficiency indicators.

A Steering Committee will be created to supervise the implementation of the programme. It will meet once a year or as required to allow for exchange of information on the various components of the programme, to provide guidance and orientation on the overall priorities and management. It will be composed the ACP Secretariat (Chair) and the EC (DG AIDCO, DEV, ENV). The respective regional institutions (the AUC, COMESA, ECOWAS, CARICOM Secretariat/CARIFORUM, the Pacific Island Forum), and the company contracted for managing the facility, will be represented to this Committee in order to report on the implementation of the parts of the programme under their responsibility and to be consulted on the orientations and guidance for the future.

Regional sub-committees will be established with participation of the regional institutions responsible for the implementation of the specific components, the EC regional Delegation in charge, and, as consultative bodies, representatives of countries, regional institutions and stakeholders involved in the programme, at technical level. Those sub-committees will meet once a year in the region. They will review the implementation of the previous period and agree on activities for the following year.

A Brussels-based sub-committee composed of the ACP Secretariat and the European Commission Services (AIDCO, Dev and ENV) will meet quarterly or more if deemed necessary, to approve, after consultation of the ACP regions involved, the requests to be financed through the EUR 4,000,000 facility. To do so, the sub-Committee will base itself on criteria to be defined, including the quality of the requests and the geographical balance.

#### **4.5. Evaluation and audit**

Independent consultants recruited directly by the Commission on specifically established terms of reference will carry out a final external evaluation, at the beginning of the closing phase.

The evaluation will focus on extracting and disseminating lessons learned in order to capitalise on this programme for the EC's actions in the field of Climate Change.

The ACP Secretariat and the Commission shall analyse the conclusions and recommendations of the evaluation and jointly decide on the follow-up action to be taken and any adjustments necessary, including, if indicated, the reorientation of the project. The reports of the other evaluation and monitoring missions will be given to the Beneficiaries, in order to take into account any recommendations that may result from such missions.

#### **4.6. Communication and visibility**

Special attention will be given to the visibility of the ACP group of States and the EU. The programme will ensure that communication and visibility guidelines are integrated in all its activities. A special budget is foreseen for communication strategy, media contacts, publications and visibility materials.

Keeping in mind the central role and visibility to be reserved to the ACP group of states, the Programme and related activities will follow the guidelines established in the EC Communication and Visibility Strategy and ensure that high visibility of the support is provided. [http://europa.eu.int/comm/europeaid/visibility/index\\_fr.htm](http://europa.eu.int/comm/europeaid/visibility/index_fr.htm).

This will include acknowledgment of EC ACP support in relevant interviews and articles as well as all events on posters, banners and other materials.

## ANNEX 10

### 1. IDENTIFICATION

Title	Work Programme 2010 for the Technical Centre for Agricultural and Rural Cooperation ACP-EU (CTA)		
Total cost	EUR 16,200,000 Total cost EUR 16,000,000 EC contribution from the Intra-ACP Envelope of the 10 <sup>th</sup> EDF		
Aid method / Management mode	Project approach – Direct Centralised Management		
DAC-code	25010	Sector	Business support services and institutions

### 2. RATIONALE

#### 2.1. Sector context

The performance of agriculture in the Africa, Caribbean and Pacific (ACP) region continues to be mixed. In some countries the agricultural sector growth rate is negative or declining, while in others it is accelerating. However, in nearly all ACP countries, agriculture continues to be the main source of food security, employment and, in many cases, makes the highest contribution to export earnings. FAOSTAT<sup>1</sup> has shown that 13 African states are amongst the world's fastest growing agricultural sectors, registering an annual growth rate of 3-6%. Many ACP countries' economies, especially those of least-developed countries, landlocked or small island states, are still highly dependent on agricultural commodities.

Moreover, spiralling food prices, the global financial crisis, drought and civil conflicts have drawn the world's attention to the need for enhanced agricultural production and productivity in developing countries in order to contribute to global food security.

The Cotonou Agreement and the Millennium Development Goals (MDGs) –and particularly MDG 1 on poverty and hunger - are unlikely to be achieved without a massive and immediate investment in agriculture which is still the main economic sector in most African, Caribbean and Pacific countries. The most notable agricultural and rural development challenges that ACP countries continue to face include:

- insufficiently effective agricultural policies (including access to land and land tenure) and strategies;
- limited public and private investment in agriculture, agri-business and support services, in part responsible for the lack of inputs and limited access to rural finance;
- high population growth rate compared with the agricultural growth rate;

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<sup>1</sup> Steve Wiggins, ODI (in his power point presentation at the Brussels Policy Briefings on Communication Advancing African Agriculture, October 17, 2007).

- climate change, which increases risks of extreme events like drought, flooding, cyclones and exposure to other natural disasters: risk of animal diseases (like bird flu), locust attacks, etc.;
- environmental degradation, made worse by inappropriate farming practices and poor management of the rural resource base;
- diseases such as AIDS, tuberculosis and malaria, which have adverse effects on the agricultural labour force and contribute to the marginalisation of women and children.

## **2.2. Lessons learnt**

Various evaluations, audit reports, needs-assessment studies and the INFOIR assessments (2008 – 2009) have confirmed that CTA's products and services based on the aforementioned CTA's mission are effective and relevant to the agricultural and rural development objectives of ACP countries. In 2006 and 2007 a number of improvements were introduced with regard to streamlining a number of internal processes for efficiency gains with further consolidation of these efforts in 2008-2009 to further improve efficiency, effectiveness and outreach. These included:

- use of external consultants to assist CTA to further streamline and rationalise the Centre's operational and organisational set-up for programme delivery and effective human resources deployment and development ('Fit Analysis') as well as improvement of the staff evaluation system
- update of criteria for selecting CTA's strategic partners as well as contract management and financial reporting guidelines
- review of CTA's external (market) environment and continued needs assessment studies for strategy development
- working more intensively with institutions at the national level to facilitate the development of national information policies and strategies to increase their capability in ICM and ICTs, and to invest more in facilitating publications in local languages.

In 2009, priority has been given to reviewing the current management information systems to identify opportunities for strengthening the capture and analysis of performance and financial data for core products and services (introduction of a Content Management System – CMS). These initiatives will be consolidated in 2010.

## **2.3. Complementary actions**

With regard to complementarity, CTA is engaged in a series of collaborative projects with various EC funded institutions/programmes/projects (e.g. CDE, COLEACP/PIP, All ACP Agricultural Commodities Programme, Platform for African European Partnership on Agricultural Research for Development/FP6-SSA project, , etc.) and with other donors organisations (UNCTAD, IFAD, FAO, World Bank, UNESCO, etc.). Finally, bilateral cooperation organisations from EU member states are regularly consulted on CTA's programme of activities and collaboration has been strengthened with some of them (e.g. Agence Française de Développement). CTA pays specific attention to make sure that its funding complements and does not duplicates what other agencies and/or donors are doing. This is based on CTA's comparative advantages especially its strong position in terms of ICTs/ICM (cf. Strategic Plan 2007-2010).

## **2.4. Donor coordination**

CTA currently develops its annual programmes within the framework of the ACP-EU Cotonou Agreement signed in June 2000, and contributes to the objectives set out in the Cotonou Agreement (Annex III, Article 3, paragraph 1 of the Agreement) and various cooperation strategies (Part 3, Titles I & II).

In addition, CTA's annual programmes are also developed bearing in mind various international initiatives, agreements and commitments involving the EU and ACP, namely: Millennium Development Goals (MDGs); World Summit on the Information Society (WSIS); World Trade Organization (WTO) trade negotiations, in particular the outcomes of the current Doha Round; Regional Economic Partnership Agreements (EPAs); EU action plan on commodities and the EU-Africa Partnership on Cotton; EU–Africa Partnership on Infrastructures (transport, energy, water, ICTs) – launched in 2006 as part of the EU Strategy for Africa; the EU Communication Advancing African Agriculture (AAA), in which CTA is repeatedly indicated for specific tasks to attain the strategy's objectives; as well as ACP regional policies and strategies.

## **3. DESCRIPTION**

### **3.1. Objectives**

#### *Overall objective*

To contribute to: i) promotion of sustainable food security, ii) poverty reduction, and iii) preservation of the natural resource base in ACP countries.

#### *Purpose*

ACP stakeholders adopt more effective and efficient practices, techniques, strategies and policies in the field of agricultural and rural development.

### 3.2. Expected results and main activities

#### Result 1

ACP stakeholders' awareness and understanding of key and topical agricultural and rural development challenges and opportunities increased

#### **Objective verifiable indicators (OVIs) of achievement (related to Result 1)**

- ACP researchers, training officers, extension workers, NGOs, and farmers associations have access to ARD information (print and electronic publications, thematic websites, QAS) in a timely manner.

##### Direct beneficiaries:

- 46,000 subscribers to the *Spore/Esporo* magazine
- 38,000 subscribers to the Publication Distribution Services
- 40 ACP information / documentation centres (including QAS centres) receive support
- 11,000 subscribers to ICT Update, Knowledge for Development and Agritrade websites

- ACP stakeholders have access to platforms of dialogue and exchange at local, national, regional and international levels.

##### Direct beneficiaries:

- 1,250 ACP stakeholders attend seminars (both CTA and non CTA seminars)
- 300 ACP stakeholders benefit from seminars and workshops organised by CTA partners
- 60 ACP stakeholders participate in study visits
- 120 ACP researchers attend regional workshops on ST&I issues
- 300 ACP nationals attend policy briefings seminars in Brussels
- 2,000 subscribers to electronic fora on trade related issues

#### **Activities related to Result 1**

- Publish practical information (print, audio, video and electronic) and disseminate to ACP stakeholders through the book distribution system, Internet, radio stations, TV channels and satellite
- Organise face-to-face meetings, study visits, electronic discussion fora and networking among ACP stakeholders and between ACP and the rest of the world:

*These activities cover: (i) key development related issues including agricultural diversification/value adding, bio-energy/biofuels, epidemics/pandemics, community mapping, biodiversity, climate change and natural disasters, trade, science and technology strategies and policies, etc., and (ii) cross-cutting issues including gender, ICTs, youth, HIV/AIDS*

## **Result 2**

Capacities of ACP individuals, organisations and networks in information and communication management (ICM) improved in the field of agricultural and rural development

### **Objective verifiable indicators (OVIs) of achievement (related to Result 2)**

- Modernised and more efficiently run agricultural information services by ACP organisations and networks.

Direct beneficiaries:

- 80 ACP organisations & networks (both regional and national) receive integrated ICM support (technical, financial, publications, training) from CTA
- 200 ACP institutions hold a full set of CTA publications (“CTA Corner”)

- An increased number of ACP individuals (including extension workers, radio & TV broadcasters, trainers, etc.), organisations and networks have participated in ICM training sessions.

Direct beneficiaries:

- 1 000 ACP individuals belonging to 500 ACP organisations & networks in face-to-face sessions
- 120 ACP participants in distance learning programmes

- More cost effective and user friendly ICM methodologies adopted by ACP organisations (e.g. relating to needs assessment, impact assessment, ICM strategies, management of electronic communities, etc.)

Direct beneficiaries:

- 50 ACP institutions adopting new ICM skills

- ACP organisations and individuals make increased use of information and communication technologies (ICTs) including web 2.0, as well as conventional communication media in the delivery of information and communication services

Direct beneficiaries:

- 80 individuals from ACP institutions

## **Activities related to Result 2**

- Train ACP information and communication specialists (including extension workers, radio & TV broadcasters, trainers, etc.)
- Develop and promote cost effective and user friendly ICM methodologies (e.g. relating to needs assessment, impact assessment, ICM strategies, management of electronic communities, etc.)
- Promote the use by ACP stakeholders of ICTs (including web 2.0) and conventional communication media in the delivery of information and communication services
- Provide technical and financial support to ACP organisations and networks to strengthen their ICM capabilities.

### **3.3. Risks and assumptions**

CTA operates in a dynamic environment and, as a service provider; its impact depends largely on the circumstances under which its products and services are used by its beneficiaries. Although the 2007 – 2010 Strategic Plan defines various approaches and tactics aimed at addressing risks and obstacles, CTA can exert little or no influence, on the following issues or situations:

- Political and social upheavals in ACP countries that may disrupt, albeit temporarily, programme implementation and the flow of CTA's services
- Brain drain in ACP countries, often resulting in trained personnel migrating to non-ACP countries

Failure to recruit and appoint a new CTA director for the period 2010 – 2015 could have an adverse impact on programme execution.

Regarding the budget, the ratio Title I and Title II (functioning of the organisation) vs Title III (operations) is 43.4 : 56.6 instead of 40:60 in previous years, hence less budget for interventions. This trend is likely to continue in the future due to increase of running costs and the overall budget remaining the same.

### **3.4. Crosscutting Issues**

CTA's work covers key development related issues including agricultural diversification/value adding, bio-energy/ biofuels, epidemics/pandemics, community mapping, biodiversity, climate change and natural disasters, trade, and science, technology and innovation (ST&I) strategies.

CTA also continues to accord a high priority to cross-cutting topics such as youth, gender, and HIV/AIDS, and ICT/ICM concepts and practice.

### **3.5. Stakeholders**

CTA is mandated to assist the 79 ACP countries in a collaborative framework between these countries and the 27 EU member states. About 550 million people, who constitute CTA's potential beneficiaries, live in ACP rural areas out of a total of over 800 million.

The 2008 INFOIR exercise and needs assessment studies revealed that CTA's focus on products rather than users had led to a fragmented approach across the Centre. These lessons were taken on board in 2009 and led to CTA further reviewing the type and nature of strategic partners and groups to better understand and meet their needs, and the Centre being restructured accordingly. Consequently, 6 distinct strategic partners groups have been identified: (i) civil society (farmers associations & NGOs), extension services, re-defined Question and Answer Services (QAS) and Telecentres); (ii) research organisations / networks, higher learning/ academic institutions, and students; (iii) mass media (radio & TV stations, journalists); (iv) specialist information services (dedicated documentation and information centres); (v) policy advisory organisations and networks; (vi) vocational schools / secondary schools.

CTA works in close partnership with over 250 ACP organisations from the above categories at the national, regional and international levels and provides technical and financial support to help these organisations implement programmes they have developed in consultation with their target group. Based on the results of the INFOIR study and the restructuring exercise that will be completed in 2009, CTA will place stronger focus on media and information centres and review, with newly established criteria, its so-called local and national partnerships.

Other important CTA's stakeholders include:

- ACP and EU bodies (ACP and EU Councils of Ministers, ACP-EU Committee of Ambassadors, EC EuropeAid and DG Development, ACP sub-committees and working groups)
- its Executive Board
- ACP-EU policy-makers (including ambassadors, MPs, ministers)
- EC delegations and ACP national/regional authorising officers (NAOs/RAOs)
- EU partner organisations and beneficiaries
- general public of ACP/EU states.

CTA also has regular contact with these stakeholders undertaking joint actions such as meetings, seminars, workshops and study visits, wherever possible.

An institutional assessment of the CTA was carried out in 2005-2006 and recommendations are being implemented. A follow up assessment and 'four pillar audit' is ongoing and results should be available by end 2009.

## **4. IMPLEMENTATION ISSUES**

### **4.1. Implementation method**

Implementation will be through direct centralised management. A grant contract will be signed between the CTA and the European Commission. This direct award of a grant is justified as the support to CTA is foreseen in the Cotonou Agreement (annex III).

A 'four pillar' assessment on accounting, audit, internal control and procurement procedures of CTA and evaluating if CTA complies with the international accepted standards is ongoing. Provided this audit is completed by end 2009 with a positive outcome and CTA new rules and procedures are approved by the ACP-EU Committee of Ambassadors also by end 2009, a

contribution agreement with an international organisation could be signed between the CTA and the European Commission.

As stated in the Cotonou Agreement, the ACP-EU Committee of Ambassadors is the supervisory authority of the Centre. It is responsible for:

- laying down the statutes and rules of procedures of the Centre, including its supervisory bodies;
- laying down the statutes relating to staff, financial and rules of procedure of the Centre;
- supervising the work of the bodies of the Centre; and
- laying down the rules of operation and the procedures for the adoption of the Centre's budget.

In addition, CTA has an Executive Board that has been operational since end 2008.

CTA applies its Financial Regulation approved by the ACP-EC Committee of Ambassadors n°3/2006 of 27<sup>th</sup> September 2006.

#### **4.2. Procurement and grant award procedures**

As provided in article 33 of the Financial Regulation of CTA above mentioned, all contracts implemented by CTA must be awarded in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question i.e. the 10<sup>th</sup> EDF procurement and grant award procedures

Should a contribution agreement be signed (provided the four pillar audit is completed by end 2009 with a positive outcome and CTA new rules and procedures are approved by the ACP-EU Committee of Ambassadors also by end 2009), all contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the International Organisation concerned.

#### **4.3. Budget and calendar**

The total budget is EUR 16,200,000. The contribution from the European Commission will be EUR 16,000,000 and EUR 200,000 will be financed from income taxes and other income.

The budget is presented for a period of 12 months (1<sup>st</sup> January to 31<sup>st</sup> December 2010) with a carry-over period of 12 months. The operational implementation phase will be 24 months as of the date of signature of the Grant contract or agreement between CTA and the European Commission. The period of execution will be 48 months.

No financing agreement will be signed. The contract between the Commission and the CTA shall be signed by 31 December of the year 'n+1', year n being the year in which the corresponding global financial commitment was adopted.

#### **4.4. Performance monitoring**

CTA conducts various self- and external independent evaluations of its products and services at regular intervals. The results and recommendations of one such exercise in 2008 for eight of its products and services was implemented in 2009 and discussed with the Executive Board.

Performance monitoring with regard to the implementation of its programme of activities is a key component of CTA's tasks. Projects are monitored on the basis of technical and financial reports submitted by CTA partners at several points during the project cycle. For the Centre as a whole, budget commitment and expenditure are examined on a quarterly basis by the senior management team, with corrective action being taken as and when needed. CTA has periodic meetings with AIDCO / DGDEV to report on the progress being made in the implementation of the annual work programme.

The Executive Board established at the end of 2008, has a role of follow up and monitoring of the activities of CTA on technical, administrative and financial matters.

#### **4.5. Evaluation and audit**

In addition, the EC monitors the implementation of recommendations made in the externally conducted operational audit on a regular basis. In particular a 'four pillar' assessment was launched in September 2008, the results of which are expected end- 2009.

In respect of financial audits, in accordance with Article 26 of Decision N° 3/2006 on the Financial Regulation of CTA, a firm of auditors of international standing has been appointed to audit the books and cash of the Centre, to verify that the inventories and balance-sheets have been drawn up in a regular and proper manner in accordance with International Accounting Standards.

#### **4.6. Communication and visibility**

CTA has taken steps to ensure the visibility of actions financed by the EC, through the use of the EU logo and the words "CTA is funded by the European Union" on its letter heads; the presence of the EU logo in all PowerPoint presentations, on CTA's website and in flagship publications such as *Spore* and *ICT Update*.

#### **Appendices**

Appendix I - Draft programme of activities with table presenting the expected outputs, effects and impact of CTA programmes

Appendix II - Draft summary Budget

Appendix III – Logframe

## ANNEX 11

### 1. IDENTIFICATION

Title/Number	Technical Cooperation Facility Intra-ACP 10 <sup>th</sup> EDF CRIS: 21687		
Total cost	<i>EC contribution: EUR 6,000,000</i> from the Intra-ACP Envelope of the 10 <sup>th</sup> EDF		
Aid method / Method of implementation	Project approach <i>Partially decentralised management</i>		
DAC-code	43010	Sector:	Multisector Aid

### 2. RATIONALE

#### 2.1. Sector context

It has become a standard practise for the European Commission to use a Technical Cooperation Facilities (TCF) for the provision of short-term consultancies to assist in identifying, preparing, evaluating, monitoring and auditing projects and programmes supported by Community financial assistance. TCFs enable a number of studies to be conducted, which assist in delineating EU interventions in various development sectors, assist in the preparation of specific programme proposals, facilitate their implementation and allow the EC to undertake a number of evaluation exercises. In addition to the standard activities this TCF should cover for specific training needs of the ACP Secretariat, as specified in the Intra-ACP Strategy Document

A particular emphasis in this proposed programme will be consultancies aimed at defining specific actions under the intra-ACP new strategy envelope, ensuring the effective timely implementation of development programmes. It will provide:

- Technical Assistance: engagement of short to medium term consultants to assist in the main stages of the project cycle to ensure the effective implementation of the Intra ACP Programme and other EC programmes in favour of the Intra ACP's development strategy, in keeping with the objectives of the ACP-EU partnership Agreement. Consultants will be engaged to assist with specific tasks related to: project identification, preparation and assistance with tender procedures and with evaluation and monitoring or audit where this has not been provided for in the project itself, of the project has already been closed. It is proposed that these services be provided by consultants and/or individual experts recruited by or on behalf of the RAO in accordance with EDF procedures, in particular Article 19c of Annex IV to the Cotonou Agreement.
- Trainings support: this will finance various educational actions such as seminars or consciousness-raising activities prior to or during the formulation of a project or programme. The beneficiary of these actions will be ACP nationals.

The cost of both these components will be of EUR 5,600,000

## **2.2. Lessons learnt**

This project aims to assure continuity to the previous ongoing TCF 9 ACP RPR 132 ("TCF bridge"), taking into account the lessons learned and the necessary improvements that should be envisaged, especially regarding implementation modalities.

The authority responsible for carrying out this project is the Chairman of the Committee of Ambassadors of the ACP Group of States. However, all activities have been contracted by the Commission based on the mandate of Art. 19c of Annex IV of the Cotonou Agreement (« In decentralized management, contracts are negotiated, established, signed and performed by the ACP States. These States may, however, call upon the Commission to negotiate, establish, sign and perform contracts on their behalf »).

This approach demands a good coordination and collaboration between both ACP Secretariat and Commission services in charge of implementing the facility. This coordination has been done for the ongoing TCF (9 ACP RPR 132) through a pipeline of projects. This system has proved to be a good management tool but it would need further improvements with regards to the methodology and compliance.

The partition of the global amount in two different budget lines, for Technical Assistance and or Conferences/trainings under TCF 9 ACP RPR 132 resulted in the need of riders to the global commitment to allow transfer of funds between lines. Therefore and in order to avoid that in the present TCF, a single budget heading is proposed for TA and trainings in view of providing more flexibility to the services and avoiding unnecessary, purely administrative, riders to the global commitment.

## **2.3. Complementary actions**

The EC and ACP will ensure that activities implemented under TCF work in synergy with operations implemented with other instruments of the cooperation, including those financed by the European Community budget.

## **2.4. Donor coordination**

n.a.

## **3. DESCRIPTION**

### **3.1. Objectives**

The overall objectives of the proposed programme are:

- A. The implementation of the Intra ACP development strategy through the support of sound development programmes financed from the European Development Fund.
- B. The fostering of a more coherent and informed approach to issues of development, trade, etc., within the ACP group, by means of studies and training for beneficiaries.

The project purpose is:

the support to the identification, implementation, monitoring, evaluation and audits of the Intra-ACP projects as well as raising awareness among key ACP actors of important ACP-EC cooperation issues of development, trade, etc. by means of training for beneficiaries in the ACP States.

### **3.2. Expected results and main activities**

The proposed programme will therefore produce the following results:

- i) Identification of programmes to be financed from the 10th EDF intra ACP envelope.
- ii) Preparation and formulation of programmes to be supported by the 10th EDF intra ACP envelope.
- iii) The ACP bodies and institutions as well as other national or regional agencies are enabled to maintain or improve their levels of implementation and monitoring of new and ongoing projects as long as this cannot be provided for in the projects or programmes themselves.
- iv) Audits and evaluations of projects undertaken whenever they cannot be financed from other projects.
- v) Increased understanding of issues concerning development, trade, procedures, etc. by key actors through training activities
- vi) Elaboration of trainings (excluding thematic conferences and institutional meetings)

### **3.3. Risks and assumptions**

The Programme design establishes an implementation modality to ensure that there are no obstacles to successful implementation. The Programme positive results will be obtained provided that the ACP Secretariat and the Commission continue to cooperate proactively on exploring the better ways of managing the fund.

### **3.4. Crosscutting Issues**

Particular attention will be given in project identification to environmental sustainability, gender equality, good governance and human rights in order to ensure mainstreaming in future actions. Those themes may also be the subject of specific studies and trainings.

### **3.5. Stakeholders**

The relevant stakeholders are all ACP States as well as the ACP Secretariat.

## **4. IMPLEMENTATION ISSUES**

### **4.1. Method of implementation**

In accordance with Article 14.6 of Annex IV of the ACP-EC Partnership Agreement, the TCF shall be implemented by decentralised management through the signature of a financing agreement between the Commission and the ACP Secretariat. The overall responsibility for the implementation of the programme lies with the ACP Secretariat, who may request the Commission to implement technical assistance contracts under Article 19c of Annex IV to the Cotonou Agreement.

The Commission controls ex ante all the procurements and grants procedures.

Payments are executed by the Commission.

In order to coordinate the requests for funding, an intensified use of a pipeline of activities will be developed between the Commission and the ACP Secretariat in order to foresee availability of funds and organise the corresponding contractual arrangements in a timely manner.

### **4.2. Procurement and grant award procedures**

#### 1) Contracts

All contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.

Participation in the award of contracts for the present action shall be open to all natural and legal persons covered by Council Regulation (EC) No 215/2008 of 18 February 2008 on the Financial Regulation applicable to the 10<sup>th</sup> EDF. Further extensions of this participation to other natural or legal persons by the concerned authorising officer shall be subject to the conditions provided for in article 20 of Annex IV of the Cotonou Agreement.

#### 2) Specific rules of grants

The essential selection and award criteria for the award of grants are laid down in the Practical Guide to contract procedures for EC external actions. They are established in accordance with the principles set out in Title VII 'Grants' of the Financial Regulation applicable to the 10th European Development Fund. When derogations to these principles are applied, they shall be justified, in particular in the following cases:

The maximum possible rate of co-financing for grants will be of 80%. Full financing may only be applied in the cases provided for in Article 253 of the Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of the Financial Regulation applicable to the general budget of the European Communities and in Article 109 of the Council Regulation on the Financial Regulation applicable to the 10th European Development Fund.

Derogation to the principle of non-retroactivity: a grant may be awarded for an action which has already begun only if the applicant can demonstrate the need to start the action before the grant is awarded, in accordance with Article 108 of the Financial Regulation applicable to the 10th EDF.

The activities will be implemented through service contracts following an international restricted tender, simplified procedure or framework contract procedure.

It is envisaged that framework-contracts of other Directorates General may be used provided that EDF funds are managed in accordance with EDF rules.

#### **4.3. Budget and calendar**

The indicative breakdown of the budget of this TCF is as follows:

<b>Activity</b>	<b>Cost (EUR)</b>
Technical Assistance and trainings	5,600,000
Audit (of this programme)	50,000
Evaluation (of this programme)	50,000
Contingencies (5%)	300,000
<b>TOTAL</b>	<b>6,000,000</b>

The contracts implementing the financing agreement shall be signed at the latest within three years of the entry into force of the financing agreement. That deadline may not be extended. This provision does not apply to contracts for audit and evaluation, which may be signed later.

The implementation of the project is planned to take place over a 60 months period as from signature of the Financing Agreement.

The completion date of the period of execution of the Financing Agreement is 84 months after the signature of the Financing Agreement.

#### **4.4. Performance monitoring**

Progress in the implementation of the activities financed from the TCF will be monitored by the ACP Secretariat.

Overall technical and financial monitoring will be a continuous process as part of the Beneficiary responsibilities. To this aim, the Beneficiary shall establish a permanent internal, technical and financial, monitoring system of the TCF, which will be used

to elaborate the progress reports.

#### **4.5. Evaluation and audit**

A provision for Evaluations and Audits is included in the budget.

The Commission can use this provision to organise an independent audit during the lifetime of the project.

In addition, an Evaluation and Audit may be conducted at the end of the project. Audit and evaluation contracts are always concluded and managed by the Commission on behalf of the ACP Secretariat.

#### **4.6. Communication and visibility**

All activities carried out under this facility will be compliant with and executed following the EU visibility guidelines for external actions.

Visibility is consequential to the principle of the ownership of aid and requires that when the ACP Group contributes to inter-regional or international initiatives through the Intra-ACP Fund efforts will be made to ensure that adequate and appropriate visibility is given to such contributions for which the modalities will be jointly defined by the ACP Secretariat and the Commission.

## ANNEX 12

### 1. IDENTIFICATION

Title/Number	African Economic Outlook V (CRIS 021-690)		
Total cost	<b>Total Cost: EUR 2,401,000</b> <b>EC contribution : EUR 820,000</b> from the Intra-ACP envelope of the 10 <sup>th</sup> EDF <b>Other contributions:</b> African Development Bank (AfDB) : EUR 892,500 Organisation for Economic Co-operation and Development (OECD): EUR 367,200 United Nations Economic Commission for Africa (UNECA): EUR 321,300		
Aid method / Method of implementation	Project approach – joint management with AfDB		
DAC-code	15110	Sector	Economic and development policy/planning

### 2. RATIONALE

#### 2.1. Sector context

The proposed action is a continuation of support to the African Development Bank for the production of the African Economic Outlook publication. Until now, the EC supported seven editions of the African Economic Outlook, the first five editions produced by the OECD Development Centre and the last two by the AfDB.

The Intra-ACP allocation, under Article 12 of Annex IV to the Cotonou Agreement, is earmarked for regional operations and is allocated to activities that benefit many or all ACP States. This project covers the needs of the intra-ACP Programme to raise private-sector awareness and encourage social dialogue through the production of comparable information, analysis and prospects on macroeconomic and structural issues, including poverty developments, in a large set of individual African countries, representative of the whole continent.

Although various annual reports on developing countries are published by international organisations, the African continent is seldom covered in depth on a country-by-country comparative basis. One common concern of donors, private investors and local policy makers about African countries is the lack of consistent, reliable, and timely information on their economic, political and social developments. African countries show a high degree of diversity among themselves and across time and the need of periodic reviews of their situation and short-term prospects is a necessary tool for good policy making and

economic development. The need for quality information and analysis on African economies will significantly increase in the years to come in the context of the APRM launched by the NEPAD.

Modelled on the OECD Economic Outlook, the African Economic Outlook (AEO) report draws on the experience accumulated by the OECD in peer review process and economic analysis. The project has adopted, from the outset, the principle of engaging in close co-operation with the institution working to promote development in Africa. It has therefore been set up as a joint project with the African Development Bank (AfDB). The production of the report is built on all relevant analytic work already produced by research institutions and international organizations, while producing fresh new insights into developments in individual African countries with an overview on the continent as a whole. The report combines the knowledge and expertise accumulated by the OECD, by the AfDB and the United Nations Economic Commission for Africa (UNECA) on African economies. It provides up-to date statistical information, ensuring as much as possible comparability of development indicators.

## **2.2. Lessons learnt**

The AfDB and the OECD Development centre have already produced seven editions of the African Economic Outlook reports. Throughout several years of activity the report gained in quality and expanded country coverage. Lessons have been learned on the organisational structure of the project, good cooperation practices have been established between the OECD and the AfDB. Since 2007, the AfDB has taken the lead in the production of the report, using the experience gained and working on the basis of the same model as the one used to produce previous reports.

An evaluation of five first editions of the AEO was carried out in September 2008. The evaluation concluded that the reports were of good quality, saluted the independence of the analysis provided and suggested that the publication was an asset for policy makers. The evaluation also acknowledges the effective handover from the OECD team to the AfDB, which contributed in particular to the strengthening of the research capacity of the Bank. The evaluators affirm that the AfDB, being a small institution, still needs EC resources (of around EUR 900,000 per year) in order to continue and develop the publication.

The recommendations of evaluators include: shortening the production cycle, reducing costs, strengthening the analytical model and linkages with APRM. The AfDB is working towards integrating these recommendations. An evaluation of the last two editions of the African Economic Outlook produced by the AfDB will be carried out and its results shall be known at the beginning of 2010.

## **2.3. Complementary actions**

In the AEO, the African countries are examined through a common analytical framework allowing for comparisons at the regional, sub-regional and country levels. Such analyses benefit a wide group of users, including the EC Delegations who make use of the economic data and analysis. Moreover, the EC's involvement in the selection of themes for future editions of the report will allow giving greater prominence to themes and

policies, which the EC is promoting. It is worth noting the substantial involvement of the EC in dissemination events in most African countries, where the Heads of Delegations participate in the opening sessions or discussion panels.

#### **2.4. Donor coordination**

The AEO report will be produced by the AfDB, with a quality review undertaken by OECD. The work will be carried out in close co-operation with UNECA and it will involve regular contacts with other African institutions such as the NEPAD secretariat. Cooperation with the IMF/WB has already been secured during the production of the previous AEO reports. Assistance from donor agencies will be sought as much as possible, particularly through their agents in African countries.

The co-operation with the OECD Development Centre and with UNECA is one of the strong points of the project, contributing to the capacity building of the AfDB. While benefiting from this co-operation, the AfDB is continuously increasing its ownership, as well as financial share in the overall budget.

### **3. DESCRIPTION**

#### **3.1. Objectives**

The project will contribute to the financing of one edition of the African Economic Outlook report (2009/10).

The purpose of the AEO is to produce comparable information, analysis and prospects on macroeconomic and structural issues, including poverty developments, in a large set of individual countries, representative of the whole continent. It shall permit comparative assessment of their policies and performances, used for example in such mechanisms as the African Peer Review Mechanism.

The AEO project aims at improving economic policy modelling in the African countries and enable policymakers in these countries to better evaluate perspectives and the impact of economic, financial and social policy measures. A complementary objective of the project is strengthening of analytical capacities in Africa, through increased involvement of African experts and institutions, facilitating local ownership.

#### **3.2. Expected results and main activities**

The visible result will be one annual edition of the AEO report published in May 2010. An additional result is the reinforcement of capacity building: both at the AfDB and among the local institutions.

Other results include: contribution to policy monitoring; identification of best practices; description and follow up of economic and structural policies inducing a better appropriation of reforms by African countries.

The execution of the project will involve the following activities:

- a) field missions by members of the AEO central team assisted by a local consultant, in order to collect the necessary up-to-date information for each country chapter;
- b) use and maintenance of a macro-economic model;
- c) drafting of the country chapters;
- d) production of the statistical annex;
- e) production of a comparative synthesis;
- f) dissemination: an integral part of the project is the dissemination of the results to, and discussion with, decision-makers in Africa.

The report will consist of 3 main parts:

Part I: Overall assessment of the world economic situation and prospects; comparative synthesis on African economies, presentation of the results of the comparative analysis of an important cross-cutting theme. The EC will be involved in the selection of themes for future editions of the report and will allow giving greater prominence to themes and policies, which the EC is promoting.

Part II: Country Chapters on Selected African Countries. Part II is the core of the report. Each country chapter will follow the same structure consisting of: a summary introduction, a section on recent macro-economic situation (including fiscal and monetary policies) and short-term outlook, a section on structural issues, and a final section on political and social developments (including poverty assessment). Special attention will be paid to providing original updated information on the focus selected in Part I. Improvements in quality of the country chapters will be ensured by the peer review system put in place since 2005. The peer review will involve seminars with country desk officers of the AfDB and African experts.

As of the 2009 edition, the report covered 47 African countries, accounting for 99 per cent of the continent's economic output and 97 per cent of Africa's population. It reflects an important advance over previous editions in the increased coverage of the African continent (from 22 in 2002 and 35 in 2007). In the future further country coverage is foreseen. (N.B.: The cost of non-ACP Country chapters of the report will be supported by AfDB and OECD)

Part III: Selected Statistics on African Countries. The production of the statistical annex has progressively moved under the responsibility of the AfDB.

Other activities include:

Strengthening the capacity of the AfDB staff involved in the project, including training in the different techniques used in producing the report, in particular the methodology for generating the outlook (forecasting and policy monitoring). The capacity building at local level is done through the involvement of local research institutions and consultants in consultations and discussions on the country chapters. It entails a peer learning process of

the local stakeholders and increases the African ownership of the report, which is the ultimate objective of the project.

In terms of dissemination activities, the AEO report will be presented at the AfDB Annual meeting. Other dissemination events will also take place both in Europe and Africa.

### **3.3. Risks and assumptions**

The project initially contributed to around 50% of the costs, at present the contribution equals to around 30% of the costs. The future sustainability of the report production will be incorporated in the project as one of the conditions for financing.

The AfDB has engaged to put in place mechanisms to ensure sustainability of the project in the future. This will be achieved by soliciting other institutions to join the process and provide in kind contributions, as well as to maximise the use of local expertise in the process of preparing country chapters.

### **3.4. Crosscutting Issues**

The AEO country chapters include ‘Social Context and Human Resource Development’ section tackling questions relating to poverty reduction and gender equality issues. The ‘Structural issues’ section includes analysis relevant to the issue of the degradation of the environment in the countries reviewed.

In the AEO, the African countries are examined through a common analytical framework, allowing for comparisons at the regional, sub-regional and country levels. Such analyses benefit a wide group of users and allow for useful comparisons, peer review mechanisms, and thus potentially encourage good governance, human rights and democracy.

### **3.5. Stakeholders**

The African Economic Outlook is produced by the AfDB, with the participation of the OECD Development Centre in quality review. Other institutions involved include the United Nations Economic Commission for Africa and several African research centers. The AEO reports’ preparation and dissemination activities rely heavily on a network of African experts and involve regular contacts with African institutions, such as the NEPAD secretariat. The AfDB also co-operates with the World Bank and the IMF.

The African Economic Outlook has become a reference publication and its project partners are committed to provide continuous support. The project is fully owned by the AfDB, which guarantees local commitment and full ownership of project results by an African institution and contributes to building its capacities.

#### **4. IMPLEMENTATION ISSUES**

##### **4.1. Method of implementation**

The method of implementation will be joint management through the signature of an agreement with an international organisation. There will be no financing Agreement signed for this project. Following the financing Decision, a Standard Contribution Agreement will be signed between the EC and the AfDB. This will be a second Contribution Agreement signed with the AfDB, the preceding one covered the last two editions of the AEO (2007/8-8/9).

Since 2007, the AfDB has taken over the production activities of the AEO from the OECD. Signing the Contribution Agreement with AfDB allows for enhancing African ownership and is a good example of co-ordination of international actors. This implementation method contributes to building capacity of this institution, assures local involvement and ownership.

As expressed in the Order for Service from DG Dev, the following conditions shall be reflected in the Contribution Agreement:

- a) The ability of the AfDB to finance the AEO in the long term without donor (or if this is not possible, without EC) support,
- b) Joint selection of themes in order to give greater prominence to themes and policies which the EC is promoting,
- c) Receiving the draft manuscript sufficiently in advance (i.e. minimum one week) notably to check for possible inaccurate treatment of topics of interest to the EC,
- d) Having timely and full access to the programme of events on the AEO in order to allow better planning of EC participation,
- e) Reasonable visibility requirements from the EC (EC logo, acknowledgment of the EC contributions, participation in dissemination events, etc).
- f) visibility of the ACP group systematically ensured in the dissemination events, media coverage and press releases associated with this publication.

In agreement with Article 19 of the Annex IV of the Cotonou Agreement, the Contribution Agreement will include a retro-activity clause to cover the eligible expenditures as of 1<sup>st</sup> of September 2009. This is justified by the fact that the activities have started from early September 2009 in order to assure that the deadline of May 2010 is met for the publication of the report.

In addition to this, the ACP Committee of Ambassadors will be provided with a copy of the report of the evaluation exercise to be carried out on 2007/08 and 2008/09 editions.

#### 4.2. Procurement and grant award procedures

All contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the International Organisation concerned (AfDB). AfDB will have to ensure ACP+EU27 eligibility.

#### 4.3. Budget and calendar

Total project costs are EUR 2,401,000, of which the EC will contribute 33%, up to a maximum of EUR 820,000. Other donors that will contribute to the project are: AfDB EUR 892,500 (38%), OECD EUR 367,200 (16%) and UNECA 321,300 (13%).

The financing decision is taken for the amount of EUR 820.000, broken down as follows:

Item	Amount in Euros
Contribution Agreement with AfDB	785,600
Audit	9,400
Evaluation	25,000
<b>TOTAL</b>	<b>820,000</b>

The operational duration of the project is 16 months as of the 1<sup>st</sup> of September 2009. The financing will cover activities relating to the production and publication costs for the 2009/10 edition.

#### 4.4. Performance monitoring

The performance monitoring will follow the provisions of the Contribution Agreement. The main indicators include: country coverage, involvement of AfDB in writing country chapters and statistical appendices, quality of forecasting models, updates on the web-page and the use of AEO as a reference publication.

#### 4.5. Evaluation and audit

Provision for evaluation and audit are included in the budget of this financing decision. The EC will carry out independent final evaluation. It is understood that the European Commission may use the provision for audit to organise an independent audit of expenditure realised under the Contribution Agreement.

#### 4.6. Communication and visibility

The implementing body shall take all appropriate measures to publicise the fact that the AEO report has received funding from the European Union. Information given to the press, the beneficiaries, all related publicity material, official notices, reports and publications shall acknowledge that the Report is carried out “with funding of the European Union” and shall display in an appropriate way the European Logo.

At the request of the Cabinet of the European Commissioner for Development and Humanitarian Aid, the Contribution Agreement with AfDB will include a condition that the EC logo is to be printed out on the cover page of the publication. This is, however, subject to the opinion of the EC legal service on compatibility with the legal framework applicable to international publications, intellectual property and copyrights.

## ANNEX 13

### 1. IDENTIFICATION

Title/Number	<b>ACP EU Energy Facility II / FED 2009/21307</b>		
Total cost	<b>EC Contribution: EUR 200,000,000</b> from the Intra-ACP Envelope of the 10 <sup>th</sup> EDF		
Aid method / Method of implementation	Project approach Direct and indirect centralised management, partly decentralised management and Joint management with an international organisation		
DAC-code	230 (multiple areas)	Sector	Energy generation and supply

### 2. RATIONALE

#### 2.1. Sector context

Energy is today at a meeting point of three main global challenges: (i) to bridge the North-South gap in terms of socio-economic development for which energy is one of the main drivers: more than 2.4 billion people rely on traditional biomass for cooking and heating, while 1.6 billion people do not have access to electricity; (ii) to balance the effects of the higher and very volatile price of fossil fuels and to prepare the forthcoming end of the petrol era; and (iii) to combat climate change both through an adaptation to its tragic consequences on health, agriculture, water, energy systems and through a mitigation of GHG emissions due notably to energy production and uses. In a sector where funds are scarce, the current global financial crisis will make things worse.

Access to affordable, reliable, sustainable and safe energy services is vitally connected to economic prosperity, social well-being, environmental issues and security. Solving energy problems will contribute to the achievement of the UN Millennium Development Goals, as recognised by the UN Secretary General in his report to the UN General Assembly on the follow-up of the Millennium Summit.

The situation is particularly severe in ACP countries, where access to electricity is extremely low and unevenly distributed between urban and rural areas. In the latter, where the bulk of the population is concentrated, access rate represents only 10% and in many countries it is as low as 1-3%. The figures are very low in peri-urban areas as well. This lack of access to quality energy services entrenches poverty, limits the delivery of social services and constraints economic growth. African firms report losing more than 5% of their sales due to power shortages, and the figure is even higher in the informal sector. Health problems are severe, as 1.5 million people - many of them in ACP countries - die every year from indoor pollution due to the use of traditional fuels under inadequate conditions. Deficiencies within the management of biomass resources cause also a degradation of the natural environment.

African oil importing countries, together with small island countries, are particularly sensitive to energy issues that undermine their economic situation. The high cost of shipping diesel oil

to dispersed islands or to landlocked countries brings electricity production costs up to an average of 0.2–0.5 EUR/kWh, compared to typical international costs of 0.05 EUR/kWh. Some of these countries spend over 75% of their foreign currency earnings on fuel imports. A mere 10 US\$ per oil barrel price increase can result in a 3% loss of GDP. Moreover, their financial situation (high levels of debt, fragile balances of payment) means that they are less able to weather turmoil on oil markets. At the same time there is an untapped potential for the development of energy efficiency and the sustainable use of renewable energy. Also, most of these countries are affected by high energy intensity: they use more than twice as much energy to produce a unit of economic output as do OECD countries.

According to the World Bank (2009), the total financing needs for Africa to solve the power supply crisis are of about US\$40 billion per annum or 6.4 percent of the region's GDP. This figure includes the cost of maintaining the existing energy systems and expanding its capacity to achieve demand-supply balance and raise electrification rates by 10 %. Currently, the region spends only about \$11 billion per annum leaving a financing gap of about \$30 billion.

It is evident that this financing gap can not be filled only with public financing. The private sector can be a key actor for energy investments and public-private partnerships are needed. For this purpose it is necessary to build an adequate institutional and regulatory framework, ensuring a stable investment context that allows long term activities of private companies. Governance issues are crucial in the energy sector: too often they are defined as the weakest component of the energy systems in ACP countries.

## **2.2. Lessons learnt**

Many lessons have been learned both from other energy programmes and projects (incl. from other donors) and more specifically from the first phase of the Energy Facility.

A mid term review of the Water and Energy Facilities was performed in 2007. In addition, a report about the conclusions of the Evaluation process of the proposals submitted under the 1st Call for Proposals (CfP) of the Energy facility was done in September 2007. Both reports have pointed out the lessons learnt after this CfP, which, added to consultations with Delegations, implementing partners and Member States, has lead to recommendations hereby summarized:

### *a) Lessons learnt for access to energy programmes/projects*

- The experience of the many energy access programmes has shown that despite the positive example in terms of institutional and organisational changes, many small and/or pilot projects are difficult to scale-up as they often rely on fully subsidised investments, whereas loans are necessary to secure more sustainable long term financing.
- Local and decentralised solutions have proved their potential as a complement to centralised systems as a way to diversify sources of supply and thus increase the access to energy services for the poor.

### *b) Lessons learnt for the Energy Facility as a whole*

- The ACP-EU Energy Facility has confirmed its role as an additional instrument of development aid, able to operate at sub-sovereign levels, unlike most other EDF opportunities.

- The EF has strongly increased awareness in house on the issue of access to energy, particularly in the Delegations.
- The Facility has showed it can work with a wide range of parties involved in the service delivery (e.g. NGOs, decentralized state agencies and authorities, local private firms) and with a wide variety of sources of funds which confirms the capacity of the Facility to operate as active catalyst, mobilising additional resources.
- The preparation of the EF lead to a strong involvement of the Member States and other Directorate Generals, notably through regular meetings with them during the whole preparatory phase. This has been seen as very positive and should be replicated.
- Active monitoring and evaluation of the program and its actions needs to be done in order to be able to provide analysis of various aspects of the Facility and up-to-date information on the impact and effectiveness of the Facility as a programme.
- The analysis of the awarded proposals shows a high level of coherence with the needs of the beneficiary countries, confirming the capacity of the Facility to contribute to national objectives.

### *c) Lessons learnt on the CfP mechanism*

- The CfP organisation proved to be efficient but still could be improved: the format of the application form to the CfP has sometimes been seen as complex, and the time given to the applicants for submission considered too short: simplifications are needed on the full process of the CfP from the Guidelines to the contracting phase, including CfPs in 1 or 2 stages, the set up of the application forms and the entire evaluation process.
- There is a need to integrate Delegations in the design process as much as is feasible. The CfP activity of the Facility resulted in heavy and unexpected workloads for Delegations which were lacking specialised staff, both during the application evaluation phase and the follow-up of selected projects. Measures have to be taken to mitigate these effects.
- The EF I CfP process is considered not to be always the best tool for some actions, i.e.: for large infrastructure projects.
- The participation of the private sector has given interesting results, even if the levels of financing from their side have been rather low. There remains a potential and a need in terms of leveraging of funds and transfer of know-how.

### **2.3. Complementary actions**

The Facility is part of the Intra ACP indicative programme which is issued from a joint EU-ACP strategy approved by the EDF Committee and the ACP Committee of Ambassadors. The aim of the Energy Facility is to complement the ongoing bilateral and community EU-ACP cooperation activities in the energy sector as well as existing initiatives from EU, international financial institutions and other instruments.

The Energy Facility has been conceived as an instrument of the EU Energy Initiative for Poverty Eradication and Sustainable Development (EUEI). The Facility was approved in June 2005 by the ACP-EU Council after a Communication<sup>1</sup> made by the Commission on the development of the EUEI.

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<sup>1</sup> COM (2004) 711

The replenished Energy Facility is also one of the instruments implementing the Africa-EU Energy Partnership which is part of the EU-Africa Joint Strategy and Action Plan adopted in Lisbon in December 2007. It is very much in line with the priorities defined in the Road Map of this Partnership which is to be endorsed by the High Level Meeting in 2010, notably for: Mobilising additional resources and support for access to energy services (Axis 1), Promoting an enabling environment for scaling up investments and mobilising private capital (Axis 3), Renewable Energy and Energy Efficiency (Axis 4), Developing institutional and technical capacity of the African Union Commission, of Regional Economic Communities, of national authorities and of energy operators (Axis 6) and Political and technical dialogue, contacts and exchanges (Axis 7).

The Energy Facility is explicitly mentioned in the Council conclusions on Access to sustainable energy sources at the local level in developing countries (May 2009).

An analysis of the integrated framework of EC's instruments on energy in ACP countries shows that there is:

- No financing tool dedicated to access to energy in a pro-poor perspective at the local level (except the EF)
- Very few instruments for the governance in general (no real successor to COOPENER)
- Currently limited funding for energy infrastructure at the "national" level ( provided by NIP in less than 13 ACP countries under the 10<sup>th</sup> EDF)
- A specific instrument for the development of renewable energy and energy efficiency: GEEREF (fund investor, active globally)
- An instrument for financing the infrastructure projects at the regional level in Africa (the EU-Africa Infrastructure Trust Fund) and soon in the Caribbean and Pacific regions (TF to be created under the 10<sup>th</sup> EDF Intra ACP programme).
- No instruments dedicated to governance at the regional level but some opportunities in some regions (9th EDF intra ACP, some RIPs)

Many Member States through their agencies and development banks and other donors (mainly the World Bank and regional banks) are involved in the energy sector in ACP countries. Financing devoted to access in rural and peri-urban areas is however limited, as the focus of energy support on the national level is on large scale generation, transmission and access expansion mainly by grid extension.

The EF, in spite of the fact that its funds are limited in comparison with the indicated needs, is justified as a vertical fund by its catalytic and innovative character, its role of mobilising the private sector and private capital, working with local actors and decentralized solutions, addressing access in rural and peri-urban areas, and focusing on renewable solutions, thus developing new solutions that can be scaled up in national programmes.

Proposed actions should contribute to the development strategies such as Poverty Reduction Strategy Papers (PRSP). Actions within the programme will be required to demonstrate coherence with the national and when appropriate regional energy policies. It will be made compulsory by the guidelines of the Call.

## 2.4. Donor coordination

A very large consultation process has been followed during the preparation of the Energy Facility to make it a real EU instrument. It allowed sharing views on the transversal and thematic position papers and fine-tuning issues related to the Facility's implementation modalities, as well as trying to receive co-financing from Member States:

- Three meetings of the Informal Advisory Group on Energy (IAGE) have been organised gathering energy experts from Member States (ministries, agencies and development banks), the ACP Secretariat, the EIB and EC services. The IAGE, which has had regular meetings, benefited from the coordination process established under the EUEI through its Energy and Development Experts Group, both at global and at country level. Beyond the preparation of the Energy Facility, the IAGE will follow its implementation.
- Specific bilateral meetings were held with the ACP Secretariat.
- Separate meetings were held with EC services: DEV, TREN, ENV, RTD, EACI and other Units from AIDCO (C4, E6, E7).
- Several electronic consultations of EC delegations in ACP countries were made for the Identification Fiche, the thematic discussion papers and particularly for issues relative to the participation of the Delegations to the Call for proposals process: evaluation, negotiation of contracts, monitoring of the projects.
- Meetings with European Development Banks and European Development and Financial institutions were organised to explore the possibility of complementary actions: the possible blending of grants and loans for scaling up energy investments and attracting the private sector.
- One meeting and several informal contacts took place with NGOs and IOs.
- Meetings and phone conferences organised with representatives of the Private sector permitted to better understand their needs and expectations, while gathering ideas and suggestions on how to increase the private sector's involvement in the energy sector.
- Some conferences and workshops in which members of AIDCO/C7 participated were used to exchange views on energy access issues and particularly for the Energy Facility with numerous stakeholders notably from ACP and EU organisations.

Apart from the consultation phase, donor coordination is also foreseen during the implementation of the Facility:

- During the Calls for proposals, the applicants will be requested to demonstrate complementarity to other donors' – and notably EU donors'- interventions in the energy sector as well as adherence to national as well as related sector strategies in partner countries. A table on the involvement of MS in the energy sector in ACP countries and the donors matrix established in the frame of the Africa-EU Energy Partnership (which will be put on Energy Facility's website) will help them in that matter.
- The set-up of the pooling mechanism described later in the document will contribute to the donor coordination during the whole EF programme.

### 3. DESCRIPTION

#### 3.1. Objectives

The long-term overall objective of the ACP-EC Energy Facility, in line with the Intra-ACP Strategy, is to contribute to the achievement of the Millennium Development Goals (MDG) on poverty alleviation, as well as of the World Summit on Sustainable Development (WSSD) objectives on energy, while helping to fight against climate change.

In addition, the following specific objectives have been identified to contribute to the achievement of the above overarching objectives:

- To increase access to modern, affordable and sustainable energy services in rural and peri-urban poor areas by focusing on renewable energy solutions as well as on energy efficiency measures
- To improve governance and framework conditions in the energy sector at regional, national and local levels, in particular those aimed at promoting access to energy services, renewable energy and energy efficiency

#### 3.2. Expected results and main activities

The most important results of the Energy Facility will be the following:

- Improved access to affordable and sustainable energy services in rural and peri-urban areas
- Development of a sector enabling governance and regulatory framework and reinforced capacities of key stakeholders

In order to achieve the above mentioned results the following areas of intervention are foreseen.

**The first specific objective** of the Energy Facility will be achieved through co-financing of delivery-oriented investment projects that will provide access to energy services to rural and peri-urban poor areas, focusing on renewable energy solutions. Proposed actions will be required to demonstrate coherence with partner countries' national and regional planning frameworks in order to ensure efficiency and coordination of work. Innovative schemes from a technical, management and financial point of view will be particularly encouraged. Grants from the Facility will be provided in order to leverage additional resources so as to strengthen project viability and the local ownership of the results. Analysis will be made on a case by case basis to ensure that the use of grant is proportionate on the one hand to the need to provide for the financial sustainability of the project, and on the other to the necessity to attract additional financial resources from the private sector and the banks to enable the sustainable impact of the EF in a long term.

Projects shall ensure the social, economic and environmental sustainability of the investment. Furthermore, the potential impacts of climate change on the provision of energy services as well as the climate effect of the investments should be taken into account in the selection of the proposed energy technology or efficiency measure. The demand-driven approach, as well as compulsory engagement of local actors for the projects to be financed by the EF, will ensure a high degree of commitment to and ownership of project ideas, while increasing sustainability.

Actions funded under the Energy Facility will have a high impact on the local population and particularly in combating poverty in socially disadvantaged areas such as scattered settlements, villages, rural towns and peri-urban areas lacking sustainable access to energy services. Emphasis will be put on a productive use of energy. Participation of local actors (SMEs, local authorities and communities) is considered a pre-requisite.

Focus will be on renewable energy and decentralised solutions, consistent with partner countries' development goals. However, the use of fossil fuels should not be excluded e.g.: in the following cases: (i) the uptake of cleaner cooking fuels, and (ii) fossil fuel and renewable energy technologies working together in a sustainable manner. The issues of access to energy and of energy efficiency will be tackled from the angle of sustainable use of local resources (e.g. efficient processing and use of biomass as a cooking and heating fuel etc.) and the perspective of improved management of energy systems. Infrastructure development may be needed to create an efficient supply chain for biomass, including the efficient processing of biomass to improve fuel quality, to enable transport of the local biomass to power plants or to the domestic users, and to monitor and control charcoal flow.

Capacity building is expected to be an integral and complementary part of investment operations, covering all aspects of investing in and maintaining the operation of energy services. Technology transfer will be encouraged insofar as it is adapted to the local context and private sector is invited to play an important role therein.

The Energy Facility will aim at achieving its first objective by co-financing investment projects/programmes selected via Calls for Proposals as well as via an innovative Pooling mechanism.

#### **Pooling mechanism:**

**Justification:** The objectives for setting up a Pooling mechanism are to enhance private sector participation, to maximise the impact of the Energy Facility grants through leverage of and blending with additional resources (e.g. private sector funding and loans) and to better coordinate at EU level available resources and expertise, thus aligning with the Council Note 17124/08 from 11 December 2008 "Framework on loans and grants blending mechanisms in the context of external assistance". The Pooling mechanism will therefore be open to contributions from Member States. The Pooling mechanism will support projects, which scale and complexity go beyond the scope of the Cfp, by providing a flexible instrument, complimentary to the Call for Proposals, which will allow for a continuous process of open submission of projects by applicants, in-depth discussion and negotiation. This process should lead to the approval of projects which are wider in scope and with a more coherent financing scheme than with a traditional Call for Proposals, allowing for a smooth implementation of the approved actions. These projects should benefit from a thorough preparation by EU financing institutions, demonstrating coordination with member states programmes as well as adherence to national and sector strategies in partner countries.

**Eligibility criteria:** Supported projects will comply with predetermined eligibility criteria in terms of project type. For investment projects, the expected level of co-financing from the EC should be limited to 10-15% of total project cost on average (with a maximum of 25%), the minimum and maximum contribution of the EC being 1 to 5m€ respectively (including related capacity building). A maximum of EUR 1 million could be provided as grant for advanced project preparation (as outlined in pt. 3 of the eligible actions) expected to lead to a financeable project..

**Types of projects to finance:** Projects supported by the Pooling mechanism will fulfil the general objectives of the Energy Facility. The pooling mechanism is particularly meant for capital-intensive (typically in the range of EUR 10,000,000 to 50,000,000) projects leading to increased access to energy services in rural and peri-urban areas. These projects will demonstrate that a grant support is required, in addition to the financing that can be obtained from other sources, to fulfil the EF objectives and to achieve financial viability. They will also have a wide impact, a local scope and will be based on sustainable energy sources. For these reasons, this new mechanism will be complementary to funding objectives of the Infrastructure Trust Fund (ITF) under the Africa-EU Infrastructure Partnership.

**Eligible actions:** The pooling mechanism will provide **1. grant funding** to finance part of the projects initial investment costs, **2. interest rate subsidies** (within the current contractual framework): through the provision of a lump-sum amount to enable lenders to i) make long-term loan finance available at reduced interest rates, ii) finance credit lines for lending to the local private sector with adequate maturity and at reduced interest rates or iii) provide adequate financing for packages of several projects in cooperation with Rural Electrification Agencies (Funds). A limited amount will be provided for **3. technical assistance** to finance advanced project preparatory studies<sup>2</sup> for eligible projects and capacity building activities when directly linked to a specific eligible investment project.

**The eligible applicants** to the Pooling mechanism are exclusively the EIB and Member States, their official development cooperation agencies and Development Financing Institutions<sup>3</sup>. These entities eligible to the Pooling mechanism will submit projects, which are to be implemented by actors of the public and private energy sector. When submitting a project proposal, these entities will ensure that a significant part of the project’s financing comes from their own resources, and they are consequently expected to exercise a high level of responsibility regarding the proposal.

**Contractual instruments:** Contribution agreements will be used to co-finance actions with the EIB. Delegation agreements will be used with Member States bodies, provided they have passed the "six pillars" assessment. Grant contracts will only be used to finance eligible actions where Contribution agreements or Delegation agreements are not possible in line with the regulations and procedural rules in force applicable to such cases (notably, no re-granting is [beyond the conditions laid down in Article 184a of the Implementing Rules applicable by reference to EDF](#)). The following table presents in a nutshell the relationships between categories of beneficiaries, method of implementation, management rules and contractual instruments.

Budget allocated to the Pooling mechanism	Types of action funded under the mechanism for energy projects	Method of implementation	Categories of mandatee institutions for the management of the community contribution	Management rules	Contractual instrument
EUR 40,000,000	Investment subsidy Interest rate	Indirect centralised	Official Member States' development agencies and banks of which internal management rules have been	Mandatee rules	Delegation agreement

<sup>2</sup> Relating to e.g. financing, risk sharing, and legal agreements, for projects where energy demand, technical feasibility and costs have already been assessed

<sup>3</sup> AFD, AWS, BIO, CDC, COFIDES, DEG, FINNFUND, FMO, IFU, IØ, IFV, KFW, NORFUND, OeEB, PROPARCO, SBI-BMI, Sifem, SIMEST SOFID and SWEDFUND

	subsidy Technical Assistance: (Advanced Preparatory Studies and Capacity building).		positively assessed by the delegated authorising officer in accordance to Article 26 of the EDF FR		
		Direct centralised	Other official Member States' development agencies and banks "non-certified"	PRAG	Grant contract
		Joint management	EIB	EIB	Contribution agreement

**Functional structure:** The Pooling mechanism will be designed as a simple and efficient structure, allowing for maximum transparency, flexibility, and openness. Eligible applicants will be invited to submit their proposal to the Pooling mechanism through the organisation of calls for expression of interest. The Pooling mechanism will comprise the following elements:

**1. The existing Informal Advisory Group on Energy (IAGE)** has been established for the Energy Facility and will be composed of technical experts from Member States' agencies and development financing institutions, representatives of relevant EC Directorate Generals, and the ACP Secretariat. It will be the forum where general exchange of information and project coordination among EU donors on the pooling mechanism takes place. The IAGE will serve also as the forum where proponent institutions present and discuss their proposals initially in the form of a concept paper for discussion..

**2. The Leading Financer** (which must be an eligible applicant) is fully responsible for the preparation of the proposal, for the coordination with other interested co-financiers, and for submitting the proposal to the Evaluation Committee. The proposal shall be prepared in accordance with guidelines established for the pooling mechanism, and preparation shall include proper consultations with partner country and relevant project stakeholders. The leading financier may seek further guidance from the IAGE if it so wishes during the preparation phase.

**3. The Evaluation Committee** will be responsible for the evaluation of the project proposals submitted. It will hold regular meetings and will be chaired by AIDCO C 5 and composed of technical experts from AIDCO (C7, E6, E7), finance and contracts experts from AIDCO C5, other relevant DGs (DEV, TREN, ENV, etc), and a representative of the ACP Secretariat. It may, if found relevant and at its discretion, seek advice from external experts. The Evaluation Committee will assess whether the project fulfils the criteria of the Pooling Mechanism, whether the financing structure is adequate and the amount of grant sought is justified. It will also assess project relevance, quality, design, risks etc in general. Delegations will be consulted in the assessment process. The Evaluation Committee will decide on which operations (project proposals) are to be submitted to the authorising officer for approval. The Evaluation Committee may reject a proposal or refer it back for additional preparation, subject to comments given. The Evaluation Committee will use IAGE meetings to inform about its activities.

**3. Project Approval:** Director AIDCO/C will be the authorising officer in charge of the Project Approval and the corresponding funding decision.

The second specific objective of the Energy Facility will be achieved through actions addressing governance issues at regional, national and local level. They are expected, among others, to contribute to the development or implementation of sound energy policies and strategies, to facilitate the removal of the main obstacles to the private sector's involvement and to strengthen the capacity of public authorities to manage the energy sector. Activities will depend on the level of policy development and institutional framework, which vary among ACP States. A special focus will be given to initiatives which will help to put in place adequate frameworks for the development of renewable energy and energy efficiency technologies. Within the sector of biomass energy, governance measures, such as planning and resource management will be supported.

The Energy Facility will strive to contribute to the creation of enabling environment by supporting energy regulations enabling pro-poor growth, addressing sustainability and decentralised generation. It will support energy planning and finance schemes for energy sector programmes and projects, with particular emphasis on SMEs.

Furthermore, the Facility will support activities, which objective is to strengthen the capacity of key stakeholders, in particular for the implementation and management of delivery-oriented energy programmes in rural and peri-urban areas with a clear aim of poverty reduction. It will strive to build a local stakeholders network in order to improve local coordination and participation.

The second specific objective of the Energy Facility will be implemented via Call for Proposals, support to Energy Governance in ACP Countries through EUEI PDF (EUEI Partnership Dialogue Facility) and technical assistance from the Pooling mechanism. When linked to investment projects, the resources of the pooling mechanism will be used to finance capacity building for local actors and operators, as well as initiatives that aim at improving the governance and framework conditions in the energy sector and target the creation of innovative financing schemes.

**3.3. Risks and assumptions**

The following table presents the main risks identified and the mitigation measures proposed.

<u>Risks</u>	<u>Mitigation measures</u>
Insufficient number of proposals submitted under the Calls for Proposals	Well targeted information events organised both at the HQs and at the Delegations level. Dissemination of promotion material amongst interested parties. Call for Proposals' time-line set in a way to provide potential applicants with sufficient time to prepare their proposals and to organise the necessary partnerships Information sent to key stakeholders in ACP countries well in advance of the launch of the Call for proposals and pooling mechanism, so that the preparation of projects can start as early as possible. The funds initially allocated for each of the two tranches of the call for funds has been proposed according to the first call launched in 2006 where approximately EUR 70,000,000 was allocated to component 1a (Small scale infrastructures) and 2

	(management and governance) . For this reason, and with the aim of front loading the funds, a first call for EUR 100,000,000, followed by a second call of EUR 50,000,000 is proposed, however with flexibility to increase or decrease the amounts. The second call could be complemented with other donor's funds.
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<p>Too many proposals received under the Call for Proposals</p>	<p>A two step call (concept note followed later by the full proposal) should help reduce the number of projects rejected following the submission of a complete project proposal and would encourage better proposals from those with accepted concept notes. This will help reduce time spent and possible frustration from applicants.</p> <p>Launching a second tranche for the call will present a possibility for applicants to improve and resubmit proposals which were not approved on the first call.</p>
<p>Low-quality projects presented under the Calls for Proposals</p>	<p>Well targeted events where guidelines are clearly presented. Support from HQ on preparation of dissemination events in Delegations and HQ.</p> <p>Call for Proposals' time-line set in a way to provide potential applicants with sufficient time to prepare their proposals and to organise the necessary partnerships.</p> <p>Guidelines of the Call indicate clearly the minimum quality requirements for the proposals. These Guidelines will be very user-friendly and not excessively prescriptive.</p> <p>Call for Proposals organized in two Calls, with the option of increasing the funds reserved for the first Call in case the number of quality proposals received is over the amount reserved for the call or decreasing on the opposite case.</p> <p>Each Call for Proposals will be divided in two steps: Concept Note and Detailed Proposal, with the objective of improving evaluation process and allowing for selected applicants who pass the first step to concentrate on the preparation of quality Detailed Proposals</p>
<p>Insufficient number of proposals submitted under the Pooling mechanism</p>	<p>Well targeted dissemination events are promoted from HQ on the selection criteria and overall methodology of the pooling mechanism.</p> <p>Flexible management of the pooling mechanism will allow for adapting dedicated funds to the real demand.</p> <p>Fast decision making procedures for selecting and approving the projects will make it more attractive for applicants for funding.</p>
<p>Low cooperative approach from EC Delegations as a result of different factors: insufficient human resources, lack of specific expertise in the sector, Facility perceived as a top-down initiative</p>	<p>Consultation should also contribute to smooth the perception of the Facility as being imposed by HQs.</p> <p>The Water &amp; Energy Facility Unit will provide assistance to Delegations during the evaluation, negotiation and contracting phase of the selection process.</p> <p>Monitoring contract will be signed by the Energy Facility Unit in order to provide support to delegations on the monitoring of the implementation of the projects.</p>

### **3.4. Crosscutting Issues**

Crosscutting issues will be considered in the Energy Facility by including them as requirements in the Guidelines of the Call for Proposals and in the evaluation criteria during the selection of proposals.

Environmental sustainability is closely related to access to energy and increasing concern about climate change. Sustainability, including in its environmental aspect, will be a criterion for each project submitted to the EF. In those projects with a potentially large impact, an environmental impact assessment will be required, prior to the approval of the proposal.

On the other hand, the main risk related to climate change for energy access projects is the potential impacts of the climate change on the actions. This will be evaluated in all projects submitted.

In terms of good governance, the improvement of the legal and regulatory frameworks in the energy sector is a priority for the Energy Facility, and funds will be reserved for it under the Call for Proposals, the pooling mechanism (as long as they are linked to foreseen investments) and the for governance actions outside the call.

Because of their traditional responsibilities for gathering fuel and carrying water, in many developing countries women and girls expend much time and physical effort, which seriously limits their ability to engage in educational and income-generating activities. Therefore, women and girls would benefit the most from access to improved energy services.

The HIV/AIDS pandemic and its impact on the design of proposals, particularly the impacts on the sustainability of capacity building activities, will be among the criteria on which proposals for Energy Facility support will be assessed and selected.

### **3.5. Stakeholders**

There is a wide range of stakeholders able and willing to be involved in the energy sector at regional, national and local levels. They include regional and international organisations, international financial institutions, state and non-state actors. The latter imply NGOs, private sector, civil society organisations, local communities and authorities, public service bodies.

The Facility will particularly encourage the participation of the private sector, especially of local small and medium sized enterprises (SME) and possible investors in the energy sector. The participation of local actors (SMEs, local authorities and communities) will be a pre-requisite.

At a national level, main authorities from the energy sector will be particularly involved through the governance component of the Facility, and their approval will be also included for ensuring that projects presented are aligned with national priorities.

The demand-driven approach, as well as compulsory partnerships envisaged with local actors for the projects to be financed by the EF, will ensure a high degree of commitment to and ownership of project ideas, while increasing sustainability.

Informal consultation forums / meetings with NGO's, private sector and Member States will aim at receiving first hand inputs about the perception on the implementation of the Facility.

## 4. IMPLEMENTATION ISSUES

### 4.1. Method of implementation

The activities to be financed by the EF will comprise projects to be identified through two calls for proposals, targeted actions (support to energy governance through the EUEI PDF) and joint financing of projects through a pooling mechanism. They will also include the services required for the proper management of the Facility.

The responsibility for the overall implementation process of the EF will be delegated by the ACP Group to the Commission in line with the provisions of Annex IV, article 19c (4) of the Revised Cotonou Agreement, the Water and Energy Facility Unit (AIDCO/C7) being within EuropeAid the body in charge of the day-to-day operational management and of the services contracts needed for this purpose.

In most cases, the responsibility for management of projects selected under the Call for proposals procedure will be devolved to the Delegations on the field, except for projects of a wider regional dimension for which AIDCO/C7 will be in charge. AIDCO/C7 will also ensure the management of the support to Energy Governance in ACP Countries through EUEI PDF as well as the management and secretariat of the pooling mechanism.

The implementation modalities will comprise centralised, decentralised and joint management:

- Direct centralised management will be applied for the implementation of the grant contracts and contribution agreements to be concluded under the CfP, as well as within the Pooling mechanism described in 3.2 and for the different types of services to be procured for the management of the Facility (e.g. technical assistance for the evaluation of proposals, dissemination of information to potential applicants and of the EF results, monitoring, evaluation, audits...).
- Indirect centralised management will be applied for targeted projects to be implemented by member states agencies of which management procedures and structures have been found compliant for such a delegation of responsibilities (art. 26 of the 10th EDF financial regulation). This implementation modality will be used via delegation agreements for supporting Energy Governance in ACP Countries through EUEI PDF (Partnership Dialogue Facility) to be delegated to GTZ, as they have been successfully managing this instrument since 2005 (the PDF is jointly financed by a number of EU Member States) and they have deep expertise in the energy governance sector in ACP countries. In addition, this management mode will be used to finance actions within the Pooling mechanism with the following European national bodies, bilateral agencies, and European Development Finance Institutions which have passed the "six pillars" assessment: Austrian Development Agency (ADA), Coopération Technique Belge (CTB), Agence Française de développement (AFD), KfW Entwicklungsbank (KfW) - German Development Bank, Deutsche Gesellschaft für Technische Zusammenarbeit GmbH (GTZ), Lux-Development S.A. and Instituto Português de Apoio ao Desenvolvimento (IPAD). Before any other financing institution is entrusted with delegated tasks the authorising officer will carry out a satisfactory ex-ante assessment to obtain evidence of the fulfilment of the criteria mentioned under Art. 26 of the FR EDF.

- Partially decentralised management will be used for projects implemented by ACP State Actors to be selected through a call for proposals procedure. In this case, a Financing Agreement will be signed with the ACP State. The Commission controls ex ante the contracting procedures for procurement contracts > 50.000 EUR and ex post for procurement contracts ≤ 50.000 EUR. The Commission controls ex ante the contracting procedures for all grant contracts.

Payments are executed by the European Commission except where programme estimates are applied, under which payments are decentralised for operating costs and contracts up to the ceilings indicated in the table below:

The responsible Authorising Officer ensures that, by using the model of financing agreement for decentralised management, the segregation of duties between the authorising officer and the accounting officer or of the equivalent functions within the delegated entity will be effective, so that the decentralisation of the payments can be carried out for contracts up to the ceilings specified below.

Works	Supplies	Services	Grants
< 300.000 EUR	≤ 150.000 EUR	< 200.000 EUR	≤ 100.000 EUR

- And joint management will be applied for the implementation of the EF support to projects agreed with the European Investment Bank under the pooling mechanism. The contractual model used will be contribution agreements. The EIB is currently subject to an external review in relation to Article 53d of Financial Regulation. In anticipation of the results of this review the authorising officer deems that, based on the long-standing and problem free cooperation with this Organisation, joint management mode can be proposed and Standard Convention for International Organisation can be signed in accordance with the provisions laid down in Article 29 of the 10<sup>th</sup> EDF Financial Regulation.

It is envisaged that EU member states could in the future contribute to the funding of the EF by topping up the financial resources provided by the 10th EDF (EUR 200,000,000). The management of Member State resources would then be delegated to the EC by means of transfer agreements. In this case, member states contributions will be taken into account through addenda to the present decision. Member states could also contribute through the co-funding of projects selected under the calls for proposals.

There will be no external programme management unit, as AIDCO will ensure the management of the process as far as needed.

The management of the Facility itself will also require technical assistance services for the assessment of proposals, the monitoring and the evaluation of the programme.

## 4.2. Procurement and grant award procedures

### 4.2.1 *For activities implemented through partially decentralised management and direct centralised management*

- (1) Contracts

All contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question. Participation in the award of contracts for the present action shall be open to all natural and legal persons covered by the Council Regulation (EC) No 215/2008 of 18 February 2008 on the Financial Regulation applicable to the 10<sup>th</sup> European Development Fund. Further extensions of this participation to other natural or legal persons by the concerned authorising officer shall be subject to the conditions provided for in article 20 of Annex IV of the Cotonou Agreement.

## (2) Specific rules on grants

The essential selection and award criteria for the award of grants are laid down in the Practical Guide to contract procedures for EC external actions. They are established in accordance with the principles set out in Title VII 'Grants' of the Financial Regulation applicable to the 10<sup>th</sup> European Development Fund. When derogations to these principles are applied, they shall be justified, in particular in the following cases:

- Financing in full (derogation to the principle of co-financing): the maximum possible rate of co-financing for grants is 75%. Full financing may only be applied in the cases provided for in Article 253 of the Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of the Financial Regulation applicable to the general budget of the European Communities and in Article 109 of the Council Regulation on the Financial Regulation applicable to the 10<sup>th</sup> European Development Fund.
- Derogation to the principle of non-retroactivity: a grant may be awarded for an action which has already begun only if the applicant can demonstrate the need to start the action before the grant is awarded, in accordance with Article 108 of the Regulation (EC) No 215/2008 of 18 February 2008 Financial Regulation applicable to the 10<sup>th</sup> EDF.

## (3) Specific rules on programme estimates

All programme estimates must respect the procedures and standard documents laid down by the Commission, in force at the time of the adoption of the programme estimates in question (i.e. the Practical Guide to procedures for programme estimates).

### ***4.2.2 For activities implemented through joint management with the EIB***

The Authorising Officer proposes the application of EIB procurement rules on the basis of his own evaluation and comparison, which allows him to deem that their procurement and grant rules are in accordance with the provisions laid down in Article 29 of the 10<sup>th</sup> EDF Financial Regulation.

### ***4.2.3 For activities implemented through indirect centralised management***

All contracts implementing the action are awarded and implemented in accordance with the procedures and standard documents laid down and published by the Delegated body which have been assessed to be in accordance with the applicable financial regulation.

### **4.3. Budget and calendar**

#### **4.3.1. Timeline for implementation**

The implementation phase relating to the present decision is planned for a period of 96 months as of the adoption date of the Commission decision on the Annual Action Programme 2009 in favour of Intra-ACP Cooperation to be financed from the 10<sup>th</sup> EDF. The global financial commitments necessary to allow for the timely commitment of contracts will be spread out over the duration of the programme.

##### ***(1) Calls for proposals***

Two calls are foreseen, for a total amount of EUR 150,000,000

The first call is expected to be launched end-2009, provided derogation is granted for a conditional launch, before the formal financing decision is taken by the EC. Selected projects would start being contracted end-2010.

The second call is expected to take place by mid-2011. Selected projects would start being contracted mid-2012.

##### ***(2) Energy Governance in ACP Countries through EUEI PDF***

The delegation agreement with GTZ for the implementation of support to Energy Governance in ACP countries through the EUEI PDF (Partnership Dialogue Facility) is expected to be signed by May 2010 and will last for three years.

##### ***(3) Pooling mechanism***

It is foreseen that the pooling mechanism will start operations immediately after the approval of the financing decision for the Facility.

##### ***(4) EF monitoring and evaluation***

An evaluation and analysis of the CfP results will take place after each CfP selection process and will be presented to member states and the ACP.

Monitoring and visibility services will be hired to ensure the overall follow-up of the EF, the dissemination of its results and its visibility.

A Mid-Term Review, expected early 2012, will analyse the process and the results of the whole programme (CfP, pooling mechanism and support to Energy Governance in ACP Countries through EUEI PDF and allow for possible re-orientation, after consultation with the Informal Advisory Group of Experts. An external final evaluation is foreseen at the end of the programme.

##### ***(5) Embedded flexibility features***

Given the duration and the complexity of the programme, providing flexibility features is important to keep the implementation informed of lessons learned and more relevant.

The allocation of EUR 100,000,000 to the first CfP takes account of the results of the first Energy Facility. However, should the results of this CfP provide more high quality proposals than expected, extra funding could be mobilised to fund these proposals from the envelope foreseen for the 2nd CfP.

The Mid-Term Review (MTR) of the programme will provide analysis and lessons regarding the implementation of the CfP process, the support to Energy Governance in ACP Countries through EUEI PDF and the pooling mechanism. This exercise could lead to re-orienting the scope of the programme and re-allocating allocation resources. In particular, un-committed funds devoted to the pooling mechanism could be re-oriented to the second CfP. Funding could also be increased for the support to Energy Governance in ACP Countries through EUEI PDF. A rider to the current decision would formalize such reallocations. Member states will be consulted on the outcome of the MTR within the EF Informal Advisory Group.

#### 4.3.2. Budget

<b>Nature</b>	<b>Action</b>	<b>Implementation Modality</b>	<b>Amount (EUR)</b>
CfP	1 <sup>st</sup> and 2nd Call	Call for Proposals	150,000,000
PDF	Support to Energy Governance in ACP countries	Delegation Agreement	3,500,000
Pooling	Pooling mechanism	Contribution / Delegation Agreements and Grant Contracts	40,000,000
Services	Evaluation of proposals (including visibility)	Service Contracts	2,000,000
	Monitoring and evaluation (including visibility)	Service Contracts	2,000,000
	Audits	Service Contracts	500,000
	Contingencies		2,000,000
	<b>TOTAL BUDGET</b>		<b>200,000,000</b>

#### 4.4. Performance monitoring

All proposals will include a detailed monitoring plan as part of their logical framework. It is essential and it will be stipulated in the contracts, that operational, day-by-day monitoring as part of the management of the project shall be ensured by the applicants with the assistance of the partner/co-donor. Each legal agreement between the Commission and any other party will contain the reporting modalities to the effect of monitoring.

The Energy Facility will also ensure an external global monitoring of the projects since their approval, at country and regional level. The Energy Facility will adopt all measures necessary to ensure a consistent monitoring of progresses through missions, fact finding reports also with the use of independent reviews and other means.

Overall monitoring of the Facility will be linked, whenever possible, with the Monitoring activities of AIDCO (ROM contracts) which will include the projects financed under the Energy Facility in their country monitoring missions, added to follow up from the Delegations.

#### **4.5. Evaluation and audit**

An external firm will be hired with the purpose of supporting on the evaluation of submitted proposals under the call. This technical assistance contract will be launched for both foreseen call for proposals and will consist on a team of experienced consultants in the energy sector, who can support the Water and Energy Facility Unit on this process. This technical assistance could be used for projects proposed to the pooling mechanism as well.

A monitoring contract will be launched, in order to do a continuous monitoring of the ongoing projects, supporting delegations in their follow up of the implementation and capitalising on experiences and best practices amongst projects.

After each Call for Proposals an evaluation will be performed, with an analysis of its results and possible lessons learnt from it. An evaluation of the pooling mechanism will be performed in the same manner within the MTR.

The Commission will perform a mid term (MTR) and final evaluation of the EU –ACP Energy Facility. In addition to this global evaluation, each project will include a mid term and final evaluation. At country and regional level the conclusions of these evaluations will be made public.

The Commission will exert the right to audit and control by ex ante, ex post verification, or a combination of the two, unless otherwise stated. The Water and Energy Facility Unit in EuropeAid, as any other Department of the Commission, OLAF and the European Court of Auditors, have the right to mobilize and execute extra checks and controls ex-ante, ex post or a combination of the two during execution in whatsoever form or timing.

A provision for audit is included in the budget for this financial proposal. The Commission may use this provision to organise an independent audit of expenditure for specific projects under the Call for Proposals, or for the funds reserved out of the Call for Proposals and implemented through different modalities.

#### **4.6. Communication and visibility**

All projects approved will have a provision for visibility actions in line with the Guidelines of the European commission on this matter.

A global contract for the visibility of the whole Energy Facility will be signed, in order to present the analysis and achievements of the Energy Facility, as well as promoting its principles and leverage opportunities with other stakeholders.

## ANNEX 14

### 1. IDENTIFICATION

Title/Number	ACP-EU Water Facility / FED 2009/21359		
Total cost	EUR 200,000,000 from the Intra-ACP Envelope of the 10 <sup>th</sup> EDF		
Aid method / Method of implementation	Project approach Direct and indirect centralised management, Partly decentralised management and Joint management		
DAC-code(s)	14010 14030 14081	Sector	14010–Water resources policy and administrative management  14030 – Basic drinking water supply and basic sanitation  14081– Education and training in water supply and sanitation

### 2. RATIONALE

#### 2.1. Sector context

Significant progress had been made over recent years in helping people gain access to safe drinking water and improved sanitation facilities. Africa is off-track for the MDG (Millennium Development Goals) targets for both water and sanitation. Thus it is important that progress is made more quickly, and on a larger scale, than is currently being achieved.

Progress in water supply and sanitation should not be viewed just in terms of achieving the specific MDG target (7c). Access to improved water supplies and sanitation facilities, coupled with improved hygiene practices such as handwashing, are prerequisites for achieving most of the other MDGs, particularly those on child mortality reduction, achieving universal primary education, combating diseases and promoting gender equality and empowering women.

The impact of improved water supply and sanitation facilities is multi-faceted, leading to improvements in health, education and a reduction in extreme poverty and hunger through socio-economic development. However, evidence suggests that it is not just facilities which are required but also key changes in hygiene practices, particularly washing hands at critical times, using an improved toilet and ensuring water is clean and safe right up to the time of consumption. For example, handwashing is key in reducing diarrhoea and has also been shown to reduce the incidence of other diseases, particularly pneumonia and other respiratory diseases, trachoma, scabies, and skin and eye infections.

There is also a crucial need to create & develop capacity and good governance structures in the ACP water sector encompassing all aspects of integrated water resources management to ensure environmental sustainability. Capacity development

and good governance structures are particularly important in helping ACP countries to cope with changing and unpredictable rainfall patterns and water scarcity arising from climate change.

## 2.2. Lessons learnt

For background, the ACP-EU Water Facility was set up in 2004 with the principal objective of providing water and basic sanitation to the poor, and to improve water management governance in ACP countries<sup>1</sup>. The Water Facility financial amount of EUR 497,000,000 was allocated in a First tranche of EUR 247,000,000 and a Second tranche of EUR 250,000,000<sup>2</sup>. Most of the funds were allocated via two calls-for-proposals, the first launched in 2004 and the second in 2006. The two calls-for-proposals resulted in some 1.400 requests for funding. Of the 800 eligible proposals, 275 projects were selected for possible funding. In the event, available funds meant that only 175 proposals could be financed. Nearly all the projects (some 158 of the 175) are in Sub-Saharan Africa.

The lessons learnt on strategic focus & modalities include the following:

- Most of the ACP-EU Water Facility (ACP-EU WF) EUR 200,000,000 allocation should be used to help achieve the water and sanitation MDGs.
- There should be a concentration of effort on a limited number of well-justified financing modalities used to implement the EUR 200,000,000 ACP-EU WF allocation.
- The call for proposals modality is not an adequate instrument to select large scale infrastructure bankable projects which usually take several years to develop via a "project pipeline" process.
- Better ways for sustainable capacity development in the water sector should be developed to replace the sometimes generic provision of technical assistance and training on broad topics disconnected from measurable outputs.

The lessons learnt from projects selected via calls for proposals under the previous Water Facilities and their subsequent implementation includes the following:

- Projects must demonstrate how they will contribute to develop or implement national strategies and programmes related to water resource management and safe drinking water supply and sanitation services, and the extent to which the proposed activities fit with past, ongoing and planned (state, donor, and local government) activities in the geographical location of the project.
- Projects must enhance ownership and sustainability by i) including the active involvement of key local stakeholders/partners and/or local government in project implementation and ii) include training for capacity development of all relevant

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<sup>1</sup> Council Decision [2004/289/EC](#) of 22 March 2004 establishing the Water Facility for ACP countries, Official Journal L 94, 31.03.2004.

<sup>2</sup> [Decision 2004/632/EC](#) of the ACP-EC Council of Ministers of 6 May 2004, Official Journal L 289 of 10.9.2004.

stakeholder groups including local people (particularly women) and government staff.

The administrative lessons learnt from the previous calls for proposals include the following:

- The call for proposals guidelines should be simple, giving a clear description of the evaluation criteria and key information required from applicants.
- The eligibility of applicants should be narrowed down to result in less (but higher quality) proposals which can be evaluated and awarded funding in much less time than previously possible.
- The workload coming from the Water Facility financed projects is heavy for EC Delegations, particularly as concerns implementation and monitoring.

### **2.3. Complementary actions**

In ACP countries for the period 2003-2009, EDF funded water and sanitation projects amount to some EUR 1,200,000,000. Under the 10<sup>th</sup> EDF (2008-2013), some EUR 365,000,000 has been earmarked for water and sanitation projects in the national Indicative Programmes (NIPs) of various ACP countries.

All actions funded in a country in the water sector by the EC or other donors should respect the priorities of the water and sanitation national policies. In order to ensure the complementarity and sustainability of projects financed under the 10<sup>th</sup> EDF ACP-EU Water Facility, the beneficiary country water authorities and EC Delegations will provide information to all interested parties concerning national water and sanitation policies and programmes financed by the state budget, by donors and under the previous 9<sup>th</sup> EDF ACP-EU Water Facilities.

Also, DG ECHO will work to raise the awareness of the Water Facility amongst its partners, helping to ensure articulation and complementarity between budgetary instruments, whilst contributing to advancing the LRRD (Linking Relief to Rehabilitation and Development) and DRR (Disaster Risk Reduction) frameworks.

### **2.4. Donor coordination**

Of the four financing modalities under discussion, the EU MSs and ACP Secretariat are of the opinion that the proposed allocation of funds for i) large infrastructure projects and a ii) contribution to the African Water Facility (AWF) Special Fund are not well justified and should be reconsidered.

Concerning large infrastructure projects and cooperation with development banks, joint feed-back from several EU MSs (Austria, UK, Netherlands, France and Germany) notes *inter alia* that it is unclear how a WF grant might allow already-developed projects to be more pro-poor oriented (e.g. sustainable supply for peri-urban areas) if the pro-poor component had not been part of the project design from the very outset, especially bearing in mind the often very long preparation time for bankable projects. They also note that if the additional work load of establishing a specific ACP-EU WF window for cooperation with development banks is to be taken, it should be clearly documented that contributions from the ACP-EU WF add value which could not easily be achieved otherwise. In this regard, they request a

careful assessment of the achievements made by the EIB concerning funds received from the 1st ACP- EU WF, especially a grant of EUR 2,250,000 for the "*EIB ACP Project Preparation Facility*" (to prepare water large infrastructure projects). The ACP Secretariat takes note of the comments of the EU MSs, adding that whereas there is a long preparation time for large infrastructure projects, there are many small scale projects which lack funding and could be implemented now, providing much needed basic water supply and sanitation to the poor and vulnerable.

As concerns a contribution to the African Water Facility (AWF) Special Fund, several EU MSs (Austria, UK, Netherlands, France and Germany) note *inter alia* that transfer of funds to the AWF appears as moving money around without special advantage. This is especially so when Member States who contribute to the ACP-EU WF are also directly supporting the AWF through trust fund contributions. They state that before a decision on creating an AWF window is taken, the potential added value of such a transfer should be clearly demonstrated, in particular positive results of the evaluation concerning effectiveness and efficiency of AWF projects. In terms of ownership, they note that the African character of the AWF is questionable as it is to a large extent financed by donors and is also managed mainly by seconded staff from the donor countries. The ACP Secretariat notes the comments of the EU MSs, adding that the AWF is already receiving a EUR 25,000,000 contribution to the AWF under the 9<sup>th</sup> EDF ACP-EU Water Facility, and that the use of this funding remains to be evaluated. Furthermore, the ACP Secretariat notes that i) a further contribution to the AWF is meant to target governance and water resource management which are aspects fully encompassed by the proposed twinning partnerships modality and ii) whereas the AWF can only consider projects in Africa, the proposed twinning modality would not exclude any ACP entity as a potential beneficiary.

In all projects selected under the open call for proposals, donor coordination will be implicit since proposals will be required to demonstrate how proposed activities fit with past, ongoing and planned (state, donor, and local government) activities.

### **3. DESCRIPTION**

#### **3.1. Objectives**

The objectives and purpose of the ACP-EU Water Facility are:

- To help achieve the water and sanitation Millennium Development Goals (MDGs) which is to halve by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation, vital in themselves but also key prerequisites for reducing child and maternal mortality (MDGs 4 & 5) and combating diseases (MDG 6).
- To contribute to improving water governance and management of water resources and to the sustainable development and maintenance of water infrastructure.

#### **3.2. Expected results and main activities**

The activities & expected results are:

- 1) *Water, Sanitation & Hygiene projects* selected for funding via a call for proposals. The intended beneficiaries of EC funds are NSAs (non-state actors), local authorities (state actors) & international organisations. The end-beneficiaries are the poor and needy in ACP countries.

The expected results include:

- Helping to achieve the water and sanitation MDGs 2015 targets, focussing on the most vulnerable and needy in rural and peri-urban areas and promoting the use of small-scale appropriate technologies, leading to improvements in health, education & socio-economic development.
- Enhanced ownership and project sustainability by the active involvement of local partners (in particular NSAs) and local government in project implementation, and via training for capacity development of local people, NSAs and government staff.

2) ***Twinning partnerships projects*** (to contribute to improving water governance and management of water resources and to the sustainable development and maintenance of water infrastructure) selected for funding via a call for proposals. The intended beneficiaries of EC funds are water operators, suppliers, local authorities & other public actors of the Water sector. The end-beneficiaries are water operators and suppliers in ACP countries, ACP state & local authorities & other ACP organisations (e.g. river basin organisations and training centres).

The expected results include:

- Training and capacity development responding to specific local needs encompassing a range of subjects like, for example, system maintenance and improvement (including leakage reduction), improving efficiency in management practices, water quality testing, labour management tools, accessing investment finance, methodologies for expanding access to the poor, and building a participatory process and institutions to allow a consensual institution-building process within local politics.
- Water resources protection and pollution prevention including preliminary studies to assess the state of water resources & necessity and scale of infrastructure developments, awareness-raising and institutional support such as the reinforcement of the municipalities' management and control capabilities, in-house organisational restructuring or the development of transparency and accountability practices through the involvement of local civil society organisations.

3) ***Pooling mechanism***: The reason for setting up a Pooling mechanism is to enhance private sector participation, to maximise the impact of the Water Facility grants through leverage of and blending with additional resources (e.g. private sector funding and loans) and to better coordinate at EU level available resources and expertise, thus aligning with the Council Note "Framework on loans and grants blending mechanisms in the context of external assistance"<sup>3</sup>. The Pooling mechanism will therefore be open to contributions from Member States. The Pooling mechanism will support projects whose scale and complexity go beyond the scope of the CfP, by providing a flexible instrument, complimentary to the Call for Proposals, which will allow for a continuous process of open submission of projects by applicants, in-depth discussion and negotiation. This process should lead to the approval of projects which are wider in scope and with a more coherent financing scheme than with a traditional Call for Proposals, allowing for a smooth implementation of the approved actions. These projects should benefit from a thorough preparation by EU financing

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<sup>3</sup> Council Note 17124/08 from 11 December 2008.

institutions, demonstrating coordination with Member States programmes as well as adherence to national and sector strategies in partner countries.

Supported projects will comply with predetermined eligibility criteria in terms of project type. For investment projects, the expected level of co-financing from the EC should be limited to 10-15% of total project cost on average, with a maximum of 25%, the minimum and maximum contribution of the EC being EUR 1,000,000 to EUR 5,000,000 respectively. A maximum of EUR 1,000,000 could be provided as a grant for advanced project preparation (as outlined in pt. 3 of the eligible actions) expected to lead to a financeable project.

Projects supported by the Pooling mechanism will fulfil the general objectives of the Water Facility. The pooling mechanism is particularly meant for capital-intensive (typically in the range of EUR 10,000,000 to EUR 50,000,000) projects leading to increased access to water and sanitation services for the most vulnerable and needy in rural and peri-urban areas. These projects will demonstrate that grant support is required, in addition to the financing that can be obtained from other sources, to fulfil the WF objectives and to achieve financial viability. They will also have a wide impact, a local scope and will be based on sustainable water resources. For these reasons, this new mechanism will be complementary to funding objectives of the Infrastructure Trust Fund (ITF) under the Africa-EU Infrastructure Partnership.

The pooling mechanism will provide 1. grant funding to finance part of the projects initial investment costs, 2. interest rate subsidies (within the current contractual framework): through the provision of a lump-sum amount to enable lenders to i) make long-term loan finance available at reduced interest rates or ii) finance credit lines for lending to the local private sector with adequate maturity and at reduced interest rates. A limited amount will be provided for 3. technical assistance to finance advanced project preparatory studies<sup>4</sup> for eligible projects and capacity building activities when directly linked to a specific eligible investment project.

The eligible applicants to the Pooling mechanism are exclusively the EIB and Member States, their official development cooperation agencies and Development Financing Institutions<sup>5</sup>. These entities eligible to the Pooling mechanism will submit projects which are to be implemented by actors of the public and private water sector. When submitting a project proposal, these entities will ensure that a significant part of the project's financing comes from their own resources, and they are consequently expected to exercise a high level of responsibility regarding the proposal.

Contribution agreements will be used to co-finance actions with the EIB. Delegation agreements will be used with Member States bodies provided they have passed the "six pillars" assessment. Grant contracts will only be used to finance eligible actions where Contribution agreements or Delegation agreements are not possible in line with the regulations and procedural rules in force applicable to such cases (notably, no re-granting is allowed [beyond the conditions laid down in Article 184a of the Implementing Rules applicable by reference to EDF](#)).. The following table presents

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<sup>4</sup> Relating to e.g. financing, risk sharing, and legal agreements, for projects where water demand, technical feasibility and costs have already been assessed

<sup>5</sup> AFD, AWS, BIO, CDC, COFIDES, DEG, FINNFUND, FMO, IFU, IØ, IFV, KFW, NORFUND, OeEB, PROPARGO, SBI-BMI, Sifem, SIMEST SOFID and SWEDFUND

in a nutshell the relationships between categories of beneficiaries, method of implementation, management rules and contractual instruments.

<b>Budget allocated to the Pooling mechanism</b>	<b>Types of action funded under the mechanism for WatSan projects</b>	<b>Method of implementation</b>	<b>Categories of mandatee institutions for the management of the community contribution</b>	<b>Management rules</b>	<b>Contractual instrument</b>
EUR 40,000,000	Investment subsidy	Indirect centralised	Official Member States' development agencies and banks of which internal management rules have been positively assessed by the delegated authorising officer in accordance to Article 26 of the EDF FR	Mandatee rules	Delegation agreement
	Interest rate subsidy				
	Technical Assistance: (Advanced Preparatory Studies and Capacity building).	Direct centralised	Other official Member States' development agencies and banks "non-certified"	PRAG	Grant contract
		Joint management	EIB	EIB	Contribution agreement

The Pooling mechanism will be designed as a simple and efficient structure, allowing for maximum transparency, flexibility, and openness. Eligible applicants will be invited to submit their proposal to the Pooling mechanism through the organisation of calls for expression of interest. The Pooling mechanism will comprise the following elements:

1. The existing Informal Advisory Group (IAG) on Water has been established for the Water Facility and will be composed of technical experts from Member States' agencies and development financing institutions, representatives of relevant EC Directorate Generals and the ACP Secretariat. It will be the forum where general exchange of information and project coordination among EU donors on the pooling mechanism takes place. The IAG will serve also as the forum where proponent institutions present and discuss their proposals, initially in the form of a concept paper..

2. The Leading Financer (which must be an eligible applicant) is fully responsible for the preparation of the proposal, for the coordination with other interested co-financiers, and for submitting the proposal to the Evaluation Committee. The proposal shall be prepared in accordance with guidelines established for the pooling mechanism, and preparation shall include proper consultations with partner country and relevant project stakeholders. The leading financier may seek further guidance from the IAG if it so wishes during the preparation phase.

3. The Evaluation Committee will be responsible for the evaluation of the project proposals submitted. It will hold regular meetings and will be chaired by AIDCO and composed of technical & finance and contracts experts from AIDCO, other relevant DGs (DEV, ENV, etc), and a representative of the ACP Secretariat. It may, if found relevant and at its discretion, seek advice from external experts. The Evaluation Committee will assess whether the project fulfils the criteria of the Pooling

Mechanism, whether the financing structure is adequate and the amount of grant sought is justified. It will also assess project relevance, quality, design, risks etc in general. Delegations will be consulted in the assessment process. The Evaluation Committee will decide on which operations (project proposals) are to be submitted to the authorising officer for approval. The Evaluation Committee may reject a proposal or refer it back for additional preparation, subject to comments given.. The Evaluation Committee will use IAG meetings to inform about its activities.

4. Project Approval: Director AIDCO/C will be the authorising officer in charge of the Project Approval and the corresponding funding decision.

### **3.3. Risks and assumptions**

Concerning the water, sanitation & hygiene call for proposals and given the high demand for financing of such projects, there is a risk of receiving a large number of proposals the majority of which are non-relevant and/or of poor quality. This risk may be mitigated in part by strict eligibility criteria, clear and concise guidelines for potential applicants, as well as allowing sufficient time for preparation of proposals (taking into account the time needed to put together the required local partnerships).

As concerns the twinning partnerships call for proposals, and given the pilot nature of this modality, it may prove difficult to elicit a sufficient number of proposals. This risk may be mitigated in part by having a two-step procedure (concept note followed by a full proposal) and funding to develop a database for *inter alia* the matching of potential partners. In case the funds allocated for this modality cannot be used in a timely fashion, remaining funds will be transferred to the water, sanitation & hygiene call for proposals modality.

As concerns the pooling mechanism, and given the pilot nature of this modality, in case the funds allocated cannot be used in a timely fashion, they will be transferred to the water, sanitation & hygiene call for proposals modality.

### **3.4. Crosscutting Issues**

The impact of improved water supply and sanitation facilities and capacity development is multi-faceted, leading to improvements in health, education and socio-economic development. For example, progress in water supply and sanitation will help in reducing child mortality, combating diseases, achieving universal primary education, and promoting gender equality and empowering women.

Sustainability will be a key criterion in the selection of projects. The principal aspects of project sustainability are i) economical and financial ii) social iii) institutional iv) technical and v) environmental. Each aspect of sustainability is equally important, with complex interactions between them. For example, a stable financial resource will support and strengthen the technical, social and institutional aspects. However, social and institutional gaps (e.g. poorly trained workers in Operation & Maintenance duties, lack of capacity development) or implementation of an inappropriate technical solution could lead to project failure.

### **3.5. Stakeholders**

In the period end-March to mid-June 2009, and in close cooperation with the ACP Secretariat, the consultation of a wide range of stakeholders took place. Those consulted were EU MSs, EC Delegations having a large portfolio of Water Facility

projects, NSAs, the water sector and international organisations. For all stakeholders (except EC Delegations), the consultations were in the form of a discussion paper sent out to participants describing the proposed modalities. This was followed by half day meetings where the discussions focussed on lessons learnt from the previous Water Facilities and their implications for future modalities and call for proposals guidelines. Several stakeholders submitted their comments in writing following the meetings.

#### **4. IMPLEMENTATION ISSUES**

##### **4.1. Method of implementation**

The activities to be financed by the Water Facility will comprise projects to be identified through calls for proposals and joint financing of projects through a pooling mechanism. They will also include the services required for the management of the Facility.

The responsibility for the overall implementation process of the WF will be delegated by the ACP Group to the Commission in line with the provisions of Annex IV, article 19c (4) of the Revised Cotonou Agreement, the Water and Energy Facility Unit (AIDCO/C7) being within EuropeAid the body in charge of the day-to-day operational management and of the services contracts needed for this purpose.

In most cases, the responsibility for management of projects selected under the Call for proposals procedure will be devolved to the Delegations on the field, except for projects of a wider regional dimension for which AIDCO will be in charge. AIDCO will also ensure the management and the secretariat of the pooling mechanism.

The implementation modalities will comprise of direct centralised, decentralised and joint management:

- Direct centralised management will be applied for the implementation of the grant contracts and contribution agreements to be concluded under the CfP, as well as within the Pooling mechanism described in 3.2 and for the different types of services to be procured for the management of the Facility (e.g. technical assistance for the evaluation of proposals, dissemination of information to potential applicants and of the WF results, monitoring, evaluation, audits...).
- Indirect centralised management will be applied for targeted projects to be implemented by member states agencies whose management procedures and structures have been found compliant for such a delegation of responsibilities (art. 26 of the 10th EDF financial regulation). In addition, this management mode will be used to finance actions within the Pooling mechanism with European national bodies, bilateral agencies, and European Development Finance Institutions provided they have passed the "six pillars" assessment. These are the Austrian Development Agency (ADA), Coopération Technique Belge (CTB), Agence Française de développement (AFD), KfW Entwicklungsbank (KfW) - German Development Bank, Deutsche Gesellschaft für Technische Zusammenarbeit GmbH (GTZ), Lux-Development S.A. and Instituto Português de Apoio ao Desenvolvimento (IPAD). Before any other financing institution is entrusted with delegated tasks the

authorising officer will carry out a satisfactory ex-ante assessment to obtain evidence of the fulfilment of the criteria mentioned under Art. 26 of the FR EDF.

- Partially decentralised management will be used for projects implemented by ACP State Actors to be selected through a call for proposals procedure. In this case, a Financing Agreement will be signed with the ACP State. The Commission controls ex ante the contracting procedures for procurement contracts > 50.000 EUR and ex post for procurement contracts ≤ 50.000 EUR. The Commission controls ex ante the contracting procedures for all grant contracts.

Payments are executed by the European Commission except where programme estimates are applied, payments are decentralised for operating costs and contracts up to the ceilings indicated in the table below.

The responsible Authorising Officer ensures that, by using the model of financing agreement for decentralised management, the segregation of duties between the authorising officer and the accounting officer or of the equivalent functions within the delegated entity will be effective, so that the decentralisation of the payments can be carried out for contracts up to the ceilings specified below.

<b>Works</b>	<b>Supplies</b>	<b>Services</b>	<b>Grants</b>
< 300.000 EUR	≤ 150.000 EUR	< 200.000 EUR	≤ 100.000 EUR

- And joint management will be applied for the implementation of the Water Facility support to projects agreed with the European Investment Bank under the pooling mechanism. The contractual model used will be contribution agreements. The EIB is currently subject to an external review in relation to Article 53d of Financial Regulation. In anticipation of the results of this review the authorising officer deems that, based on the long-standing and problem free cooperation with this Organisation, joint management mode can be proposed and Standard Convention for International Organisation can be signed in accordance with the provisions laid down in Article 29 of the 10<sup>th</sup> EDF Financial Regulation.

It is envisaged that EU member states could in the future contribute to the funding of the WF by topping up the financial resources provided by the 10th EDF (EUR 200,000,000). The management of Member State resources would then be delegated to the EC by means of transfer agreements. In this case, Member States contributions will be taken into account through addenda to the present decision. Member States could also contribute through the co-funding of projects selected under the calls for proposals.

## 4.2. Procurement and grant award procedures

### 4.2.1 For activities implemented through partially decentralised management and direct centralised management

- 1) Contracts

All contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.

Participation in the award of contracts for the present action shall be open to all natural and legal persons covered by Council Regulation (EC) No 215/2008 of 18 February 2008 on the Financial Regulation applicable to the 10<sup>th</sup> European Development Fund. Further extensions of this participation to other natural or legal persons by the concerned authorising officer shall be subject to the conditions provided for in Article 20 of Annex IV of the Cotonou Agreement.

## 2) Specific rules of grants

The essential selection and award criteria for the award of grants are laid down in the Practical Guide to contract procedures for EC external actions. They are established in accordance with the principles set out in Title VII 'Grants' of the Financial Regulation applicable to the 10th European Development Fund (Council Regulation (EC) No 215/2008 of 18 February 2008 on the Financial Regulation applicable to the 10<sup>th</sup> European Development Fund).. When derogations to these principles are applied, they shall be justified, in particular in the following cases:

- Financing in full (derogation to the principle of co-financing): the maximum possible rate of co-financing for grants is 75 %. Full financing may only be applied in the cases provided for in Article 253 of the Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of the Financial Regulation applicable to the general budget of the European Communities and in Article 109 of the Council Regulation on the Financial Regulation applicable to the 10th European Development Fund.

- Derogation to the principle of non-retroactivity: a grant may be awarded for an action which has already begun only if the applicant can demonstrate the need to start the action before the grant is awarded, in accordance with Article 108 of the Financial Regulation applicable to the 10th EDF (Council Regulation (EC) No 215/2008 of 18 February 2008 on the Financial Regulation applicable to the 10<sup>th</sup> European Development Fund).

## 3) Specific rules on programme estimates

All programme estimates must respect the procedures and standard documents laid down by the Commission, in force at the time of the adoption of the programme estimates in question (i.e. the Practical Guide to procedures for programme estimates).

### ***4.2.2 For activities implemented through joint management with the EIB***

The Authorising Officer proposes the application of EIB procurement rules on the basis of his own evaluation and comparison, which allows him to deem that their procurement and grant rules are in accordance with the provisions laid down in Article 29 of the 10<sup>th</sup> EDF Financial Regulation.

### ***4.2.3 For activities implemented through indirect centralised management***

All contracts implementing the action are awarded and implemented in accordance with the procedures and standard documents laid down and published by the

Delegated body which have been assessed to be in accordance with the applicable financial regulation.

#### 4.3. Budget and calendar

The implementation phase relating to the present decision is planned for a period of 96 months as of the adoption date of the Commission decision on the Annual Action Programme 2009 in favour of Intra-ACP Cooperation to be financed from the 10<sup>th</sup> EDF. The global financial commitments necessary to allow for the timely commitment of contracts will be spread out over the duration of the programme.

	<b>Indicative budget</b>
Calls of proposals for water and sanitation projects and twinning partnership projects	EUR 150,000,000
Projects identified under the Pooling mechanism	EUR 40,000,000
Evaluation of project proposals, visibility, communication & database for twinning activities (services & supplies)	EUR 2,000,000
Monitoring & evaluation (services)	EUR 2,000,000
Audit (services)	EUR 1,000,000
Contingencies	EUR 5,000,000
<b>TOTAL</b>	<b>EUR 200,000,000</b>

The indicative timeframe for launching of the calls for proposals is end-2009 to beginning 2010.

The possibility of continued strategic support to partner African institutions (African Ministerial Council on Water (AMCOW), African Union Commission (AUC)) remains open, subject to a positive evaluation of previous EC funding, and once clear and specific additional needs are identified and justified. The possibility of targeted support to improve the policy and governance framework of those ACP countries which are "off-track" in reaching water and sanitation MDGs also remains open. Any such needs will be identified and agreed with EC Delegations, ACP and EU partners. The abovementioned actions could be financed from the "Contingencies" budget line, and be implemented according to applicable rules and regulations.

#### 4.4. Performance monitoring

The performance monitoring of the Water Facility as a whole will be carried out against the targets, milestones & objectives as specified in the EuropeAid Annual Management Plan (AMP).

Every project selected for funding via calls for proposals will include a monitoring plan with performance indicators. The principal indicators are the number of persons with improved access to safe water and sanitation. Where a structured sector co-ordination is under way in a particular ACP country, monitoring of projects could be integrated in the overall sector monitoring and reporting framework.

In duly justified cases, and to help in reducing the workload coming from both 9<sup>th</sup> & 10<sup>th</sup> EDF Water Facility financed projects, EC Delegations may have access to the

funds allocated for "Monitoring & evaluation (services)" (see Section 4.3 above) to assist in project monitoring.

#### **4.5. Evaluation and audit**

A mid-term and final evaluation of the Water Facility under the 10<sup>th</sup> EDF is envisaged which, in line with good administrative practice, could include all aspects of the Water Facility under the 9<sup>th</sup> EDF.

The Mid-Term Review will provide analysis and lessons regarding the implementation of the CFP process, the twinning and the pooling mechanism. This exercise could lead to re-orienting the scope of the programme and re-allocation of resources. In particular, non-contracted funds devoted to the twinning partnerships & pooling mechanism could be allocated to a new call for proposals or be used to finance projects on the reserve list of previous calls.

An amount is reserved for audit for any needs arising from the centralised operations of the 9<sup>th</sup> & 10<sup>th</sup> EDF ACP-EU Water Facilities, including all the projects under implementation.

#### **4.6. Communication and visibility**

The Water Facility will ensure that the communication and visibility guidelines for external actions ([http://europa.eu.int/comm/europeaid/visibility/index\\_en.htm](http://europa.eu.int/comm/europeaid/visibility/index_en.htm)) are integrated in all its activities, whenever relevant and where EC visibility can be enhanced. As foreseen in the budget, appropriate communication & visibility actions for the programme as a whole, as well as for specific interventions under the programme will be ensured. Moreover, funds can be made available to delegations to ensure communication and visibility in the field. Finally, visibility requirements will be included in all implementing contracts.

## ANNEX 2

### 1. IDENTIFICATION

Title/Number	Additional EC contribution to the EU-Africa Infrastructure Trust Fund (ITF) FED/2009/21622																																						
Total cost	EC contribution of EUR 200,000,000 from the Intra-ACP Envelope of the 10 <sup>th</sup> EDF  Other contributions (joint co-financing): € 108.7 million already pledged by the EC + € 44 million pledged by the participating EU MS:  <table style="margin-left: 40px;"><tr><td>1.</td><td>Spain</td><td>EUR 10,000,000</td></tr><tr><td>2.</td><td>Italy</td><td>EUR 5,000,000</td></tr><tr><td>3.</td><td>the Netherlands</td><td>EUR 2,000,000</td></tr><tr><td>4.</td><td>Austria</td><td>EUR 1,000,000</td></tr><tr><td>5.</td><td>Belgium</td><td>EUR 1,000,000</td></tr><tr><td>6.</td><td>France</td><td>EUR 5,000,000</td></tr><tr><td>7.</td><td>Luxemburg</td><td>EUR 2,000,000</td></tr><tr><td>8.</td><td>Greece</td><td>EUR 1,000,000</td></tr><tr><td>9.</td><td>Germany</td><td>EUR 1,000,000</td></tr><tr><td>10.</td><td>The UK</td><td>EUR 10,000,000</td></tr><tr><td>11.</td><td>Portugal</td><td>EUR 1,000,000</td></tr><tr><td>12.</td><td>Finland</td><td>EUR 5,000,000</td></tr></table>			1.	Spain	EUR 10,000,000	2.	Italy	EUR 5,000,000	3.	the Netherlands	EUR 2,000,000	4.	Austria	EUR 1,000,000	5.	Belgium	EUR 1,000,000	6.	France	EUR 5,000,000	7.	Luxemburg	EUR 2,000,000	8.	Greece	EUR 1,000,000	9.	Germany	EUR 1,000,000	10.	The UK	EUR 10,000,000	11.	Portugal	EUR 1,000,000	12.	Finland	EUR 5,000,000
1.	Spain	EUR 10,000,000																																					
2.	Italy	EUR 5,000,000																																					
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9.	Germany	EUR 1,000,000																																					
10.	The UK	EUR 10,000,000																																					
11.	Portugal	EUR 1,000,000																																					
12.	Finland	EUR 5,000,000																																					
Aid method / Method of implementation	Project approach - joint management: Trust Fund managed by the European Investment Bank.																																						
DAC-code	43010	Sector	Multi-sector aid																																				

### BACKGROUND

Global changes since 2007 have increased the urgency for development and cooperation actions with a direct counter-cyclical impact to "adapt priorities, disburse aid more quickly and, where necessary, frontload assistance [...]. Member States are urged to take action along these lines in the context of their bilateral aid"<sup>1</sup>. The proposed action is directly linked to the Council conclusions of 18 May 2009 on *supporting developing countries in coping with the global economic and financial crisis*, where the Council "welcomes the Commission's intention to reinforce and reshape the EU-Africa Infrastructure Trust Fund and to allocate EUR 200,000,000 for 2009-2010.

The Council also invited Member States to consider making further contributions to the Trust Fund.

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<sup>1</sup> COM(2009)160

## 2. RATIONALE

### 2.1. Sector context

#### 2.1.1. Infrastructure sector context

During the 1990s many African countries adopted new infrastructure policies, leading to major institutional and financial reforms to deliver sustainable infrastructure. Although progress has been made, much more has to be done, particularly in the fields of governance and regional integration.

**Transport systems, although still weak, are slowly improving:** road transport accounts for 90% of interurban transport but physical links and services are inadequate. Rail network coverage is sparse and interconnectivity of networks is low. Many seaports struggle to offer competitive services and inland waterways are poorly integrated into transport networks. Air transport has not fully benefited from the adoption of the Yamoussoukro Decision in 1999. Road conditions are improving where the practices advocated by the Sub-Saharan African Transport Policy Programme (SSATP) are being implemented. Railway and port efficiency are showing improvement where provision of services is concessioned to the private sector. Yet the transport costs remain high, much higher than in other developing regions, averaging 14% of the value of all exports compared with 8.6% for all developing countries, and higher still for many landlocked countries – Malawi (56%), Chad (52%) and Rwanda (48%).

**Untapped energy potential but inefficiently used:** most fossil fuel is exported. Renewable resources are barely used or used on a sustainable basis and only 7% of Africa's hydropower potential is converted into electricity; Energy pooling and interconnectivity are addressing the problem of unreliable and costly services. Increased national and cross-border energy cooperation and trade is essential for improving reliability, affordability and access to basic energy supply.

**Water resources are unevenly distributed and erratic rainfall exacerbates equitable access:** many African countries suffer large seasonal rainfall fluctuations and periodic cycles of drought and flood constraining food production, ecosystem protection and economic development, particularly among the poor. Transboundary river basins need common management for conservation and equitable resource-sharing – a priority of the African Ministerial Council on Water in its efforts to deliver the African Water Vision for 2025. Improving the affordability of and access to water services at country level needs stable and secure financial and governance environment.

**Africa's communication technology is catching up rapidly although access to services is patchy:** fixed line telephone connectivity, the lowest world-wide, is steadily increasing but was overtaken by the dramatic growth in mobile telephone services. Rural access still lags far behind urban access? The digital divide, the widest world-wide, is slowly narrowing as RECs and countries harmonise policies and communication regulations, but insufficient regulatory reform could make African telecommunications services the most expensive in the world.

#### 2.1.2. Economic, social development and regional integration context

In the late 1990s Sub-Saharan Africa saw the first signs of a reversal of the trend of stalled growth of the previous two decades and in 2004 the region recorded real GDP growth of 5.1% compared to 4.2% in 2003 and average annual growth of 2.3% between 1980 and 2000. However, despite much progress, Africa's road towards sustainable development remains long. Today, 40% of all Africans are still living on less than one dollar a day. Three out of every four persons who die of AIDS are Africans, and today

one African out of five lives in a country affected by war or violent conflicts. In terms of per capita income, eighteen out of the twenty poorest countries in the world are African and the continent is the only part of the developing world where life expectancy has been falling over the last 30 years. It is clear that without substantial additional political will and financial resources Africa will only be able to reach most of the UN Millennium Development Goals (MDGs), not by the target year of 2015, but by 2050.

The Heads of State of the African Union (AU) have identified peace, security and good governance as essential if development is to succeed. If Africa is to make real progress towards achieving the MDGs, a continental vision is necessary.

The rapidly developing AU is a privileged partner for the EU. With its continent-wide political mandate, the AU Commission (AUC) facilitates dialogue with and between RECs, an increasingly important factor for interconnecting Africa. The AU ensures African ownership, steers overall policy and ensures the continental integrity of the Partnership.

In 2002, the AU published the NEPAD infrastructure short-term action plan (i-STAP) which advocates that bridging the infrastructure gap is the key to interconnectivity, regional integration and economic growth. i-STAP identified needs and set objectives for infrastructure sectors linked to the overarching goal of poverty reduction. Recently, the more comprehensive Programme for Infrastructure Development in Africa (PIDA) was established, led jointly by the AUC, the NEPAD Secretariat and the African Development Bank (AfDB) and due to be implemented by the latter. PIDA aims to (i) establish a continental strategy for infrastructure development based on clear objectives and sector policies, (ii) prepare a programme for infrastructure development including priorities and time horizons, and (iii) formulate a prioritised implementation plan. PIDA, which is financed by the EC (c. EUR 2,000,000), has been endorsed by African leaders as a key element in the regional and continental strategy for infrastructure development.

Africa's needs for more financing in infrastructure development as a means to contribute effectively to sustainable economic growth are clear. To address the current deficit in infrastructure services, it is estimated<sup>2</sup> that \$40 billion per year in investment are required, and a further \$40 billion for maintenance, in order to maintain the 7% rate of GDP growth, considered necessary to attain the Millennium Development Goals.

Another important element for the sustained success of infrastructure projects is African ownership and leadership in the process of setting priorities, making progress on regional integration, sound institutional and economic governance and transparent procurement. Furthermore, donors should develop more delivery mechanisms that leverage public and private sources of finance and all parties must live up to their commitments in the Paris declaration. Finally, stronger involvement by the private sector is sought to move the process forward, to this effect the EC organised a Business Forum in November 2006. The present proposal to increase the resources of the trust Fund also aims at attracting increased financing for infrastructure projects from the private sector. For this end, however good governance issues related to projects and infrastructure must be properly addressed.

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<sup>2</sup> Africa Infrastructure Country Diagnostic (AICD) study, financed by the EC and implemented by the World Bank (2008).

## 2.2. Lessons learnt

The EU-Africa Partnership for Infrastructure, and the ITF as one of its instruments, is built on the lessons learned from years of cooperation based on traditional EDF financing procedures. The ITF provides the means for adequate flexibility in financing infrastructure projects with limited EDF contributions, through leveraging of the grant funds with loans and private sector capitals. The fund finances operations in direct consultation with the African stakeholders.

In its first two years of operation, the ITF has established itself as a key instrument of the EU-Africa Partnership for infrastructure, and has attracted interest from many potential donors both within and outside the EU. Nonetheless, an initial review of the Trust Fund Agreement (TFA), to take into account lessons learnt from its initial period of implementation so as to make the instrument more efficient has recently resulted in an improved implementing rules document. The main changes include, for instance, the possibility for ad-hoc provision of upfront interest rate subsidies, an extension of the date for first disbursement of a grant following its approval by the Executive Committee, and improved visibility guidelines.

On the other hand, global changes since 2007 pose new challenges for the ITF, which require consideration of more far reaching reforms. In its conclusions of 18<sup>th</sup> May 2009 on *supporting developing countries in coping with the global economic and financial crisis*, the Council "welcomes the Commission's intention to reinforce and reshape the EU-Africa Infrastructure Trust Fund and to allocate EUR 200,000,000 for 2009-2010. This should include support to regional infrastructure missing links, as well as broadening the terms of reference to cover national infrastructure with a regional dimension". The Council also invited Member States to consider further contributions to the Trust Fund.

In order to reinforce the project pipeline of the ITF, suggestions aiming to improve efficiency of the Fund both at the structural level and at the operational level have been made by the Executive Committee. These include the need for more active participation of financiers within the PFG and improved interaction with the Executive Committee. Indeed, to date, only three project financiers (EIB, AFD, KfW) have presented proposals for financing to the Executive Committee. This is particularly important in view of the greater resources potentially available to the ITF, with the resulting need to strengthen the project pipeline. The ITF Secretariat could potentially have an increased role in this respect in the future. In line with this, the Council has also proposed broadening the terms of reference of the ITF to include relevant national infrastructure projects with regional impact. The EU-Africa Partnership on Infrastructure Steering Committee (PSC) will be consulted before the Executive Committee takes a decision to broaden the scope of the instrument.

An additional issue that the ITF needs to address is that of an improved complementarity with National and Regional programming. From its nature, the ITF funds projects deemed by the financiers as bankable. However, related infrastructure projects such as maintenance, capacity building or general support to infrastructure managing organisations, forming part of National or Regional Indicative Programmes, need an integrated planning approach with the actual investments projects to ensure sustainability of the infrastructure services for the beneficiaries. African economies will only benefit if the services delivered by improved infrastructure can be sustained. In this context many African countries are tackling the issues of sustainability – long term budget discipline, secure and sufficient finance for maintenance, "commercially" managed institutions and entities staffed by skilled and sufficient personnel, reliable data backed by research,

mitigation of environmental impact and enforcement of regulatory frameworks. But there are still efforts to be made. In this direction, the EC has committed EUR 16,000,000 to the Sub-Saharan Africa Transport Policy programme (SSATP), aiming at the development of harmonised strategies to improve the transport sector in the continent, and to reinforce the relevant managing authorities. In the energy sector, the EC has financed, notably through the ITF, the capacity building and supporting of power pools, energy management entities and river basin management organisations.

Creating sound institutional and financial frameworks takes a long time. Few countries have infrastructure sectors that are sufficiently robust to survive without external support. Regional integration is impossible without strong country frameworks. Positive signs are though emerging by the commitment of African countries to sound policy as witnessed by the AU/NEPAD commitments. These are essential if African economies are to reap the benefit of rigorous implementation of regional protocols and agreements on transport, energy, water and ICT.

### 2.3. Complementary actions

When setting out the EU Strategy for Africa the European Council concluded that rapid, sustained and broad-based growth is essential for development and for fighting poverty. One of the main measures underpinning the EU Strategy is the creation of the EU-Partnership on Infrastructure. The Partnership, a joint EU effort, responds to the development goals of the African Union and its New partnership for Africa's development (NEPAD). It aims to substantially increase EU investment in African infrastructure and delivery of transport, energy, water and ICT services. Improving infrastructure, the related services and the regulatory framework will contribute to sustainable economic growth, promote competitive trade, foster regional integration and reduce poverty. The Partnership is designed to meet the following challenges:

**Stimulating sustainable economic growth:** getting Africa to invest in Africa and attracting foreign direct investment depends largely on reliable infrastructure and the services it delivers. This calls for a stable, secure and well governed economic environment. It is generally acknowledged that increases in the infrastructure stock have important multiplier effects in the Economy. As such and in a bid to accelerate Africa's development, the new Infrastructure partnership aims at contributing to the achievement of the 7% growth rates necessary to reach the Millennium Development Goals (MDGs).

**Promoting competitive trade:** Africa needs an efficient transport and communications system to get its goods to national, regional and international markets. Moving goods in Africa is more difficult and costs almost twice as much as in other developing regions especially so in landlocked countries. Improvements in policy and regulatory reform in trade, transport and ICT, capacity building and physical infrastructure have the potential to significantly reduce transport costs and increase the competitiveness of African Economies.

**Fostering regional integration:** Africa needs to expand its trade. This demands a commitment to integration within coherent regional trade agreements and harmonisation of infrastructure policies and regulatory frameworks. Good communication and use of e-technologies can accelerate the process.

**Contributing effectively to the MDGs:** today over 300 million people – some 42% of Africa's population – still have no access to safe water. Similarly access to basic sanitation is denied to 60% of the population. Less than 20% of Africa's population has access to electricity, and power rationing and cuts are part of the daily routine. This inhibits job creation and industrial investment and impedes competitive production of goods and services. Access to affordable water and modern energy services, sanitation and improved hygiene are essential to achieve the MDGs.

African governments and development partners sharply reduced the share of resources allocated to infrastructure during the 1990s. Government expenditure has fallen far below the 4% of GDP necessary to maintain and operate its infrastructure, let alone the additional investment, 5% of GDP, needed to develop it.

EU Member States' support for economic infrastructure and services has declined over the last decade, mainly in transport and partly in energy. However, EC has maintained the financial level of financial support in infrastructure projects, particularly in the transport sector. Since 2003, the Commission has committed more than EUR 10,000,000,000 in infrastructure projects in transport, energy, ICTs, water, mines and urban development. Total EC (EDF) aid to infrastructure adds up to EUR 3,750,000,000, 25% of the 9<sup>th</sup> EDF, the majority of which is channelled through National indicative programmes.

In 2007, the EC committed about EUR 780,000,000 in infrastructure for Sub-Saharan Africa (SSA), representing 12% of total funding by multilateral agencies and 9% of total Infrastructure Consortium for Africa (ICA) commitments. In particular, the EC maintains strong support to the transport sector with over EUR 650,000,000 in 2007. Overall, infrastructure commitments in the 10<sup>th</sup> EDF are expected to be in the region of to commit EUR 6,200,000,000 to SSA over the period 2008-2013, which represents a 50% increase over the 9<sup>th</sup> EDF (2002-2007). The ICA will also strengthen donor coordination with its membership of African institutions<sup>3</sup> multilateral<sup>4</sup> and bilateral donors<sup>5</sup>.

#### **2.4. Donor coordination**

The EU Member States have committed themselves to raise their ODA to 0.56% of GNI by 2010, with half of the additional EUR 20,000,000 a year going to Africa. Member States committed themselves to improve their aid effectiveness and coordination of their support with the Paris declaration. Delivering on these commitments demands a coherent, coordinated and collective EU effort. By developing a global vision the partnership provides a framework to increase aid to infrastructure and to deliver results effectively.

The European Commission's 2000 Communication on Development Policy<sup>6</sup> established a clear approach for European development policy. The European Consensus on Development renewed and reinforced the Union's Commitments on development with special emphasis on complementarity and coordination of actions with Member States.

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<sup>3</sup> African Development Bank (AfDB), Development Bank of Southern Africa (DBSA). The African Union and NEPAD, as well as the regional economic communities (REC's) have observer status

<sup>4</sup> European Commission, World Bank, European Investment Bank

<sup>5</sup> United Kingdom, Italy, Germany, France, USA, Japan, Russia, Canada

<sup>6</sup> COM(2000)212

The EU's Strategy for Africa<sup>7</sup> provides a comprehensive, integrated and long term framework for the relations with the African continent. It emphasizes that “Limited access to transport and communication services, water and sanitation, and energy constrains economic growth. The Commission has therefore proposed to establish an EU-Africa Partnership for Infrastructure to support and initiate programmes (Trans-African Networks) that facilitate interconnectivity at continental level for the promotion of regional integration ...” The European Consensus confirmed this approach. The Communication "Interconnecting Africa: the EU-Africa Partnership on Infrastructure (COM(2006)376) presents the EU response to Africa's NEPAD Infrastructure action plan, a framework to enhance coherence between the action taken by the EC and the EU Member States in order to channel, in an effective way their efforts to scale up aid to Africa.

The partnership works at three levels, continental, regional and country level. At the continental level, dialogue takes place in the context of the Steering Committee of the EU-Africa Infrastructure Partnership, established in Addis Ababa on 25 October 2007. Coordination at regional and national will be lead by the EC and the AUC based on well established and existing sectoral mechanisms at the regional and national levels.

In order to further enhance the donor co-ordination in applying the Partnership objectives, the EU-Africa Infrastructure Trust Fund was signed on 23 April 2007 between the EC, the EIB and nine Member States (Spain, Italy, Netherlands, Austria, Belgium, France, Luxembourg, Greece, Germany). The participation of Member States has already widened to include the United Kingdom, Portugal and Finland, with several donors already expressing interest for either joining the ITF or contributing further. The EC and all Member States participate in the Executive Committee of the Trust Fund; contributing donors as Members and others as Observers.

The United Kingdom has nominated the African Development Bank (AfDB) as their eligible financier within the Project Financiers' Group (PFG). The AfDB already participates actively in the workings of the PFG, and shall be in a position to act as lead financier once pending legal issues have been resolved. This is expected to improve EC coordination with the AfDB in the infrastructure sector and to strengthen the ITF project pipeline.

On top of the EC's already committed 108,700,000, the 12 participating EU Member States have contributed 44,000,000 to the ITF:

1.	Spain	EUR 10,000,000
2.	Italy	EUR 5,000,000
3.	the Netherlands	EUR 2,000,000
4.	Austria	EUR 1,000,000
5.	Belgium	EUR 1,000,000
6.	France	EUR 5,000,000
7.	Luxemburg	EUR 2,000,000
8.	Greece	EUR 1,000,000
9.	Germany	EUR 1,000,000
10.	The UK	EUR 10,000,000
11.	Portugal	EUR 1,000,000
12.	Finland	EUR 5,000,000

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<sup>7</sup> COM (2005) 489

### **3. DESCRIPTION**

#### **3.1. Objectives**

The **overall objective** of this proposal is to contribute to economic development growth, integration at regional level and poverty reduction through the mobilisation of resources for regional interconnectivity infrastructure projects.

The **project purpose** is to increase financing for infrastructure projects in Africa by providing additional financial resources to the EU-Africa Infrastructure Trust Fund.

This Trust fund is a key component of EU Africa Partnership for Infrastructure, acknowledged in the conclusions of the General affairs and External Relations Council of October 16-17 2006 as a tool to implement the Infrastructure Partnership and has successfully operated for more than two years. It has allowed the Commission to pool resources with Member States with a streamlined decision making structure and attract important funds through loans or private sector financing. Given the co financing arrangements and governance structure the proposed project is in accordance with the provisions of harmonisation set forth in the Paris declaration of March 2005. The project is also in line with the additional Indicators on Aid Effectiveness agreed by the EC, namely providing capacity building assistance through coordinated programmes with a preference towards multi-donor agreements.

#### **3.2. Expected results and main activities**

##### **3.2.1 Description of operations**

The EC has already pledged EUR 108,700,000 to the ITF, of which EUR 61,000,000 have already been transferred to the Fund. Contributing Member States have also pledged a total of EUR 44,000,000, with additional contributions being expected.

The ITF has approved, or given approval in principle, EUR 78,400,000 in grant operations, mobilising about EUR 333,000,000 in loans from the project financiers, to fund projects of a total cost of about EUR 1,100,000,000. The resulting overall leverage factor is almost 14:1.

This additional contribution is one of a series of measures proposed to reinforce the ITF, allow continuous investment in infrastructure projects that are crucial for reducing poverty and improving interconnectivity. As result, additional contributions are expected to be mobilised both by current donors and by other potential donors. Accompanying measures such as the broadening of the scope of ITF operations and reinforcing of the PFG, notably with the formal participation of the AfDB will allow the necessary strengthening of the projects pipeline.

The general benefits include increased collaboration between African States and European donors in the area of infrastructure development, improved regional integration and strengthened trade capacities.

The Trust Fund contributes to the goals of the EU-Africa Partnership on Infrastructure by providing financial support by way of grants to eligible infrastructure projects alongside long-term loan finance made available by eligible Financiers. The provision of such grant funds will leverage additional financing from participating finance institutions in

the form of loans. These will be funded in the case of the EIB as a general rule from own resource lending and in exceptional cases from Investment Facility resources if they are in line with Article 3 of Annex II of the revised Cotonou Agreement.

The types of actions to be financed from the Trust Fund are defined by the Agreement constituting the implementation rules of the Trust Fund and may change with the unanimous decision of the Executive Committee in agreement with the Manager, as per Article 13.2.

The sectors of intervention of the Fund are:

- Energy;
- Transport (rail, road, air, maritime and inland waterways);
- Water; and
- Information Technology (including telecommunications infrastructure where projects financed provide access to a service of general economic interest).

Projects may be implemented by public or private entities or entities with mixed public-private capital and may be presented by Finance institutions identified by donors who make a contribution to the Trust Fund.

To date, the Executive Committee has held 8 formal meetings, approving 9 projects for financing, for a total TF grant amount of EUR 65,700,000. A further 3 projects have been granted "clearance in principle", for a total TF grant amount of over EUR 12,700,000. These 12 projects are:

- Aménagement Hydroélectrique de FELOU ;
- East African Submarine Cable System (EASSy);
- Development of the Caprivi Interconnector,
- Development of the Beira corridor transport system,
- Ethiopia-Kenya Power Systems Interconnection Project;
- Pre-investment studies for West Africa power interconnection,
- TA Support to Gouina Hydro-Power scheme,
- West Africa Power Pool Coastal Backbone,
- Ruzizi Hydroscheme rehabilitation,
- Port de Pointe Noire (CIP),
- Port de Port-Louis (CIP),
- Support to the ECOWAS regional regulatory authority (CIP).

### **3.2.2 Governance Structure**

In order to provide for effective ownership and a streamlined operations oversight of the Trust Fund, activities and its linkages to the broader strategy for Africa are assured by the **EU–Africa Infrastructure Partnership Steering Committee (PSC)**, which issues opinions and provides orientations. It also serves as a forum for the exchange of information as regards infrastructure needs and evolving priorities in Africa.

The **Executive Committee** is the operational structure of the Trust Fund. It approves Trust Fund operations. Rules of Procedures and detailed criteria for the selection of projects apply according to the Implementing Rules of the ITF.

The EIB, manager of the Trust Fund, is assisted by the Secretariat in implementing the TF operations. The **Secretariat** is currently funded through the administrative fee recovered by the Manager, which is equal to 4% of a contribution at the time of transfer. Activities of the Secretariat will include inter alia:

- Preparation of meetings
- Coordination with African partners
- Monitoring of ongoing projects
- Production of technical reports

**The Project Financiers Group (PFG)** is an informal grouping of financial institutions which may present projects to the Trust Fund's Executive Committee for approval. It is formed by the EIB and financial institutions designated by the contributing donors.

Projects are prepared by Financial Institutions members of the Project Financier's group and submitted to the Trust Fund Executive Committee which then endorses the eligible operations.

### **3.3. Risks and assumptions**

As stated earlier, the main assumption underlying the proposal for the present additional contribution to the ITF relates to the attraction and subsequent mobilisation of additional funds by existing or prospective new donors to the ITF. At the current stage of the ITF operation, the risk of limited additional contributions is considered low, given the continued interest of the Member States and their gradually increasing support, as well as the expressed interest by other donors to contribute to the Fund.

The major assumption in making such a contribution, however, remains that a strong active pipeline for project presentation and approval exists and is dynamically updated. The risk associated by the increased contributions to the ITF is exacerbated in that Lead Financiers should develop and formulate quickly projects in such a stage of maturity to attract the larger potential disbursements. Moreover, stronger and more widespread participation of the financing institutions is sought within the Projects Financiers' Group. As stated earlier, increased participation of financiers within the PFG, as well as improved coordination with the Executive Committee is necessary to strengthen the projects pipeline.

It is also assumed that the portfolio of projects proposed for financing by the ITF are complementary with the relevant RIPs and NIPs. In order to ensure that complementarity, the EC through the Executive Committee are currently working towards an increased cooperation with the PFG in the identification and formulation of projects for financing by the ITF, but the risk remains that these efforts do not come to a concrete result, as the PFG has not welcomed EC involvement in the formulation of such projects in the past.

### 3.4. Crosscutting Issues

Actions carried out under the EU-Africa Partnership on Infrastructure should contribute towards achieving MDGs, notably in terms of poverty reduction and regional integration. This is particularly reflected in the criteria for identifying projects eligible for ITF grant operations.

In particular, projects should demonstrate positive impact in the attainment of the poverty reduction objectives as defined in the relevant regional or national Poverty Reduction Strategy Papers, as well as positive impact on the attainment of the MDGs.

With respect to social and environmental impacts, lead financiers forwarding a project proposal to the Executive Committee are requested to confirm that:

- (a) Appropriate and/or legally required assessments of social and environmental impacts have been undertaken, and any necessary approvals by the competent Authorities have been granted.
- (b) Such impact assessments carried out respond to international commitments of the EC or the Members States of the concerned Project Financiers, and are in accordance to the guidance provided in the Environmental Integration Handbook for EC Development Cooperation<sup>8</sup> or to equivalent Project Financiers documents<sup>9</sup> or Member States' guidelines.
- (c) *Social and Environmental Externalities*: The economic evaluation of the projects takes into account any national or cross-border externalities that may be identified by social and environmental Impact Assessments and any mitigation plan defined therein.

### 3.5. Stakeholders

The main stakeholders of this action are the national and regional institutions, both through the role of beneficiaries, as well as that of promoters of viable development projects. These include the Regional Economic Communities (RECs), sectoral organisations at continental level, such as the African Ministers' Council on Water (AMCOW), or at regional or sub-regional level, including the entities managing the infrastructure projects, for instance Power Pool institutions (SAPP etc.), river basin and dam-managing organisations (OMVS, EGL etc.), or at national level, such as port or other transport infrastructure managing authorities.

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<sup>8</sup> Source: [http://ec.europa.eu/europeaid/reports/environment\\_integration\\_handbook\\_en.pdf](http://ec.europa.eu/europeaid/reports/environment_integration_handbook_en.pdf)

<sup>9</sup> E.g.: EIB sustainable Development and Environment Documents, EIB, 2002

On the strategic dialogue, key stakeholders include the African Development Bank (AfDB), the African Union Commission, as well as the participating donors, i.e. the Commission and Member States.

These stakeholders are already engaged in an advanced dialogue on infrastructure development needs for the African continent through the successful operation of the ITF in its first two years since its launch.

Capacity and resources constraints can affect the preparation and/or implementation of ITF projects. Hence, targeted capacity building and technical assistance actions can also be included as part of ITF-financed operations.

#### **4. IMPLEMENTATION ISSUES**

##### **4.1. Method of implementation**

The method of implementation will be *joint management* through the signature of an agreement with the European Investment Bank (EIB). The ACP Secretariat, acting as beneficiary, will sign a Financing Agreement with the European Commission.

The proposed implementation method for this project is the one that was set up for the Trust Fund by agreement of the Commission and the EIB, and has successfully operated for more than two years since its launch. The EC-EIB "Agreement constituting the implementation rules of the EU-Africa Infrastructure Trust Fund" was signed on July 20<sup>th</sup> 2006.

The previous two EC contributions, as well as contribution from all other donors, are made on the basis of a Contribution Certificate, signed by the donor and submitted to the manager.

A separate contribution certificate will be signed for this additional EC funding, which will be valid for the duration of validity of this Trust Fund. Currently, subject to availability of funds and normal operating conditions, this is set at 72 months as of the signature of the Financing Agreement.

##### **4.2. Procurement and grant award procedures**

All contracts implementing the financing agreement must be awarded and implemented in accordance with the provisions stipulated in Schedule 5 annexed to the ITF Agreement constituting the implementation rules of the EU-Africa Infrastructure Trust Fund.

The Lead Financier for each Project shall ensure that all assets and services financed either by such institution's loans or by funds made available from the Trust Fund shall be procured in a manner compliant with such institution's procurement rules and procedures which in turn conform to internationally accepted standards open at least to all enterprises established in either an EU Member State or a member of the African, Caribbean and Pacific Group of States and including the award of contract to the tender offering the best value for money, in compliance with the principles of transparency and equal treatment for potential contractors.

All parties to this Trust Fund Agreement agree that contracts financed by the Trust Fund shall respect internationally agreed core labor standards, in particular the conventions related to freedom of association and bargaining, elimination of forced and compulsory labor, elimination of discrimination in respect of employment and occupation and the abolition of child labor. Bidders for contracts that are directly financed by the Trust Fund will be required to confirm in writing their adherence to these core standards. The Lead Financier shall take measures to encourage, where feasible, the widest participation of natural and legal persons of ACP States in the performance of the contracts financed by the Trust Fund.

Each proposal to the Trust Fund shall contain confirmation that the Lead Financier will apply procurement procedures which shall comply with the conditions set out in the preceding paragraph.

#### **4.3. Budget and calendar**

The Contribution Certificate shall be signed by 31 December of the year following the year in which the global financial commitment was adopted. Failing this, the corresponding appropriations shall be cancelled.

The period of operational implementation of the Financing decision is 72 months as of the signature of the Financing Agreement. The period of execution of the Financing decision is 96 months as of the signature of the Financing Agreement.

Any balance of funds remaining available under the EC grant shall be automatically cancelled 6 months after the end of the period of execution of the Financing decision.

Proposed budget:

Category breakdown	EC additional contribution (in €)
Additional contribution to the EU-Africa Infrastructure Trust Fund	EUR 200,000,000

#### **4.4. Performance monitoring**

Day-to-day technical and financial monitoring of the project and of individual sub-projects will be a continuous process as part of the Commission's responsibilities, particularly through its participation in chairing the Executive Committee of the Trust Fund.

Monitoring will also be ensured through the continued close collaboration between the Commission and the Trust Fund Secretariat.

Reporting requirements require in particular the presentation of an annual report.

In particular, this report includes:

- The Trust Fund's annual financial statements
- A narrative and financial description of all Operations financed during the relevant financial year
- details of all Contributions received during the year from Donors

#### **4.5. Evaluation and audit**

The ITF was subject to a performance evaluation, along with a review of its mandate at completion of the first 12 months of operations. This resulted in suggestions for modifications of the ITF Agreement. Some of these modifications have already been adopted by the Executive Committee. Moreover, the updated Agreement has now been finalised in its entirety and is pending approval by the Executive Committee.

With regards to audit, the ITF is subject to the internal and external auditing procedures of the EIB as stipulated in the Agreement constituting the implementation rules of the ITF. This is done yearly and is included in the relevant Annual Report.

In case the Commission decided to do a separate audit on the EU-Africa Infrastructure Trust Fund, this may be financed on the regional All ACP Technical Cooperation Facility.

#### **4.6. Communication and visibility**

One of the main modifications resulting from the aforementioned review of the ITF Agreement relates to the reinforcement of the guidelines governing visibility actions. Indeed, following approval of the updated ITF Agreement, lead financiers will be

required to take all appropriate measures to publicise ITF grant operations, including appropriate clauses in the relevant financial documentation. Project Financiers will also be required to ensure that visibility of the ITF contribution is at least equivalent to that given through media to other donors supporting the implementation of the relevant project (e.g. the Project Financiers shall display the European logo whenever a public notice regarding the investments financed under this project is displayed). Finally, along with the financiers, the donors are also required to take appropriate publicity measures. Finally, the Secretariat will be required to submit biannual reports to the Executive Committee including the description and progress of communication, publicity and visibility actions.

## ANNEX 3

### 1. IDENTIFICATION

Title/Number	ACP Connect for research and education networks (FED/2009/21576)		
Total cost	Total Cost: EUR 16,000,000 EC Contribution: EUR 13,000,000 from the Intra-ACP envelope of the 10th EDF Beneficiary Countries: EUR 3,000,000 (Indicative amount)		
Aid method / Method of implementation	Project approach – Direct centralised management.		
DAC-code	22040	Sector	Information and Communication Technology (ICT)

### 2. RATIONALE

#### 2.1. Sector context

In ACP countries, access to Internet connection is often limited, the connectivity prices are excessive and the available Internet capacity is insufficient. As a result, a major part of the population is being excluded from the progress potential that access to Internet provides. Some significantly affected sectors are education and research where the access to up-to-date information and networking and involvement in education and research projects have become a pre-condition for excellence. In addition, lack of access to modern information technologies in the field of research and education is directly affecting other sectors like healthcare. The level of medical services is strongly influenced by the knowledge of new healing methods and results of latest medical and pharmaceutical research. No access to modern technologies is often a cause of a brain drain of highly skilled experts into countries with better facilities and possibilities for their professional development and satisfaction.

The ACP Connect programme addresses one of the Millennium Development Goals (Goal 8: Develop a Global Partnership for Development) – reducing the digital divide which is hampering the development of education and research in ACP countries<sup>1</sup>. Access to information and exchanges with the outside world is one of most important attributes of a successful research and education system.

The building and interconnection of "National Research and Education Networks" (NRENs) has proven an efficient model to increase access to connectivity for

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<sup>1</sup> The target 8f is: In cooperation with the private sector, make available the benefits of new technologies, especially information and communications. The indicators for this target are: Telephone lines per 100 population, Cellular subscribers per 100 population and Internet users per 100 population

education and research networks, while reducing the price and structuring trans-national networks.

NRENs are organisations associating institutions from the research and education sector (universities, academic institutions, research centres) in a country, to commonly ensure digital connection for their students and researchers in sufficient capacity and on affordable terms. Universities and research centres being financed from public budgets often lack resources for arranging sufficient internet connectivity and capacity. Research projects often require much higher capacity and quality of internet connection than is normally provided on commercial markets. Grouping together these institutions into NRENs increase the negotiating power vis-à-vis the private internet providers, as well as the governmental ministries. This enables them to obtain the necessary resources and ensure connectivity at more advantageous terms.

In Europe, GEANT is the main European multi-gigabit computer network for research and education purposes. Other networks have been financed in partner regions by the European Union, connected to the GEANT one, in North Africa (EUMEDCONNECT), Asia (TEIN and CAREN) and Latin America (ALICE).

ACP States are at different stages in the establishment of regional research and education networks and none of the regions are currently connected to the GEANT network.

In the Caribbean, the Caribbean Knowledge and Learning Network (CKLN) is a regional mechanism established by the CARICOM Heads of Government in 2004 to encourage the use of information and communication technologies and modern approaches to education towards enhancing the global competitiveness of countries in the region. It is mandated to assist regional tertiary education institutions in developing a virtual learning network which will provide students, colleges and universities with cost-effective access to quality e-learning programmes and knowledge resources drawn from the region and around the world. Within this framework, the C@ribNET project is a research and education network linking Caribbean tertiary level institutions (TLIs), research institutes and other institutions engaged in knowledge formation. It will benefit 20 countries including Anguilla, Antigua & Barbuda, the Bahamas, Barbados, Belize, Bermuda, British Virgin Islands, Cayman Islands, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, St. Kitts & Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, Trinidad & Tobago, Turks & Caicos and the Dominican Republic. The European Commission has supported the creation of this network through two grants, for a total of EUR12,000,000<sup>2</sup>.

In Africa, the creation of embryonic NRENs started with internet connectivity provided through the satellite connections. Currently their functioning, structure and sustainability vary from country to country, often lacking stable source of funding and long term prospects. In the beginning of 2008, the EC (DG INFSO) has

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<sup>2</sup> Support to Caribbean Knowledge and Learning Network, FED/2006/018420 for EUR 2,000,000, ongoing, and FED/2007/019356, Administration Agreement with World Bank for Caribbean Knowledge and Learning Network (CKLN-II), for EUR 10,000,000, ongoing. Both projects are managed by the EU Delegation in Barbados.

commissioned a Feasibility Study (FEAST) on the interconnection of South and Eastern African Research Networks to GEANT. The scope of the study has since then been widened to cover all of sub-Saharan Africa. The objective of this study is to examine the viability of working with African NRENs and other committed stakeholders to establish a sustainable and expandable regional research network infrastructure in Africa, starting among the currently most developed NRENs in Southern and Eastern Africa, and to provide recommendations to the European Commission on the deployment of such a regional network and its interconnection to GÉANT. The study will also look at NREN organisations and capacity to ensure that international bandwidth can be distributed to end users.

In the Pacific, a preliminary assessment shows that due to the remoteness and extent of the region, no regional research and education network exists and only Fiji has an established NREN (USP-SUVA). It is therefore necessary to assess what can be done in view of contributing to the inclusion of the region in the European global connectivity efforts.

## 2.2. Lessons learnt

The concept of research and education networks has been running successfully in Europe as well as in other parts of the world. The European GEANT network connects universities and research centres in 34 countries in Europe. Similar approaches have been successfully used in different parts of the world to support the building up of regional networks and connecting them to the European GEANT: the ALICE network in Latin America (12 NRENs connected), the EUMEDCONNECT in the Mediterranean countries (7 countries) and the TEIN projects in Asia (13 countries). C@ribnet, in the Caribbean, will also cover 20 countries.

The ACP Connect project will complement these existing structures and become part of a global high speed non-commercial network connected to the European GEANT Network.

The EUMEDCONNECT initiative provides connectivity to the North-African research and education communities. The initiative is based on existing national networks connecting them into a regional-wide network, as well as providing connectivity to the European GÉANT2. The pre-condition is the existence of a research and education network at national level. The national research network(s) is (are) represented by one organisation covering the needs of the research and education community of the whole country. The National Research and Education Network (NREN) is responsible for providing and distributing the connectivity to the research institutions in its home country. The EUMEDCONNECT network provides a regional platform, where the particular national NRENs are connected among each other, to provide international connection. In addition, an infrastructure is in place to support user communities (e.g. via Grids and/or data repositories) across the region.

A similar approach can be applicable to ACP countries. Particularities of these countries will have to be taken into account, as well as lessons learnt from similar projects. Certainly **it will not be possible to implement an infrastructure serving all ACP countries at once**. Consequently, ACP Connect will try to serve a set of ACP African countries that are ready to participate (e.g. countries that have already a National Research and Education Network in place). For other countries that are not

yet able to participate and/or will not be selected for this activity, specific support and training measures will be proposed.

The lessons learnt from the experience of EUMEDCONNECT and similar EU initiatives in other regions (e.g. TEIN2, ALICE) show that it is important to build on the interests and consensus of the local partners. This has resulted in different management approaches adapted to the local contexts.

As far as Africa is concerned (see below, Component A), a Feasibility Study (FEAST) for the implementation of the programme, funded by DG INFSO, is currently ongoing. The results of this study will be instrumental in the final design of the strategy for Component A of this project.

The final report of the study will provide an overview of the current and prospective research and education networking landscape in Africa. Individual country analyses will be provided to get a comprehensive picture of research and education networking in Africa. The report will also present possible deployment scenarios for a regional backbone and provide examples of "lighthouse demonstrators" illustrating impact of the deployed regional network and capacity building activities. The final report will be provided, in principle, in September 2009.

### **2.3. Complementary actions**

The ACP Connect approach is part of the overall European Commission approach to facilitate the establishment of links between NRENs and RRENs globally. In the Caribbean region, it will operate in close coordination with CKLN.

It also part of the overall ACP – EU strategy with regards to science, technology, research and education, where other initiatives are and will be implemented, in particular the ACP ICT programme, the ACP Science and Technology Programme and mobility exchange programmes such as Edulink.

### **2.4. Donor coordination**

In the framework of the EU-Africa Strategy and in particular the 8<sup>th</sup> Partnership on Information Society, Science and Space, the African part of this project has been presented to and discussed with Member EU States, with the overall "book of lighthouse projects". In the same framework, it has been identified as an "early deliverable" in the EU-AU Commissions joint-statement on implementation of the AU-EU partnership<sup>3</sup>.

The FEAST feasibility study is looking into the involvement of potential donors in Africa so as to ensure appropriate coordination during implementation and avoid overlaps. At this stage, it has been identified that coordination should be sought with the following organisations that are all today involved in the support of the research and education community in sub Saharan Africa:

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<sup>3</sup> [http://africa-eu-partnership.org/alfresco/d/d/workspace/SpacesStore/8c7e55a3-42bf-11de-b5ef-1d2658eaf8dd/090515\\_P8EC-AUCjoint\\_statement.pdf?guest=true#nameddest=science](http://africa-eu-partnership.org/alfresco/d/d/workspace/SpacesStore/8c7e55a3-42bf-11de-b5ef-1d2658eaf8dd/090515_P8EC-AUCjoint_statement.pdf?guest=true#nameddest=science)

International Support agencies such as:

- Canadian International Development Agency (CIDA)
- Swedish International Cooperation Development Agency (SIDA)
- Carnegie Foundation for the Advancement of Teaching Philanthropic organisations
- Bill and Melinda Gates Foundation
- Mark Shuttleworth Foundation

In addition, close cooperation will be ensured with the World Bank to ensure that the national ICT programmes supported by the World Bank take into consideration the need for the development of NRENs in a country, particularly in the context of the C@ribnet implementation.

### **3. DESCRIPTION**

#### **3.1. Objectives**

The **overall objective** is to contribute to poverty reduction by harnessing the potential of information and communication technologies for sustainable development in the ACP region.

The **project purpose** is to facilitate the creation, development and use of regional education and research communication networks and internet connectivity in view of having a more inclusive information society at ACP national and regional levels.

#### **3.2. Expected results and main activities**

##### *3.2.1. Expected results*

Result 1 - Improved intra-regional connectivity for the research and education community with a selected number of countries (depending on readiness).

Result 2 - Increased communication and collaboration between research centres and universities

Result 3 - Increased use of online applications for research cooperation

Result 4 - Improved institutional capacity of ACP NRENs and self-sustainability

Result 5 - Needs of c@ribnet stakeholders identified and action plan developed

Result 6 - Strategy for the connection of Research and Education entities in the Pacific developed

### 3.2.2. *Activities*

Considering the different stages of advancement of ACP countries and regions in setting up viable NRENs and RRENs, as well as the non-homogeneous availability of bandwidth, a modular approach must be adopted. Two main activity components will be implemented, reflecting the differences between ACP States.

#### 3.2.2.1. Component A – Connectivity and promotion (results 1-4)

- Connectivity linking the NRENs through one or several regional backbones and training. This includes design of the most cost-effective technical solution for the network; procurement of the network from telecom providers; network management to provide stable services; capacity building for the consolidation of the NRENs, training local staff for the operation of the network. (result 1).

- Promotion of the use of existing and planned networks for non-commercial e-applications, and in particular promotion of the use of the network to the end-users (students, researchers, doctors); increasing political dialogue to raise the political and financial support to the connectivity issues; development and provision of ICT applications for the use of the research and education community. (result 2-4).

The sub-Saharan Africa is the ACP Region concerned by component A. The FEAST study will be used as a base to determine which countries are ready for connection in this first phase. Based on preliminary finding, it is anticipated that at least 4 or 5 African countries will benefit from the connectivity activities. These will be determined in agreement with the implementing entity on the basis of the technical and legal preparedness.

#### 3.2.2.2. Component B – Needs assessments and support (results 5-6)

Both for the Caribbean and Pacific region, the programme will focus on the identification of needs of these two ACP regions including possible technical assistance support. Taking into account the similarities between Caribbean and Pacific countries, the programme will promote exchanges between the two regions and consider lessons learned in the framework of CKLN that could be applicable to the Pacific region.

##### **- Caribbean region**

For the Caribbean region, the programme, in coordination with the Caribbean Knowledge and Learning Network, will focus on the identification of the needs of the C@ribnet stakeholders and promote/assist on the elaboration of a plan to fulfil these.

##### **- Pacific region**

In the Pacific region, an assessment of needs and identification of options for interconnecting local research and educational centres between them, as well as to other regions will be undertaken. This study will lead to:

- (i) the identification of local NRENs or other research clusters, their requirements and organisational capacity, including the institutional capacity of their governing public bodies,
- (ii) identification of the regulatory context,
- (iii) a list of the technological options available,
- (iv) a clear scope for action, including an outline of alternative management structures.

In particular, the study will analyse the relevance of the NREN approach for the Pacific by considering instead the direct implementation of a Regional Research and Education Networks (RREN), and identify possible beneficiary institutions including, if relevant, other stakeholders and entities.

On this basis, at least one regional or multi-regional workshop will be organised, to enable interaction between the various stakeholders and, if relevant, promote regional cooperation.

### **3.3. Risks and assumptions**

Some of the African countries that are to participate in Component A of the ACP project are amongst the poorest countries in the world. Their general economic situation is sometimes worst than for countries that have been covered under, for example, ALICE or TEIN2. The FEAST study will highlight the fact that the funding of the NRENs in Africa appears to track the economic development of their respective countries. In many cases, NREN funding is extremely low.

DANTE is a not-for-profit organisation owned by the European NREN community. Over the past years, DANTE has taken on the responsibility of the regional projects in Latin America, Asia Pacific, South Asia, Central Asia and the Mediterranean. This involved bearing the financial risk for the collection of the beneficiary contribution for all these projects.

DANTE has no track record of working with the African NRENs in question and it cannot be clearly anticipated at this stage in how far African NRENs will be able to fulfil their contribution commitment.

The FEAST study will identify mitigation strategies that will be included in the implementation of the project.

The political dialogue should promote the support of government ministries to NRENs. The involvement of national governments will be a crucial factor for the success of the projects. In any case, the clear support from the African Union has already been voiced, notably with the official identification of this project as an early deliverable of the EU-AU Strategy, as mentioned above.

### **3.4. Crosscutting Issues**

With regard to gender equality ACP Connect will promote equal and open access for both genders to the network.

The ACP Connect network will have positive environmental effects for example:

- Supporting the network needs of user applications in the environmental areas to tackle key environmental priorities for the beneficiary countries, for example in areas such as climate change, disaster early-warning systems etc.
- Reducing the need for certain professionals to travel to meet or cooperate - for example by making available video-conferencing facilities.

### **3.5. Stakeholders**

The main beneficiary of this project is the research and education community in ACP countries. This community includes universities, research institutes, academic institutions with their students and professional staff.

The main stakeholders in the project are National Research and Education Networks (NRENs) which are organisations associating institutions from the research and education sector (universities, academic institutions, research centres) to commonly ensure digital connection for their students and researchers in sufficient capacity and on affordable terms. NRENs are usually public bodies or independent organisations financed by universities or government contributions. Representing the research and education communities they are usually established and financed by responsible Ministry, or possibly Academy of Science. For this reason the involvement of ACP governments in the implementation of the project will be crucial for the successful implementation as well as for future sustainability.

The final beneficiaries would be the citizens of ACP countries that would benefit from the access to the new information technologies including the rural areas. This would on one hand include improved education and research possibilities, on the other hand the emerging use of information technologies in other sectors like medicine.

## **4. IMPLEMENTATION ISSUES**

In accordance with Art. 14.6 of Annex IV of the ACP-EC Partnership Agreement, a Financing Agreement will be signed with the ACP Secretariat

A steering committee shall be set up by DANTE to oversee and validate the overall direction and policy of the project. The Committee will review the progress of works according to the plan, the operation of the network and services provided, and will ensure that the needs of the education and research community are reflected in the project. The steering committee shall be composed of representatives from the ACP Secretariat, the European Commission, the African Union Commission, DANTE and the project partners (NRENs) when necessary.

### **4.1. Method of implementation**

The programme will be implemented through direct centralised management.

The grant contract under component A will be awarded through a direct award to the not-for-profit organisation DANTE. DANTE is a limited liability company founded

by the national research and education networks (NRENs) of European countries. The NRENs are public bodies funded by public resources, and have created DANTE to implement international research and education networks on their behalf. For this reason DANTE has indirectly public character, and is prohibited by its statute to enter into profit making activities. DANTE is implementing the pan-European research and education network GEANT as well as helping to establish similar networks around the world – TEIN in Asia, EUMEDCONNECT in the Mediterranean region and ALICE in South America.

The direct award is justified due to DANTE's monopoly position in the area of research and education networking.

DANTE has a unique know-how and capacity to develop research and education networks. No other private or public body has such capacity, as the European NRENs delegated all tasks related to international connectivity to DANTE, no other regional network than GEANT implemented by DANTE exists in Europe and the regional networks around the world are not sufficiently developed yet to take on such task.

This grant therefore fulfils the conditions set in article 168(c) (body with a *de facto* monopoly) and 168(f) (actions with specific characteristics that require a particular type of body on account of its technical competence, its high degree of specialisation or its administrative power) of the Rules for implementing the Financial Regulation<sup>4</sup> for direct award.

Service contracts (Component B) will be awarded through the framework contract or call for tenders as foreseen in the EDF Financial regulation.

## **4.2. Procurement and grant award procedures**

### *4.2.1. Contracts*

All contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.

Participation in the award of contracts for the present action shall be open to all natural and legal persons covered by Council Regulation (EC) No 215/2008 of 18 February 2008 on the Financial Regulation applicable to the 10<sup>th</sup> EDF. Further extensions of this participation to other natural or legal persons by the concerned authorising officer shall be subject to the conditions provided for in article 20 of Annex IV of the Cotonou Agreement.

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<sup>4</sup> Regulation (EC, Euratom) No 2342/2002 laying down detailed rules for the implementation of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities

#### 4.2.2. *Specific rules of grants*

The essential selection and award criteria for the award of grants are laid down in the Practical Guide to contract procedures for EC external actions. They are established in accordance with the principles set out Title VII 'Grants' of the Financial Regulation applicable to the 10th European Development Fund. When derogations to these principles are applied, they shall be justified, in particular in the following cases:

- Financing in full (derogation to the principle of co-financing): the maximum possible rate of co-financing for grants is 80%. Full financing may only be applied in the cases provided for in Article 253 of the Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of the Financial Regulation applicable to the general budget of the European Communities and in Article 109 of the Council Regulation on the Financial Regulation applicable to the 10th European Development Fund.
- Derogation to the principle of non-retroactivity: a grant may be awarded for an action which has already begun only if the applicant can demonstrate the need to start the action before the grant is awarded, in accordance with Article 108 of the Financial Regulation applicable to the 10th EDF.

Due to the specificities of the actions to be undertaken, it is not excluded that during the implementation of the project some highly specialised items that are only manufactured or provided by a single supplier/provider will be necessary. Therefore exceptions to the applicable tender procedures and/or rule of origins might be granted if duly justified and necessary, with prior approval at director level.

#### 4.3. **Budget and calendar**

The total project cost is estimated at EUR 16,000,000, of which EUR 13,000,000 shall be financed from the 10<sup>th</sup> EDF Intra-ACP envelope in the framework of the Cotonou Agreement. The contribution from beneficiary countries, through DANTE, is expected to be EUR 3,000,000 under component A.

<b>Categories</b>	<b>EC contribution (in EUR)</b>	<b>Beneficiary countries(*) (in EUR)</b>	<b>Total (in EUR)</b>
Component A – Connectivity and promotion (Grant)	11,800,000	3,000,000	14,800,000
Component B – Needs assessment and support (Service contracts)	1,000,000	0	1,000,000
External Evaluation and audit	150,000	0	150,000
Contingencies**	50,000	0	50,000
<b>TOTAL</b>	<b>13,000,000</b>	<b>3,000,000</b>	<b>16,000,000</b>

(\*) Indicative amount

(\*\*) The European Community's contribution to the "Contingencies" heading may be used only with prior agreement of the Commission.

The total implementation period is of 60 months from the signature of the financing agreement.

#### **4.4. Performance monitoring**

Performance will be monitored by EuropeAid, in close collaboration with INFISO, on the basis of reports. The ACP Secretariat will also be involved in the monitoring. DANTE will develop its own monitoring mechanism to ensure smooth implementation and, if necessary, corrective measures.

#### **4.5. Evaluation and audit**

Evaluations (mid-term, final) and audit arrangements are integral part of the contractual arrangements with the selected grantee. External evaluations and audits might be also carried out by independent consultants recruited directly by the Commission in accordance with EC rules and procedures on specifically established terms of reference.

A mid-term evaluation will be carried out after the procurement of the network reviewing the tendering procedure and the successful completion of the first phase. An end-of-project evaluation will be carried out to review the overall achievements of the action.

#### **4.6. Communication and visibility**

Communication and visibility activities will be an essential part of the programme, as one of its aims is to promote the usefulness and use of existing and planned network. Visibility is included in component A.

In addition, standards regarding visibility will be derived from the "EU visibility guidelines for external actions".

## ANNEX 4

### 1. IDENTIFICATION

Title/Number	<b>ACP Research for sustainable development programme (FED/2009/21575)</b>		
Total cost	EUR 20,000,000 from the Intra-ACP envelope of the 10th EDF		
Aid method / Method of implementation	Project Approach Component A: Joint management with AU Component B: Centralised or Decentralised management (to be determined)		
DAC-code	43082	Sector	<i>Research/scientific institutions</i>

### 2. RATIONALE

#### 2.1. Sector context

In the last decade, withdrawal of government funding from public research institutions in Africa resulted in the loss of about two thirds of institutional and human resources. The brain drain has increased considerably as many professors and researchers cannot feed a family with their normal income and have therefore chosen to emigrate. The entire African continent lost 25% of the above mentioned human capital over the last 10 years compared to Europe. The proportion of researchers still actively (30%) practicing their profession respond to orders from abroad, mostly through temporary work. Research is done largely away from the research institutions themselves. It is undertaken more for the immediate benefits it can bring than for the advancement of knowledge

Many developing countries do not have R&D strategies or long lasting research programmes and sometimes their research infrastructure is declining. While African countries have committed themselves to spending 1% of their GDP on research, this figure is currently much lower.

Developing countries in general and ACP countries in particular are lagging behind in terms of R&D. Although available data is scarce, it is estimated that developing countries invest up to 1% of their GDP in R&D as opposed to around 2.4% for high income OECD countries. However, if one only focuses on LDCs, only 0.1% of their GDP is allocated to R&D.

The widest disparity is in the number of researchers, with 3728.1/million people for high income OECD countries, against only 94.7 for African LDCs.

With a few notable exceptions, low investment in S&T in Africa, has resulted in a low level of scientific infrastructure. African researchers therefore face huge barriers

to progress in their work and to become well integrated in the global research communities. As a result, the continent is losing some of its best scientific and technical expertise to other regions of the world or to a few scientific 'poles' within Africa (e.g. with South Africa attracting many scientists/students from neighbouring countries).

The Cotonou Agreement calls for the "development of scientific, technological and research infrastructure and services; including the enhancement, transfer and absorption of new technologies" and "the promotion of traditional knowledge"<sup>1</sup>.

Research can be seen as a transversal issue to the extent that many poverty problems are also rooted in the absence or limited access to knowledge and know how. Research when applied to fields such as agriculture, energy, climate change, transport and communication, health or almost any other sector can play an important role in poverty reduction and sustainable development of ACP countries.

#### *2.1.1. Caribbean and Pacific Islands Policy in research*

The 2005 Mauritius Strategy for the further Implementation of the Programme of Action on Sustainable Development of Small Islands Developing States<sup>2</sup> recognized that Science and Technology is a "cross-cutting issue for all sectors for the sustainable development of small island developing States" and put research at the core of the strategy. Science and development and transfer of technologies are thus identified as key in the implementation strategy of the Programme of Action<sup>3</sup>.

#### *2.1.2. African policy in Research*

Based on the Africa's Science and Technology Consolidated Plan of Action (CPA) and on African Regional Action Plan on Knowledge Economy (ARAPKE) the African Union (AU) Commission prepared an AUC Book of Projects covering Information Society, Science and Space and related to Partnership 8 of the Africa – EU Joint Strategy. The AUC book was officially endorsed by the African Ministerial Conference on Science and Technology (AMCOST III) Bureau the 5<sup>th</sup> December 2008 in Abuja. In the same meeting, the AUC – Human Resource Science and Technology Department received the mandate to use all opportunities to implement the described projects. Furthermore, the AUC Book responds also to the implementation of the decisions of the first African Ministerial Conference on Science and Technology held in Johannesburg in November 2003. This conference established the African AMCOST and its Steering Committee for Science and Technology as the overall governance structure for setting continental priorities and policies pertaining to the development and application of science and technology for Africa's socio economic transformation.

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<sup>1</sup> Article 23 j and l

<sup>2</sup> A/CONF.207/CRP.7 – "Mauritius Strategy for the further Implementation of the Programme of Action for the Sustainable Development of Small Island Developing States", Port Louis, Mauritius, 13 January 2005

<sup>3</sup> The Mauritius Strategy was endorsed by the UN General Assembly on 14/07/2005.

There is political momentum and commitment on use of science and research in ACP Countries. The ACP research for sustainable development programme will build on this momentum and the lessons learnt and complementarities with other initiative.

## 2.2. Lessons learnt

On the basis of past experience, there is now a trend to strengthen a more demand based programming, building partnerships between science institutions and public and private sectors. This tendency moves from a linear top-down approach to innovation systems which link public and private sectors with civil society organisations and the scientific community. The concept of "innovation" encompasses not only the "technological innovation" itself, i.e. the diffusion of new products and services of a technological nature into the economy, but it includes equally non-technological forms of innovation, such as institutional and organizational innovations.

This includes a vast array of stakeholders, and links them in a dynamic process that needs to be supported by appropriate framework conditions – not just policies but also financial, business and educational systems. Research plays a key role in the innovation system only when it is effectively linked or integrated with the other components of the innovation system. In many countries, research agendas are still largely decided by scientists, with too little involvement of citizens, consumers, producers, processors and policy makers.

The experience gained from other programmes and, in particular, intra-ACP programmes such as Edulink and ACP Science and Technology, has demonstrated the overwhelming interest of stakeholders in research related activities.

## 2.3. Complementary actions

Complementarity is at the core of this programme. It complements a number of other initiatives that address other issues related to the so called "knowledge triangle" (research, innovation, education). If a parallel can be made with the EU's own research programme, the 7<sup>th</sup> Framework Programme, the following aspects must be tackled:

- **Capacities.** In the context of developing countries, an important effort must be made in the field of capacity building of research institutions. This has two main aspects: infrastructures on the one hand and "soft" capacities on the other hand (policies, training, networks of institutions, etc). The European Commission already supports these components, notably through the ACP Science and Technology Programme under the 9th EDF, also supported by South Africa, that aims at strengthening the internal S&T capacity of ACP countries and that will be continued under the 10th EDF Intra-ACP envelope. The EC also has a more "infrastructure" approach through notably the @CP-ICT programme, and the upcoming ACP-Connect programme. In addition, the FP7, with a limited budget for capacity, has important actions in the frame of INCONETs (CAAST-Net, MIRA) and of bilateral dialogue on S&T.

- **People.** The European Commission supports a number of programmes for higher education students and for researchers. For example the FP7 People programme

supports researchers' mobility and their career development. In this framework, international incoming fellowships for experienced researchers for knowledge transfer with Europe and enrichment of research collaboration exist, while a reintegration scheme is applied to avoid brain drain. Funded fully or partially from the intra-ACP programme, Edulink, Erasmus Mundus and the AU Mwalimu Nyerere Scholarship programme are all focusing on the human resources, training and exchange parts of knowledge acquisition and development. EU Members States also have exchange programmes. Portugal for example has established bilateral cooperation focus on support to higher education and advanced training of human resources at post-graduate level with lusophone countries. France through the Organisation Internationale de la Francophonie, the UK through the British Council and countries particularly active in Research, such as Sweden operate similar schemes.

- **Research cooperation.** Under FP7, the thematic areas are all opened to third countries. However, the participation of developing countries in FP7 will not be made easier than in FP6, despite this large opening, for two reasons. First, there still is a mandatory participation of EU Member States in any action financed under this framework. Second, as highlighted by the PCD Report of 2007, the FP7's "primary goal is scientific excellence and the primary means for reaching it is competitive selection [...] without a real investment effort to reinforce the S&T capacities of these countries, which cannot be done via the FP as it is currently designed, some developing countries research organisations and universities will have serious difficulties in successfully passing the criterion of scientific excellence in the evaluations". In the field of agriculture and food security, research is being addressed *inter alia* through the Food Security Thematic Programme<sup>4</sup> (EUR 230,000,000) and a specific African coordinated call launched under the FP7.

With the "people" and "capacities" components being already addressed jointly by the European Commission, the ACP Group of States or other donors, this **programme will focus on research and innovation**, to build on efforts made in the field of people and capacities. It should be noted that total ODA disbursements in the field of science and technology innovation related aid amounted to around USD 73,500,000 in 2004 for research, against USD 654,200,000 for advanced and specific human skills (mainly higher education) in LDCs<sup>5</sup>.

The ACP Research for sustainable development programme is therefore a seed programme leading to the identification of projects that might not have been possible without the "capacities" or "people" component of the European Commission approach to research in development cooperation. In order to **avoid any risk of**

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<sup>4</sup> There are a series of global, continent-wide and regional programmes focussing on the R&D component of the NEPAD Comprehensive African Agricultural Development Programme (CAADP), to be supported by the EU and other development partners. These include support to the CGIAR and other providers of global public goods (ER 153,000,000 is allocated under this global component of research of the FSTP 2007-2010) the Forum for Agricultural Research in Africa FARA (EUR 10,000,000), the other SROs (CORAF, ASARECA (EUR 4,000,000) and SADC MAPP), research centres with a regional mandate CARBAP (EUR 2,500,000) and ICIPE (EUR 1,500,000) and a number of national agricultural research systems. In addition support is provided to related sectors, such as agricultural advisory services, private sector, and farmer organizations, and to PAEPARD II (the Platform for African-European Partnership on Agricultural Research for Development-EUR 5,500,000).

<sup>5</sup> UNCTAD Calculation based on OECD/CRS Database, LDC Report 2007.

**duplication**, the programme will take duly into account the actions and results of the other projects under implementation.

## 2.4. Donor coordination

This action is in line with the European Consensus on Development which states that the Community will "increase its support to development-related research"<sup>6</sup> and complements EU Member States activities in this field, both in Europe and in the ACP. Research and innovation were also identified as one of the 12 policy areas that could accelerate progress towards the UN's Millennium Development Goals (MDGs) in the EU Policy coherence for development approach. The action also responds to the conclusions of the 2002 Cape Town ACP Ministerial Forum on Research for Sustainable Development.

In the framework of the EU-Africa Strategy and in particular the 8<sup>th</sup> Partnership on Information Society, Science and Space, this project has been presented to and discussed with Member EU States, with the overall "AUC book of lighthouse projects".

In the same framework, it has been identified as an "early deliverable" in the EU-AU Commissions joint-statement on implementation of the AU-EU partnership<sup>7</sup>.

## 3. DESCRIPTION

### 3.1. Objectives

The **overall objective** of the programme is to improve science and technology research that contributes to ACP sustainable development.

The **project purpose is to improve:**

- a) the support given to the research activities that contribute to the sustainable development of ACP countries and the fight against poverty; and
- b) The ability of regional organisations to design, implement and monitor R&D programmes.

Environmental sustainability, gender equality, good governance and human rights considerations will be mainstreamed in each component of the programme in order to ensure that crosscutting issues are incorporated into the project.

### 3.2. Expected results and main activities

The ACP Research for sustainable development programme will support the creation and operation of regional research programmes that will provide support to competitively identified research activities. It aims at achieving the following 4 results:

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<sup>6</sup> European Consensus, 2005, point 79

<sup>7</sup> [http://africa-eu-partnership.org/alfresco/d/d/workspace/SpacesStore/8c7e55a3-42bf-11de-b5ef-1d2658eaf8dd/090515\\_P8EC-AUCjoint\\_statement.pdf?guest=true#nameddest=science](http://africa-eu-partnership.org/alfresco/d/d/workspace/SpacesStore/8c7e55a3-42bf-11de-b5ef-1d2658eaf8dd/090515_P8EC-AUCjoint_statement.pdf?guest=true#nameddest=science)

Result 1. Regional programmes to finance research activities in a number of fields are created, launched and publicized

Result 2. Research proposals are evaluated and selected, and grants are awarded to selected proposals

Result 3. Research activities are implemented and adequately monitored

Result 4. Research results are disseminated and south/south research oriented collaboration is enhanced

Discussions with the various stakeholders during the identification and formulation phases, have led to the identification of two components for the ACP Research programme.

### **Component A: Africa**

As mentioned above, in the context of the EU-Africa Strategy, an AU-EU Research Grants programme has been identified<sup>8</sup> as one of the six "early deliverables" during the EU-AU College to College meeting of 1st October 2008, and subsequently endorsed by the African Ministerial Council on Science and Technology (AMCOST III) Bureau, meeting in Abuja in December 2008. Component A is therefore a response to this endorsement.

In order to ensure that the results of the research through these calls have visible social and developmental impact a maximum of three calls for proposals will be launched under this component.

The First Call for proposals will be designed to focus on Earth and Life Sciences including the three thematic areas which respond to local needs and significant issues of importance to Africa (Post-harvest and Agriculture, Renewable and Sustainable Energy, and Water and sanitation)<sup>9</sup>. Work being done under the ACP-EU Water and Energy Facilities will be taken into account.

The Second (and the third if applicable) Call for Proposals will be based on lessons learnt from the previous call(s). The second (and the third if applicable) call might include other research areas such as Basic Science, Technology and Innovation.

### **Component B: Caribbean and Pacific**

For the Caribbean and Pacific, a **needs assessment study** is being conducted, that will confirm the relevance of the above themes for these regions, or propose themes that are more relevant, and identify the adequate implementing modalities and institutions.

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<sup>8</sup> In September 2008, the African Union Commission department of Human Resources, Science and Technology (HRST) published a book of projects as a tool for the implementation of the 8<sup>th</sup> Priority Action of the Africa-EU Strategic Partnership (Science, Information Society and Space). This component was identified by the AUC, in collaboration with DG Research, as an "EU-AU Africa Research Grants" project.

<sup>9</sup> These areas were officially endorsed by the African Ministerial Conference on Science and Technology (AMCOST III) Bureau on 5 December 2008, in Abuja.

For both components, the following activities are foreseen:

**Activities related to Result 1 (Regional programmes to finance research activities in a number of fields are created, launched and publicized)**

- Preparation of the guidelines for the call for proposals including the exact scope of the call, eligible entities and partnerships, grant amount and number of calls for proposals.
- Discussions and consultations on the guidelines by the relevant stakeholders.
- Preparation of an information strategy with the relevant details about the purpose of the call targeting the potential applicants that have been previously identified.

**Activities related to Result 2 (Research proposals are evaluated and selected, and grants are awarded to selected proposals)**

- Evaluation of the proposals.
- Selection and award of grants.
- Preparation and signature of contracts.

**Activities related to Result 3 (Research activities are implemented and adequately monitored)**

- Implementation of the research activities by the grant beneficiaries.
- Establishment of a monitoring system in view of permitting an adequate follow-up of the projects by the contracting authority(ies).

**Activities related to Result 4 (Research results are disseminated and south/south research oriented collaboration is enhanced)**

- Publication of the research results.
- Presentation of project results at international meetings and/or national and regional workshops.
- Other events where the research results are presented in view of inter alia encouraging the allocation of more national/regional resources for south/south research.

### **3.3. Risks and assumptions**

At programme level, the risks are essentially related to the capacity of implementing entities to design and manage the call for proposals, and manage subsequent contracts and payments. Conditionality will be included in the financing agreement and contribution agreement(s) with regard to the availability of adequate procedures and human resources. It is also foreseen that pilot calls could be launched to test the structures in place and adapt if necessary.

At project level, each proposal will include an analysis of risks and assumptions that will be taken into account during the evaluation process. The main overall risks are expected to be lack of cooperation between project partners, lack of capacity of partners to complete their responsibilities, loss of political and administrative support and intractable technical problems.

### **3.4. Crosscutting Issues**

Mainstreaming environmental sustainability, gender equality, good governance and human rights will be ensured in all projects.

### **3.5. Stakeholders**

The main stakeholders in the programme are the implementing entities, the advanced research institutions, universities, research centres, national ministries, civil society organisations, private sector, international NGOs. National and regional ownership of the components and of the research activities will be key to the success of the programme.

The research process and governance arrangements should allow for knowledge and innovation co-generation, bringing together different categories of stakeholders to develop approaches and technologies that build on local knowledge systems and are gender responsive, as well as dissemination to the ultimate beneficiaries of the research outcomes.

## **4. IMPLEMENTATION ISSUES**

In accordance with Art. 14.6 of Annex IV of the ACP-EC Partnership Agreement, a Financing Agreement will be signed with the ACP Secretariat

### **4.1. Method of implementation**

A steering committee will be set up with the objective to oversee, provide advice and validate the overall direction and policy of the project. The steering committee will be composed of representatives from the EC, the ACP Secretariat and the African Union Commission. The ACP Secretariat will invite representatives from the Caribbean and Pacific regions to be part of the steering committee.

#### *4.1.1. Component A: Africa*

Implementation of this component will be done through call for proposals, published, evaluated and grants in principle contracted by the African Union Commission.

The implementation method of this component will be joint management through the signature of a Contribution Agreement between the European Commission and the African Union Commission. Subject to the outcome of the so-called "4 pillars" assessment, the Standard Contribution Agreement, model will be used. In case the outcome of the assessment is negative, partial decentralised management will be applied, with the African Union Commission acting as the **Delegated Regional Authorising Officer** (DRAO) on behalf of the ACP Group of States. In this case, the

European Commission will control ex-ante the contracting procedures (procurement and grants) and payments remain centralised.

#### *4.1.2. Component B: Caribbean and Pacific*

Implementation of this component will be done through call(s) for proposals, published, evaluated and grants contracted by the implementing entity.

Based on the findings of the needs assessment study the implementation method of this component will therefore be direct centralised management or partial decentralised management with ex-ante control with CARIFORUM, the Pacific Islands Forum and/or the ACP Secretariat.

In case of decentralised management, partial decentralisation will apply: The European Commission controls ex-ante the contracting procedures (procurement and grants) and payments remain centralised.

## **4.2. Procurement and grant award procedures**

### *4.2.1. Contracts*

#### 4.2.1.1. For contracts awarded under Contribution Agreements

All contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the International Organisation concerned.

#### 4.2.1.2. For contracts awarded under Decentralised management

All contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the European Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.

Participation in the award of contracts for the present action shall be open to all natural and legal persons covered Council Regulation (EC) No 215/2008 of 18 February 2008 on the Financial Regulation applicable to the 10<sup>th</sup> EDF. Further extensions of this participation to other natural or legal persons by the concerned authorising officer shall be subject to the conditions provided for in article 20 of Annex IV of the Cotonou Agreement.

### *4.2.2. Grants*

Where EC procedures apply, the essential selection and award criteria for the award of grants are laid down in the Practical Guide to contract procedures for EC external actions. They are established in accordance with the principles set out in Title VII 'Grants' of the Financial Regulation applicable to the 10th European Development Fund. When derogations to these principles are applied, they shall be justified, in particular in the following cases:

- Financing in full (derogation to the principle of co-financing): the maximum possible rate of co-financing for grants is 80%. Full financing may only be applied in the cases provided for in Article 253 of the European Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of the Financial Regulation applicable to the general budget of the European Communities and in Article 109 of the Council Regulation on the Financial Regulation applicable to the 10th European Development Fund.

- Derogation to the principle of non-retroactivity: a grant may be awarded for an action which has already begun only if the applicant can demonstrate the need to start the action before the grant is awarded, in accordance with Article 108 of the Financial Regulation applicable to the 10th EDF.

#### 4.3. Budget and calendar

The total project cost is estimated at EUR 20,000,000 to be financed from the 10th EDF Intra-ACP envelope in the framework of the Cotonou Agreement. There will be no co-financing from the beneficiary.

Categories	Amount (in EUR)
Component A: Africa (*) (contribution agreement)	14,700,000
Component B: Caribbean and Pacific (*)	4,800,000
External Evaluation and Audit	250,000
Contingencies	250,000
<b>TOTAL</b>	<b>20,000,000</b>

The EC Contribution will not cover the costs associated with the management of the programme when the European Commission already contributes to the running costs of the implementing entity.

(\*) The European Commission might approve that costs related to the evaluation of project proposals are financed from this amount.

The foreseen operational duration is 96 months (8 years) as from the signature of Financing Agreement.

#### 4.4. Performance monitoring

Contracting authorities under Components A and B will ensure overall monitoring of the programme. And present the results of their findings to the steering committee through their yearly report.

Monitoring of the research grants awarded will be the responsibility of the relevant contracting authorities of both components.

#### **4.5. Evaluation and audit**

Independent consultants recruited directly by the EC on specifically established terms of reference that have been agreed upon by the EC and Contracting Authorities will carry out a final evaluation, at the beginning of the closing phase.

The EC shall inform the Contracting Authorities at least 1 month in advance of the dates foreseen for the external missions. The Contracting Authorities shall collaborate efficiently and effectively with the monitoring and/or evaluation experts, and *inter alia* provide them with all necessary information and documentation, as well as access to the project premises and activities.

Audits of research activities will take place according to the rules in force at the time of signing the grant contracts.

#### **4.6. Communication and visibility**

When drafting the guidelines of each call, consideration will be given to the possibility of including in the budget of grant applicants a financial provision for the participation to one or two meetings for beneficiaries in order to *inter alia* improve collaboration and exchange between the various stakeholders.

Standards regarding visibility will be derived from the "EU visibility guidelines for external actions".

## ANNEX 5

### 1. IDENTIFICATION

Title/Number	<b>Erasmus Mundus Partnerships- ACP – 10<sup>th</sup> EDF Part 1 - CRIS No: 2009 / 021-450</b>		
Total cost	EC contribution: EUR 18,000,000 from the Intra-ACP Envelope of the 10 <sup>th</sup> EDF		
Aid method / Method of implementation	Project approach – indirect centralised management (implementation body Executive Agency for Education, Audiovisual and Culture)		
DAC-code	11420	Sector	Higher education

### 2. RATIONALE

#### 2.1. Sector context

Globalisation and the move towards knowledge-based economies have been major drivers behind developments within the higher education sector worldwide over recent years. These have brought with them a new level of internationalisation of higher education, and have had a strong influence on the ongoing review of the role of the university as a key player in the development of the economy and society.

At the same time, international cooperation between academics – and mobility among students – is becoming ever more important for the cross-fertilisation of ideas and mutual understanding of cultures that globalisation brings with it. Higher education in developing countries is under strong pressure to produce the skills required by the new economic conditions, to provide the expertise to plan and manage new growth and development in a sustainable and equitable way.

The policy of the European Commission (EC) is to provide support to Higher Education in ACP partner countries in the context of a balanced approach to investment across the education sector as a whole. The ACP Higher Education sub-sector needs to respond to a number of key development issues. First, the need to stimulate potential for economic growth by increasing the supply of high level qualified manpower available to ACP economies. Second, the need to improve the quality of locally provided Higher Education in the ACP states. Third, the importance of building local capacity by promoting both: cooperation between ACP tertiary education institutions and between ACP and European universities and finally, the importance of promoting inter-cultural dialogue and understanding among European and ACP countries.

A commitment to increase student mobility in the area of Higher Education between Africa and European Union countries is contained in the EU Strategy for Africa [COM(2005) 489] namely through the opportunities offered by the Erasmus Mundus Programme as one of the vehicles for this increased mobility.

The Erasmus Mundus Partnerships-ACP offers unique training opportunities relevant to the skilled manpower needs of the ACP countries. In addition, the Programme will benefit both the beneficiary region (the ACP) and the EU: ACP students gain the opportunity to study in Europe while EU universities gain international visibility and the profile of the European higher education model and Europe as a whole is raised. The Programme is, therefore, fully in line with (a) the Bologna Declaration (19/06/99) which states that it is necessary to ensure that Europe's higher education sector acquires a degree of attractiveness in the wider world equal to Europe's major cultural and scientific achievements, (b) the Barcelona European Council (15/03/02 and 16/03/02) which affirmed opening-up to the wider world as one of three key goals for education systems, and (c) the European Ministers of Education meetings in Prague (19/05/01) and Bergen (19-20/05/05) which emphasised the importance of enhancing the attractiveness of European higher education to students from other parts of the world.

A strong political commitment to establishing student mobility programmes both within the Africa region and between the Africa and Europe has also been included in the Final Communiqué of the EU-Africa Ministerial Troika Meeting (Vienna, 8 May 2006) and has also been confirmed in The First Action Plan 2008/10 for the implementation of the Africa-EU Strategic Partnership, namely in the field of migration, mobility and employment. In addition, the present programme is in line with the objectives of the “Second Decade of Education for Africa (2005-2015)” under the aegis of the African Union.

Higher education has a vital role as a strategy for sustainable development, combating poverty and reducing inequalities. There is evidence that ACP public authorities and higher education institutions are showing a new dynamism and have prioritised issues such as improvement in higher education quality and efficiency, and are fostering co-operation at the national, regional and international levels through the organisation of co-operative institutional networks. Some ACP countries are actively involved in the process of redefining the role of science and technology in their strategies for economic and social development. Various regional initiatives from organisations such as NEPAD or the Association of African Universities (AAU), Association of Caribbean Higher Education Administrators (ACHEA), University of West Indies (UWI) and University of South Pacific (USP), have proposed strategic recommendations for the revitalisation of the higher education sector. As well, National Commissions and Councils have been established with the aim of improving higher education systems.

The ACP states have reaffirmed their commitment to further reinforce their Higher Education Systems during the 1st and 2nd Meeting of ACP Ministers of Education (5 May 2006 and 22 October 2008, ACP House Brussels). In the Brussels Declaration on Education for Sustainable Development in ACP States, the Brussels Framework for Action and the Brussels Resolution on the Role of Education in the Achievement of the Millennium Development Goals, ACP Education Ministers have, inter alia, committed themselves to promoting the mobility of students and teachers and to developing programmes to exchange experiences and know-how in the field of education, in the ACP region and in the regions of key development partners.

## **2.2. Lessons learnt**

The Erasmus Mundus Partnerships-ACP combines the European Union education, cooperation and external policies to further deepen and enhance the higher education cooperation links between the EU and the rest of the world. This programme complements current and previous higher education schemes in the field. It covers new actions and builds

on the positive results that other programmes like Erasmus, the general Erasmus Mundus, Tempus, as well as ALFA, ALBAN, AsiaLink and Edulink, have generated in the different targeted regions.

ACP countries have already been benefitting from the Erasmus Mundus "Classical" programme. In academic years 2004, 2005, 2006 ACP students benefited from the award of 18; 96 and 105 scholarships respectively. In 2007, when the new earmarked ACP window was established, 140 students were provisionally selected under the main window and an additional 125 from the ACP window. In 2008, the trend has continued for the "Classical Mundus" where the level of scholarships showed a slight positive increase (from 265 to 312). This was in addition to the 184 scholarships funded from the EDF resources channelled through the External Cooperation ACP Window. However, the total participation of ACP students in Erasmus Mundus as a whole remains still below 10%.

In all previous years there has been a significant excess of qualified, eligible ACP candidates when compared to the number of available scholarships. In order, therefore, to allow more ACP students to benefit from mobility schemes in the EU, the ACP Group of States have agreed together with the EC to allocate a further EUR 30,000,000 for this purpose taken from the 10<sup>th</sup> EDF Intra-ACP envelope. The present proposal, the first EUR 18,000,000 of this allocation, will cover 3 annual calls for proposals<sup>1</sup>. The remainder of the funds will be committed accordingly at a later stage to cover 2 further annual calls for proposal.

Experience with the previous programmes have confirmed the relevance of the existence a specific features in view of adequately addressing ACP-specific issues such as the need for equitable geographical coverage and gender balance.

Proposals from the applicant consortia in the present programme should therefore demonstrate how they intend to respond to gender equality and social equity issues (a specific criterion in the evaluation grid). Furthermore, the programme will foresee a specific target group (Group 3) to ensure that the mobility scheme also includes refugees and other individuals from the respective ACP regions who are in particularly vulnerable situations.

Although the overall Erasmus Mundus Partnerships allows for a wide range of mobilities (short-term academic exchanges, doctoral, post doctoral, master, undergraduate), the ACP component of the programme will focus on Masters programme, 'sandwich' PhD exchanges and limited academic exchanges to allow for a most efficient use of the available funds.

### **2.3. Complementary actions**

The Erasmus Mundus Partnerships-ACP programme will complement other programmes in the area of higher education in the ACP countries:

- EDULINK which aims to foster capacity building and regional integration in the field of higher education through institutional networking, and to support a higher education system of quality, which is efficient and relevant to the needs of the labour market, and consistent with ACP socio-economic development priorities.
- New Intra-ACP Mobility Scheme (South-South Mobility Programme) which the EC with the ACP Secretariat and the African Union are currently developing.

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<sup>1</sup> This is to comply with the N+3 rule.

- Erasmus Mundus Action 1 (Implementation of Joint Programmes at Masters and Doctorate levels which aims to promote cooperation and exchanges in Higher Education between the EU and the rest of the world and scholarships linked to these courses for students and scholars from third countries and Action 3 (Promotion of European Higher Education in third countries).

- Science and Technology Programme aims to strengthen the internal S&T capacity of ACP countries at three levels: a) institutional, administrative and policy making, b) academic research and technology and c) business and civil society.

## **2.4. Donor coordination**

Over the last few years, partner countries in the ACP region and elsewhere have requested the EC to create more opportunities for study, training and carrying out research in Europe. In May 2006, the EC convened a Member States education expert group to discuss the different existing programmes in the field of higher education and the plans to develop a global external cooperation mobility programme, which would enlarge the scope of the available opportunities. Four important principles were agreed for the definition of the new programme:

- the new mobility programme should build on the experience gathered under the Erasmus Programme;
- it should as far as possible allow universities to work on models that could contribute in the medium term to the convergence towards Common Spaces of Higher Education;
- it should cover different types of mobility and allow both for inter-institutional mobility and free- mover mobility;
- measures should be introduced to minimise the brain drain effect.

Mobility initiatives under the Erasmus Mundus Partnerships-ACP will be complementary to national scholarship and mobility programmes provided by Member States.

## **3. DESCRIPTION**

### **3.1. Objectives**

Project's purpose is to facilitate linkages between the EU and the ACP region in the field of higher education thereby encouraging and enabling ACP students to undertake postgraduate studies in Europe. This will in turn contribute to reducing skilled manpower shortages and to improving political, economic and cultural links between the EU and the ACP region which are the overall objectives of the Project.

The Project will allow the use of EDF funds to provide scholarships for students and academics from the ACP region starting from the academic year 2010/11 until academic year 2012/13 (three academic year cycles) within a wider framework of the Erasmus Mundus Programme (Action 2 - Erasmus Mundus Partnerships) which has the over-arching aim of achieving better understanding and mutual enrichment between the European Union and third countries through the exchange of students and academics, knowledge and skills at the higher education level.

More specifically the ACP component will aim:

- To enhance the international cooperation capacity of universities in third countries;
- To promote cooperation between sending and hosting institutions;
- To enable students to benefit linguistically, culturally and educationally from the experience of pursuing academic studies in another country, and to promote EU values;
- To improve the transparency and recognition of studies and qualifications, in particular building on the achievements gained of the Bologna process in this area;
- To provide students from vulnerable groups with higher education;
- To enhance, in the medium-term, the political, cultural, educational and economical links between Europe and third countries.

### **3.2. Expected results and main activities**

The expected results are:

- ACP postgraduates completing Masters Courses in Europe;
- ACP postgraduates completing PhDs in the ACP Universities after having spent part of their PhD studies in the EU Universities (sandwich PhDs)<sup>2</sup>;
- Enhanced international cooperation capacity of higher education institutions in the ACP countries through cooperation with high quality European institutions (Erasmus Charter);
- The spreading of the experiences of EU universities in the framework of Erasmus exchanges and in the implementation of Bologna process;
- Improved cultural understanding and respect for diversity;
- In the longer term, improved political, cultural, educational and economical links between the ACP region and the EU with a better understanding of ACP and EU values.

Activities:

- The Erasmus Mundus Partnerships-ACP programme will be implemented through a global Call for Proposals covering all the regions participating in the scheme. The ACP component will be featuring as one of the LOTs in the call.
- In order to allow for activities to start in academic year 2010/11, the 2009 Call will be launched around November 2009. Consequently, further 2 calls will be launched on annual basis with the last one to be published around October 2011 (to cater for the academic year 2012/13).

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<sup>2</sup> If bi-lateral agreements exist students may receive double degrees and this should be encouraged.

- The Call requests proposals from consortia of European and ACP universities to draw up a mobility scheme for students in the countries of the latter. European institutions must all have been awarded an Erasmus Charter. Applicants may only be European HE institutions.
- Consortia must comprise at least five European HE institutions from at least three European countries, plus at least one HE institution from the six ACP regions (Pacific, Caribbean, West Africa, East Africa, Central Africa and SADC excluding South Africa). However, the consortia will be asked to involve students from as many countries in the lot as possible.
- Proposals will state the number of mobility activities planned. In their proposal, consortia will demonstrate the mechanisms for selection of the students. These must guarantee a transparent and objective selection. Consortia must prove their capacity and experience in hosting students.
- The selected consortia will receive a specific grant covering the mobility activities (scholarships) as well as the costs of organising the individual mobility.

### **3.3. Risks and assumptions**

The risk of low take-up of the new programme is mitigated by the information provided to specific institutions and higher education authorities to create awareness of the new programme, and boost demand for mobility.

A transparent selection process that respects minimum objective criteria (academic merit, economic situation, gender balance and favourable treatment of disabled students) will be put in place to ensure a transparent and fair selection of students and scholars.

After selection the assumption is that students from the ACP countries are permitted to leave their country and enter the European host country. EC Delegations will send lists of selected students to European embassies in the ACP countries to ease the visa application process.

An important assumption is that candidates will complete the courses for which scholarships are granted. It is expected that the hosting universities will have a mentoring/support system to prevent or address underperforming students.

### **3.4. Crosscutting Issues**

The EC will observe the Community's general policy on equal opportunities for men and women. The EC will monitor the gender balance during the life of the Project. The achievement of this objective will be subject to the quality and amount of applications received.

Proposals for mobility schemes must demonstrate how they respond to gender and social equity issues (a specific criterion in the evaluation grid). Furthermore, the programme has made provisions for a specific target group (Group 3) to ensure that mobility schemes include individuals from the respective third country who are in particularly vulnerable situations.

In terms of economic appraisal, investments in the area of Higher Education, by fostering political, economic and cultural linkages, can be expected to have a high return in the medium/long-term. Economies of scale attained by using the existing structures of the EMECW to implement the project are another positive factor.

### **3.5. Stakeholders**

The main stakeholders concerned by this Project are the selected ACP students or academics, the EU Universities offering Master, or PhD Courses and the ACP Universities hosting/sending the visiting academics. A secondary group of stakeholders is the group of actual or potential employers in ACP countries of future Erasmus Mundus graduates who are seeking to upgrade the skills and qualifications of their workforce. A further secondary group of stakeholders is composed of those European students, studying along-side ACP scholarship-holders, who will gain from the broader multicultural perspective that the contact with the ACP students will bring.

The institutional capacity of the EU universities offering the Masters or PhD Courses will be ensured under the general Erasmus Mundus Partnerships (Action 2) system. This system requires that the EC will assess those European university consortia who submit proposals for Master or PhD Courses in response to an official Call for Proposals. Only universities which can clearly demonstrate that they can offer a course of international quality and that they have the resources and expertise to cater for the hosting of foreign students will be selected.

## **4. IMPLEMENTATION ISSUES**

### **4.1. Method of implementation**

The project will be implemented under indirect centralised management procedures with the Education, Audiovisual and Culture Executive Agency (EACEA). A Financing Agreement will be signed between the EC and the Chair of the Committee of Ambassadors of the African, Caribbean and Pacific Group of States, on behalf of the ACP Secretariat, covering the entire programme.

The Education, Audiovisual and Culture Executive Agency (EACEA) will receive a delegation by the Commission to implement the project following EDF procedures.

The Agency is responsible for the management of all actions of Erasmus Mundus 2009 – 2013, under the supervision of Directorate-General for Education and Culture (DG EAC of the European Commission) and EuropeAid - European Commission Co-operation Office (AIDCO). Its mandate has been ensured through Commission Decision on N° 1298/2008/EC.

The EACEA will be responsible for the management of the Call for Proposals, and for the assessment and management of grant awards, contracting and monitoring of the awarded projects. Relevant Commission services (AIDCO and DEV) and ACP Secretariat will participate in the selection panels of the proposals.

In order to comply with the article 12 (3) of the Council Regulation 58/2003<sup>3</sup> DG EuropeAid will transfer EUR 414,000 to EACEA<sup>4</sup> to cover administrative costs associated with the implementation of the ACP component. The mentioned amount will be drawn from the EDF interests and covered by a separate financing decision.

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<sup>3</sup> 19 December 2002 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes

<sup>4</sup> Figure calculated by the EACEA in accordance to the AIDCO-EACEA agreement on the costs related to managing this programme.

## 4.2. Procurement and grant award procedures

All contracts implementing the action will be awarded and implemented in accordance to the rules and procedures applied by the EACEA.

## 4.3. Budget and calendar

The overall cost of the programme is EUR 18,000,000. This amount will indicatively<sup>5</sup> cover a minimum of 520 scholarships (masters and sandwich PhDs courses at EU universities as well as a limited number of academic exchanges in both to EU and ACP). The programme will be implemented through three Calls for Proposals published in 2009, 2010 and 2011 respectively. After evaluation of proposals, grant contracts will be signed with the lead universities. Contracts signed with the universities have normally duration of 48 months.

An amount of EUR 100,000 to be managed by the relevant Commission Service (Europe Aid) is put aside to undertake an evaluation.

The operational duration of this programme is 96 months as from signature of the Financing Agreement. The Financing Agreement shall be concluded by 31 December of the year following the year in which the Commission adopted the Global Financing Decision. Failing this, the corresponding appropriations shall be cancelled. The contracts must be signed by all parties no later than three years from the date of the corresponding Financing Agreement. This deadline cannot be extended. The above provision does not apply to contracts relating to audit and evaluation, which may be signed later.

The estimated programme cost is as follows:

Expenses in EUR	EDF
<b>A. Grant Contracts</b>	
Call 1	EUR 6,000,000
Call 2	EUR 6,000,000
Call 3	EUR 5,900,000 <sup>6</sup>
<b>Total for Calls</b>	<b>EUR 17,900,000</b>
<b>B. EC External Evaluation</b>	<b>EUR 100,000</b>
<b>TOTAL</b>	<b>EUR 18,000,000</b>

<sup>5</sup> It is up to the consortia to propose the number of scholarships which in the past resulted in general in the higher number than the minimum amount indicated in the call.

<sup>6</sup> Any unused balance from one call will be added to the next one, therefore the exact amount available for call 2 and 3 may rise.

#### **4.4. Performance monitoring**

The monitoring of this new mobility scheme will be done by the Executive Agency. The number of institutions participating, the number of students and academic staff, the establishment of recognition mechanisms, award of double or joint diplomas and/or extension of the diploma supplement will be used as performance indicators as well as the return of students to their countries and the impact on employability and career opportunities will all be the object of a thorough assessment by the services of the European Commission.

#### **4.5. Evaluation and audit**

The Executive Agency will audit financially the projects financed under this scheme.

External evaluations will be carried out by independent consultants recruited directly by the Commission in accordance with EC Rules and procedures on the basis of specifically established terms of reference.

#### **4.6. Communication and visibility**

The EU's international programmes to support education account for a large part of the success of its Public diplomacy abroad. Bridging together students and academics from the EU and the wider world broadens the understanding of the EU, and forms lasting partnerships and networks that sustain support for European values.

Under Erasmus Mundus Partnerships-ACP, special attention will be paid to increasing visibility, dissemination and exploitation of results.

The EACEA promotes the programme and its Call for Proposals on its website. Information on yearly Call for Proposals is sent to all the institutions holding an Erasmus charter at the date of publication. Delegations in relevant countries are also briefed on the programme in order to promote in Higher education institutions country and/or answer or refer questions. Information sessions are normally held in Brussels during the Call for Proposals. A functional e-mail box is provided for questions and answers enriching a frequently asked question document which is put at the disposal of the public on the agency's web site. EC Delegations are relays in Third countries thus they are important players in disseminating the information to Higher Education Institutions on the Calls for Proposals. Moreover, EC Delegations and Headquarters may consider the possibility of capitalising other big EC events in the respective regions. They might consider additional ways of publicising the programme in a particular country.

Each partnership is also required to provide a solid visibility and networking strategy (a) to promote the programme, and reach a maximum number of institutions and to increase opportunities for vulnerable groups; and (b) to ensure visibility and credit in all reports, publications and events linked to the activities after selection of candidates. The evaluation grid contains specific points for the evaluation of these aspects.

The Commission services will assure the visibility of the actions, in compliance with the Visibility guidelines for EU external actions

[http://ec.europa.eu/europeaid/work/visibility/index\\_en.htm](http://ec.europa.eu/europeaid/work/visibility/index_en.htm).

## ANNEX 6

### 1. IDENTIFICATION

Title/Number	EU-ACP Microfinance Programme II (CRIS Ref: 2009-021358)		
Total cost	<b>Total Cost:</b> EUR 36,000,000 <b>EC contribution:</b> EUR 15,000,000 from the Intra-ACP Envelope of the 10 <sup>th</sup> EDF: <b>Other donors:</b> EUR 19,500,000 <b>Grants beneficiaries co-financing:</b> EUR 1,500,000		
Aid method / Method of implementation	Project approach <u>Partially decentralised management</u> (Grant award via Call for proposals and Service contract via tender procedure) <u>Joint management</u> (Contribution agreements with International organisations and Administration agreement with the World Bank) <u>Centralised management</u> (direct via service contracts for monitoring, evaluation and audit tasks - indirect via Delegation agreement with KfW)		
DAC-code	240 – Banking and financial services	Sector	24040 - Informal/semi-formal financial intermediaries  24081 - Education/training in banking and financial services

### 2. RATIONALE

#### 2.1. Sector context

Much progress has been made in the fast-moving microfinance industry since the beginning of the first EU/ACP Microfinance Programme in 2004. More Microfinance Institutions (MFIs) have become profitable and some commercial retail providers entered the market. Transparency and disclosure standards are increasingly complied with and microfinance ratings become more mainstream in the sector. Technology solutions are being tested to reach more remote clients at lower costs. The role of the government has changed in some countries from a provider to enabler of microfinance. There is an increased interest from a variety of players to support the expansion of access to finance. However, restricted access to financial products and services still affects people's capacity to generate income and reduce vulnerability. Enormous gaps in access are found in rural and remote areas throughout the ACP. For instance, only 1 in 5 individuals in Sub-Saharan Africa have access to the financial services.

One of the main bottlenecks in microfinance in ACP countries remains the weak capacity of retail financial institutions to deliver financial services to low income clients. The Programme will also take into account the **potential impact of the food, fuel and financial crisis** on the microfinance sector in ACP countries:

- **Clients** will be affected by economic downturn and this will have its effect on their demand for financial services. Safety nets, insurance and other mechanisms to mitigate the risks and increased vulnerability, will be needed. Consumer empowerment measures are needed to strengthen people's financial capabilities and increase the adequate use of financial services.
- **Microfinance institutions** (MFIs) are likely to come under stress and need to focus on the basics of their business to overcome difficult economic times, e.g. risk management internal controls etc... They need to strengthen their MIS, improve their

efficiency and profitability while expanding outreach. The financial crisis has proven again the importance of MFIs' integration in the local financial markets by building up deposit mobilisation capacities.

- **Governments** may become more interventionist or more conservative to the detriment of long term access to financial services – well informed policymakers that understand the consequences of their actions for low income clients is therefore essential. There is also more attention to the role Governments may play in the protection of customers.
- **Funding for microfinance** has increased. Commercial interest for MF has also gone up albeit now with slower growth predictions than before the financial crisis. As a public grant funder the EC needs to make sure certain “less profitable” regions or segments of population are not left behind (e.g. rural population or people living on benefits).

## 2.2. Lessons learnt

The project will build on lessons learned from the 9<sup>th</sup> EDF EU/ACP Microfinance Programme and on the recommendations of its mid-term review done by independent consultants in November 2008<sup>1</sup>. It has received a very good evaluation from its Mid Term Review, at strategic, design and quality level with its focus on capacity building, the programme has addressed one of the key constraints in expanding access to finance in ACP countries. In particular, the use of grants has been very much appreciated for its demand driven nature. The call for proposals provided ideas and initiatives developed by strong microfinance implementing partners in ACP countries. The projects were successfully implemented and closely monitored using performance based contracts with agreed core indicators and targets.

The MTR recommended, for a successor programme, focusing on capacity building of microfinance actors, supporting innovations through call for proposals and collaborating with international organisations and other funders with an expertise in microfinance.

## 2.3. Complementary actions

It is estimated that as of June 2008 the EC has extended commitments of around 188 million EUR for its ongoing activities for the development of microfinance in developing countries. With this level of funding the EC is regarded as an important grant funder of microfinance. These amounts are based on funded projects under different financial instruments and budget lines – both old (MEDA, ALA, TACIS, 9th EDF, NGO co-financing) and new ones (ENPI, DCI, 10<sup>th</sup> EDF). Most of the funding for microfinance actions is currently channelled through the thematic programme for Non State Actors and Local Authorities, although a few actions have been financed also under other thematic budget lines, such as food security.

This Programme will be complementary to national, regional programmes, it will intervene at supra regional level and as far as possible when relevant national/regional programmes are absent or unable to address the specific issues to be tackled. This will be done mainly through dissemination of lessons learned from one region to another through the inclusion of Microfinance aspects in the Regional Strategy Papers and Regional Indicative Programmes, communicating best practice via fora and peer learning events to assure the long term sustainability of the actions undertaken.

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<sup>1</sup> EU/ACP Microfinance Programme Mid Term Review- FWC BENE n. 2008/153213 –Microfinance Expert: Caroline Tsilikounas – Framework Contractor ECORYS

## 2.4. Donors Coordination

As its predecessor, the future EU/ACP Microfinance Programme envisages also to continue collaborating in joint activities or contributing to existing programmes of other funders in the ACP countries to leverage their expertise and funding in specific areas, for example with the EIB, WB (CGAP-IFC etc...), ITCILO, UNDP/UNCDF, KfW, IADB/MIF, DFID and GTZ.

In particular, with the **European Investment Bank (EIB)**, which will continue to be an observer of the programme Steering Committee, the programme envisages to use its grant funding to complement the EIB's investments and equity stakes in microfinance. The EIB has been one of the early supporters of the KfW's Regional MSME Investment Fund for Sub-Saharan Africa (REGMIFA), which this programme will also contribute to. REGMIFA, whose members already include the likes of AFD, BIO, EIB, FMO or IFC, is a refinancing fund (and accompanying support) to African MFIs (\$200 million) incorporating public-private partnership ideas between donors, development finance institutions and private investors to provide funding to partner lending institutions in the region who service the micro, small and medium enterprise sector. An accompanying Technical Assistance Facility aims to provide funding for capacity building to partner institutions/beneficiaries.

Donor coordination will be ensured through the proposed continuation of participation in the Consultative Group to Assist the Poor (CGAP), a consortium of 33 private and public development agencies with a mission to help build efficient local financial markets including very poor and harder-to-reach clients, with ever more innovative, convenient and affordable financial services.

## 3. DESCRIPTION

The EC and ACP designed the proposed project so that its interventions are consistent with international good practices in microfinance and with EC management systems, procedures and capacity. As a grant donor the EC's comparative advantage lies in supporting capacity building of microfinance actors. The provision of capital is left to other actors, including the European Investment Bank. As an all-ACP Programme, it aims among others to support the development of innovative solutions, dissemination of good practices, industry-wide efforts and promotion of regional, cross-border initiatives and South-South cooperation. While taking a financial system's approach, supporting retail microfinance institutions, market infrastructure and the enabling environment, the programme will emphasise clients' benefit, needs and protection. The Programme will be largely demand driven, risk-taking, and flexible to respond to opportunities and adapt to the fast changing field of microfinance.

For ease of reference an initial logical framework is attached. It may be updated or adapted in the Overall Work Plan, to which it will be annexed, without this necessarily requiring an amendment to the financing agreement.

### 3.1. Objectives

The overall objective of the programme is to contribute to poverty alleviation through economic growth facilitated by the development of inclusive financial systems adapted to the needs the poor in ACP countries.

The specific objective is to build the capacity of key microfinance actors and enhance equity and efficiency in ACP microfinance markets to ensure financial inclusion for microenterprises and low income household.

### 3.2. Expected results and main activities

Within the broader context of capacity building at different levels of the financial system, the Programme will focus on three main components (i) Pro-poor access to finance, (ii) Consumer empowerment and capacity building, (iii) Equitable and efficient local markets.

#### *1. Pro-poor access to finance*

1.1. Innovative delivery models for serving communities excluded from the formal financial system sustainably are tested and demonstrated

1.2. Access to finance for vulnerable populations, for instance very poor or remote and rural people, is improved.

##### Main activities:

The main focus of the Programme will be on innovation with pro-poor financial service delivery models that improve access to finance for very poor and vulnerable communities. The activities will target innovative approaches to reach people that are excluded from the financial system to demonstrate their models and expand access. This could include for instance models of microfinance with non-financial services, graduation programmes, microfinance connected to delivery of social transfers, agricultural finance etc. The focus will be on testing and replicating models through south-south cooperation, working with professional implementing partners that develop their own initiatives.

#### *2. Consumer empowerment and capacity building*

2.1. Financial capability of ACP microfinance clients and use of financial services is improved and a better understanding is gained on what methods for financial education are most successful.

2.2. Capacity of MFIs to be transparent on their financial and social performance, (including client level data and costs of services) is improved, MFIs adhere to global Client Protection Principles and have increased opportunities to contribute to client credit information sharing systems.

2.3. Skills of ACP microfinance actors are developed to ensure adequate risk management and expansion of financial services.

2.4. Institutional capacity of MFIs is improved to leverage investment and expand access to finance.

##### Main activities:

- Invest in experimentation with **financial education** to raise its awareness throughout the ACP region and come up with successful and effective models engaging NGOs, MFIs, private sector and public authorities;
- Strengthen **consumer protection** by supporting improvements in the transparency of MFIs and their capacity to share client credit information which can help to avoid over indebtedness and reduce risks;
- Work together with MFIs and microfinance associations to implement the Global Campaign for Client Protection together with other funders through awareness raising among clients, banks and policymakers on the importance of client education, protection and sharing information;
- Support capacity building for ACP policy makers (central banks, Ministry of finance, regulators, etc...);

- Supporting the setting up of suitable management tools (management information systems, governance systems, organisation, credit and credit assessment methodologies...) and facilitate the up-grading of ACP microfinance institutions;
- Improve capacity of MFIs to leverage investment and expand access to finance.

### ***3. Equitable and efficient local markets***

3.1. More efficient financial market infrastructure for low income transactions for poor people in ACP countries.

3.2. ACP policymakers, regulators and supervisors are better informed of solutions to improve and balance access, financial stability and protection of poor clients.

3.3. More effective and equitable funding for access to finance in ACP countries and better coordination of complementary diverse funding sources.

#### **Main activities:**

- Assist in the development of viable models for financial services that deliver benefits to poor people and disseminate experiences and results to stimulate their adoption
- Enhance transparency of financial and social performance in the microfinance industry and expand industry information resources
- Assist ACP regulators (Finance Ministries, central banks, regional regulatory authorities) in the design, implementation and monitoring of suitable regulatory frameworks and banking supervision systems.
- Inform the microfinance industry in ACP countries on relevant microfinance policy options and solutions
- Provide guidance to funders active in ACP countries on good practise support of microfinance and facilitate coordination among funders
- Make information on funding to ACP countries accessible

### ***Coordination of the various activities of the programme, learning and communication***

A Technical assistance team will coordinate and assist the ACP Secretariat in the implementation of the programme, including the provision of high level technical expertise tasks, administrative, preparatory and ancillary tasks relating to planning, monitoring, reporting on project components, procurement, and financial management, and it will ensure a learning and communication activities for the ACP and EC Staff.

### **3.3. Risks and assumptions**

The risk related to the microfinance activities are connected with the continuously changing landscape of the microfinance industry, especially in the ACP region, which require for a close follow-up, and flexible implementation. There are also risks associated with initiatives implemented jointly with other actors, as changes affecting these partner agencies may affect the joint initiatives. Constant dialogue and close collaboration with other funders involved in implementing joint initiatives will help detecting and anticipating changes that may affect our cooperation.

An important assumption is the agreement on the implementation approach for contribution to existing and new multi-donor initiatives. It is assumed that the EC can negotiate and issue the contribution and other agreements needed for the execution of the activities in an efficient and

timely manner. This is central to the success of implementation of this component, and could turn into a risk if not verified.

Sustainability of financial service delivery is at the core of the Programme's capacity building activities. Individual microfinance providers supported by the Programme increase their sustainability over the course of the project. Contracts with implementing agencies include performance based indicators that reflect sustainability. Regular reporting on these indicators allows the Programme to monitor this aspect carefully.

### **3.4. Crosscutting Issues**

Hundreds of millions of poor people will be affected by climate change. With environmental disasters—from drought to flooding—disproportionately affecting poor people's livelihoods, microfinance institutions have a strong incentive to mitigate the risks of climate change while helping their clients adapt to these new challenges. Microfinance institutions can have an exponential impact by empowering millions of clients with the knowledge and financing to effect positive change in their own communities.

The proven track record of the agencies that will be involved in the programme implementation, the level of ownership ensured on the part of the beneficiaries, the envisaged strengthening of the supported MFI should ensure overall programme sustainability and lasting results. It should also be noted that women are the final clients of many microfinance initiatives.

The programme will encourage its partners to implement the Social Performance Management Principles to make microfinance more effective in achieving its social mission. Social goals include larger numbers of poor and excluded people; improving the quality and appropriateness of financial services; creating benefits for clients; and improving social responsibility of an MFI, amongst other values.

### **3.5. Stakeholders**

Like in the previous EU/ACP Microfinance Programme, the direct beneficiaries are ACP microfinance actors operating at different levels of the financial system. Direct beneficiaries include:

- Microfinance providers - MFIs, banks and other providers of a wide range of appropriate financial services for the poor – and their clients
- Financial infrastructure service providers - business service providers, auditors, microfinance association or networks...- that support financial institutions that serve the low income households and micro-entrepreneurs
- Policymakers - Finance Ministries, central banks, regulators and supervisors at national and regional level - to enhance the regulatory and legal framework for access to finance.

## **4. IMPLEMENTATION ISSUES**

### **4.1. Method of implementation**

In accordance with Art. 14.6 of Annex IV of the ACP-EC Partnership Agreement, a Financing Agreement will be signed with the ACP Secretariat, covering the entire programme. The programme implementation modalities will be as follows:

<b>Activities</b>	<b>Implementation method</b>
<b>Component 1: Pro-poor access to finance</b>	Partially decentralised management (Grants award via Cfp)
<b>Component 2: Consumer empowerment and capacity building</b>	
Activities referred to in point 2.1 and 2.2	Partially decentralised management (Grants award via Cfp);
Activities referred to in point 2.3	Joint management (Contribution Agreements with ITCILO, UNDP/UNCDF and IADB/MIF)
Activities referred to in point 2.4	Indirect Centralised management (Delegation cooperation to KfW)
<b>Component 3: Equitable and efficient local markets</b>	Joint management (Administration Agreement with WB - CGAP)
<b>Coordination communication/visibility learning</b>	Partially Decentralised management (TAT: service contract via tender procedure)
<b>Monitoring, External Evaluation</b>	Direct Centralised management
<b>Audit</b>	Direct Centralised management

**- For the activities which are implemented through partially decentralised management:**

The Commission controls ex ante all the procurement and grant procedures. Payments are executed by the Commission.

- Grants award via Call for proposals managed by the ACP Secretariat addressed to professional microfinance practitioners. One call for proposal is foreseen with at least 20% contribution by the beneficiary applicants.
- Service contract following tendering procedure to hire a Technical Assistance Team (TAT) to assist the ACP Secretariat in the implementation of the programme, including the provision of:
  1. Technical expertise tasks, including the drafting of the terms of reference for the call for proposals, the evaluation of the proposals and the finalisation of the contractual arrangements in cooperation with EC services. It will also coordinate the various part of the programme activities, carry on learning and communication activities throughout the life of the Programme in order to increase the programme knowledge and visibility.
  2. Administrative, preparatory and ancillary tasks relating to planning, monitoring, reporting on project components, procurement, and financial management.

**- For the activities which are implemented through joint management with international organisations:**

- Contribution Agreement with ITCILO (the International Training Centre is a body of the International Labour Organisation and it is covered by the FAFA)

- Contribution agreement with UNDP/UNCDF. United Nations Capital Development Fund (UNCDF) is an associated Fund administered by UNDP.
- Contribution agreement with IADB/MIF.

*"UNCDF and IADB/MIF are currently subject to an external review in relation to Article 53d of Financial Regulation. In anticipation of the results of this review the authorising officer deems that, based on the long-standing and problem free cooperation with this Organisation, joint management mode can be proposed and Standard Convention for International Organisation can be signed in accordance with the provisions laid down in Article 29 of the 10<sup>th</sup> EDF Financial Regulation "*

- Administration Agreement with the World Bank. Contribution to the Multi Donor Trust Fund for the Consultative Group to Assist the Poor (CGAP).

#### **- Centralised management:**

- Direct: Contracts relating to monitoring, external evaluation and audit shall be concluded by the Commission on behalf of the ACP Secretariat.

- Indirect: Delegated cooperation with KfW for the participation in the Technical assistance Facility created within REGMIFA (Regional MSME Investment Fund for Sub-Saharan Africa). The management procedures and structures of KfW has been assessed through a six pillars audit as responding to the requirements of article 26 of the Financial Regulation applicable to the 10<sup>th</sup> EDF (Note KR/D(2008)8865)<sup>2</sup>.

## **4.2. Procurement and grant award procedures**

### ***4.2.1 For the activities which are implemented through partially decentralised management and direct centralised management***

#### 1) Contracts

All contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.

Participation in the award of contracts for the present action shall be open to all natural and legal persons covered by the 10<sup>th</sup> EDF. Further extensions of this participation to other natural or legal persons by the concerned authorising officer shall be subject to the conditions provided in art. 20 of *Annex IV of the Cotonou Agreement*.

#### 2) Specific rules of grants

The essential selection and award criteria for the award of grants are laid down in the Practical Guide to contract procedures for EC external actions. They are established in accordance with the principles set out in Title VII 'Grants' of the Financial Regulation applicable to the 10th European Development Fund. When derogations to these principles are applied, they shall be justified, in particular in the following cases:

- Financing in full (derogation to the principle of co-financing): the maximum possible rate of co-financing for grants is 80%. Full financing may only be applied in the cases provided for in Article 253 of the Commission Regulation (EC, Euratom) No 2342/2002 of 23 December

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<sup>2</sup> See Appendix I

2002 laying down detailed rules for the implementation of the Financial Regulation applicable to the general budget of the European Communities [For FED add: and in Article 109 of the Council Regulation on the Financial Regulation applicable to the 10th European Development Fund]. .

- Derogation to the principle of non-retroactivity: a grant may be awarded for an action which has already begun only if the applicant can demonstrate the need to start the action before the grant is awarded, in accordance with Article 108 of the Financial Regulation applicable to the 10th EDF.

#### ***4.2.2 For the activities which are implemented through joint management with international organisations***

*Authorising Officer proposes the application of ITCILO, UNDP/UNCDF, IADB/MIF procurement rules on the basis of his own evaluation and comparison, which allows him to deem that their procurement and grant rules are in accordance with the provisions laid down in Article 29 of the 10<sup>th</sup> EDF Financial Regulation.*

#### ***4.2.3 For the activities which are implemented through indirect centralised management (delegation to KfW)***

All contracts implementing the action are awarded and implemented in accordance with the procedures and standard documents laid down and published by the Delegated body which have been assessed to be in accordance with the applicable financial regulation<sup>3</sup>.

### **4.3. Budget and calendar**

The Financing Agreement shall be concluded by the 31<sup>st</sup> of December of the year following the year in which the global financial commitment was adopted. The execution period of the Agreement will be 84 months and comprises 2 phases:

- operational implementation phase that starts from the signature of the financing agreement and will have duration of 60 months
- Closure phase of a duration of 24 months that starts from the expiry date of the operational implementation phase.

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<sup>3</sup> See Appendix I

The following budget is indicative and in euros:

Activities	Implementation method	EC contribution	Beneficiary applicants	Other donors contribution	Total
		EUR	EUR	EUR	EUR
<b>Component 1: Pro-poor access to finance</b>	Decentralised management (Grants award via CfP)	5,000,000	1,000,000		6,000,000
<b>Component 2: Consumer empowerment and capacity building</b>	Decentralised management (Grants award via CfP)/ Joint management: CA with ITCILO CA with UNDP/UNCDF CA with IADB Indirect centralised management (Delegated Cooperation with KfW)	2,500,000 500,000 500,000 500,000 1,000,000	500,000	4,500,000	10,000,000
<b>Component 3: Equitable and efficient local markets</b>	Joint management (Administration Agreement with WB - CGAP)	2,500,000		15,000,000	17,500,000
<b>Coordination communication/visibility learning</b>	Decentralised management (TAT: service contract via tender procedure)	1,600,000			1,600,000
<b>Monitoring, External Evaluation</b>	Centralised management	200,000			200,000
<b>Audit</b>	Centralised management	200,000			200,000
<b>Contingencies *</b>		500,000			500,000
<b>TOTAL</b>		15,000,000	1,500,000	19,500,000	36,000,000

\* The European Community's contribution to the "Contingencies" heading may be used only with prior agreement of the Commission.

#### 4.4. Performance monitoring

For the call for proposals: to maximise impact and sustainability as well as ensure an appropriate level of monitoring, the EC will require the use of an effective result-oriented monitoring system based on appropriate definition of performance baseline, targets and key financial, social and efficiency indicators.

#### 4.5. Evaluation and audit

Independent consultants recruited directly by the Commission on specifically established terms of reference will carry out external evaluations, a mid-term evaluation mission; a final evaluation, at the beginning of the closing phase; possibly, an ex-post evaluation.

#### 4.6. Communication and visibility

The programme will ensure that communication and visibility guidelines are integrated in all its activities in particular in relation with international organisations and special attention will be given to the visibility of the ACP group of State and EU joint intervention. ([http://europa.eu.int/comm/europeaid/visibility/index\\_fr.htm](http://europa.eu.int/comm/europeaid/visibility/index_fr.htm)).

## APPENDIX I

### **REGARDING THE VERIFICATION OF THE CONDITIONS FOR INDIRECT CENTRALISED MANAGEMENT PROVIDED FOR IN ART. 26 OF THE 10<sup>th</sup> EDF FINANCIAL REGULATION**

The 10<sup>th</sup> Financial Regulation and its implementation rules are applicable.

Indirect centralised management is selected for the Programme "EU/ACP Microfinance programme II (FED/2009/21358) under Component 2 of the programme, Consumer empowerment and capacity building with the specific activity to improve the capacity of MFIs to leverage investment and expand access to finance.

The participation to the KfW initiative REGMIFA, Regional MSME Fund for Sub-Saharan Africa, is in line with the a.m. activity, having as objective:

- Provision of medium to long term debt financing to commercially viable and preferably smaller enterprise-lending intermediaries in all Sub-Saharan Africa with a particular emphasis on local currency funding;
- Provision of technical assistance to support the growth process of the institutions.

An assessment *made by AIDCO/G2 (see note KR 2008/8865) confirmed that the criteria envisaged by Article 28 of the Financial regulation are fulfilled:*

#### Summary table

<b>Article 26 FR criterion <sup>1</sup></b>	<b>Comment</b>
(a) Transparent procurement and grant-award procedures, which are non-discriminatory and exclude any conflict of interests and which are in accordance with the relevant FR provisions	<i>Yes, as confirmed through compliance assessment confirmed in note KR 2008/8865</i>
(b) An effective and efficient internal control system for the management of operations, which includes effective segregation of the duties of authorising officer and accounting officer or of the equivalent functions	<i>Idem</i>
(c) An accounting system that enables the correct use of Community funds to be verified and the use of funds to be reflected in EDF accounts.	<i>Idem</i>
(d) An independent external audit exercised	<i>Idem</i>

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<sup>1</sup> Concerning the criteria relative to sound financial management (article 24 FR), the Commission shall encourage beneficiary ACP States and OCTs to adhere to them and to apply them progressively taking into account the degree of decentralisation.

by a national institution for independent external auditing.	
(e) Adequate annual ex post publication of beneficiaries of funds deriving from the EDF.	<i>Idem</i>
Prevention of irregularities and fraud and recovery of funds if necessary	<i>Adequate clauses will be included in the Agreement with the delegatee</i>
The Commission will ensure supervision, evaluation and control of the implementation of the tasks entrusted	<i>Adequate clauses will be included in the Agreement with the delegatee</i>

**Conclusion:** In his note of 23/04/2008, the Director General confirmed that the conditions placed by Article 26 of the applicable FR are currently being met.

On this basis, the Director C proposes that the applicable implementation method to the Annual Action Programme 2009 (the action entitled "EU/ACP Microfinance Programme II" for 2009) for the Intra-ACP envelop be **indirect centralised management** and submits it to the Commission for decision.

Date:

Signature: Director AIDCO/C

Authorising officer subdelegated on the EDF

## ANNEX 7

### 1. IDENTIFICATION

Title/Number	<b>Private Sector Enabling Environment Facility</b> (CRIS number: 2009/021-679)		
Total cost	EUR 10,000,000 from Intra-ACP envelope of the 10th EDF		
Aid method / Method of implementation	Project approach; partially decentralised management		
DAC-code:	25010	Sector:	Business and institution

### 2. RATIONALE

#### 2.1. Sector context

In many ACP countries, inappropriate regulation, unfair competition, unstable policy environment and difficult access to finance for SMEs are amongst the factors which have limited the development of the private sector. In the present day, the financial crisis complicates even further the conditions for private sector.

Among different EDF programmes supporting the private sector and the business environment in ACP countries, the Private Sector Enabling Environment Facility (BizClim I) has tried to help ACP institutions addressing those challenges providing technical assistance in preparation of policy formulation and legal reforms. As highlighted in its mid-term evaluation which took place in November 2008<sup>1</sup>, the facility received very positive opinions from its private and public beneficiaries in the EU and ACP countries.

This Action Fiche proposes the creation of a new facility, BizClim II, which will focus on a number of small specific actions of support to help enhancing economic growth and, through that, reducing poverty in the ACP region. The 10th EDF Intra-ACP Strategy Paper foresees the implementation of "EUR 30,000,000 for private-sector development (Microfinance and programme for improvement of business environment)". This Action Fiche of EUR 10,000,000 refers to the business environment while the Microfinance (EUR 15,000,000) and the SME innovative business model components (EUR 5,000,000) will be the object of a separate financing decision and agreement.

The new programme will focus more on the regulatory framework for business (including where appropriate that relating to the financial sector) and will continue its support to the creation and enhancement of dialogue between public and private sector, in particular through the EU/ACP Business fora. At geographical level it will target all ACP (intra ACP) – cross regional activities, while seeking complementarities with other instruments, both financed by the European Commission at national, regional and intra ACP level, and those funded by other donors. The implementation method will remain partially decentralised management: the programme will be coordinated by a new Programme Management Unit (PMU), which will use PSD experts to implement the specific projects of the facility, working in close collaboration with the beneficiaries in order to guaranty ownership of the results achieved.

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<sup>1</sup> "Mid Term review PSEEF" Author Charles Vuylsteke – IBM consortium – FWC BENEFLot 10:2008/160257.

## 2.2. Lessons learnt

The mid-term evaluation of BizClim I's activities performed in November 2008 has shown that, overall, the financial resources injected into the structure yielded the expected results. BizClim delivery was judged strong, and according to the evaluators this success was explained by the quality of project design coupled with very good transparency and disclosure.

However, it is to be noted that, according to the evaluator, a more focused area of action upon the facility's core fields of expertise would have generated even greater impact. This comment will be taken into account when defining the project selection criteria with the PMU in charge of BizClim II.

The mid term evaluation has attempted to assess more specifically BizClim I's comparative advantage vs. other programmes dealing with the Business Enabling Environment in the ACP area. It has concluded that, "*although BizClim is a rather small facility in terms of budget, its ability to accept and process rapidly requests from beneficiaries, incl. private sector intermediary organisations, was an important comparative advantage as compared to other institutions.*"

Following the recommendation of the evaluators, the mandate of the BizClim II PMU in the field of dissemination of results achieved will be reinforced so as to increase project impacts as well as ensuring the promotion of good practices among stakeholders when project achievements are relevant.

## 2.3. Complementary actions

An increasing majority of EC and EDF financed interventions relating to business and private sector are those financed under the national and regional indicative programming documents. The new programme is a complementary programme to those mainstream programmes. It is also complementary in relation to other intra-ACP EDF and global cooperation programmes that address constraints of the private sector, in particular with:

- 9<sup>th</sup> EDF Pro€Invest, aiming at strengthening intermediary organisations in order to support the services they provide to enterprises,
- 9<sup>th</sup> and 10<sup>th</sup> EDF EU/ACP MicroFinance programmes, supporting ACP micro-finance institutions and micro-financial business service providers with a view to enhance the outreach of financial sector to the poor,
- 9<sup>th</sup> and 10<sup>th</sup> EDF Pesticides Initiative Programme, which helps the ACP exporters to comply with EU regulations for food safety and consumer protection,
- 9<sup>th</sup> EDF Agricultural Commodities Programme, aiming at improving the incomes and livelihoods of producers of traditional and other agricultural commodities,
- 9<sup>th</sup> EDF Multilateral Trading System, which supports participation of ACP countries in the WTO system and negotiations,
- Investment Facility, managed by the EIB, which is the biggest ODA source of investment finance in Sub-Saharan Africa,

- CDE<sup>2</sup> supports the implementation of private-sector development in the ACP countries by providing non-financial services to ACP companies and support joint initiatives set up by economic operators of the Community and of the ACP States.

Additionally, BizClim may be involved in the implementation of recommendations formulated in the framework of the AU-EU Partnership number 3 focusing on Trade, Regional Integration and Infrastructure. This political dialogue will lead to recommendations aiming at strengthening the capacities of African actors to meet rules, standards and quality requirements which are essential not only to enable effective access to international markets but also to create larger, sub-regional or supra-regional markets within Africa.

#### **2.4. Donor Coordination**

On account of the size and the All ACP nature of the programme as well as the type of actions it aims to finance, the main aspect of donor coordination in relation to the programme is to ensure that the specific actions to be financed under the programme have been subject to appropriate donor coordination by the body or bodies in charge of the actions concerned. This must be duly related in the project proposal when submitted for financing under the programme.

The regular consultation and exchange of information among the main donors active in the area of the enabling environment that took place during BizClim I will be carried on.

Bizclim I had discussions with a variety of donor agencies and other relevant institutions to explore possible collaboration. These included the European Investment Bank (EIB), the International Trade Centre (ITC), the International Finance Corporation (IFC) and the Investment Climate Facility (ICF). These discussions enabled Bizclim to partner with other institutions and companies in the organisation of major regional events, mainly in Africa (coordination with the IFC Trade Logistics project team in the implementation of the project "Modernisation of the Customs Code of Liberia", involvement of BizCLim in the ECOWAS Trade & Investment Conference, Involvement of BizClim in the Business Environment Working Group in collaboration with the IFC etc.)

This modus operandi described above will be replicated during the implementation of BizClim II.

### **3. DESCRIPTION**

For ease of reference an initial logical framework is attached. It may be updated or adapted in the Overall Work Plan, to which it will be annexed, without this necessarily requiring an amendment to the financing agreement provided it remains within the scope of the main focal areas of intervention of the programme.

The new Facility shall finance upstream analyses of the obstacles to the creation the enabling business environment in ACP States and Regions as well as support to the formulation of related strategies and reforms to eliminate or reduce such obstacles. Such actions shall, as a rule, be financed on a demand-driven basis, on the request of regional economic communities or private sector organisations from two or more sub-regions, in line with the regional and continental character of the programme.

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<sup>2</sup> Cotonou Agreement: second part of the "Institutional Provisions" (Articles 14-17), Annex III "Institutional support – CDE and CTA" and Declaration IV by the Community on the financing of the ACP Secretariat, in the Annex to the Final Act of 23 June 2000.

Additionally, the facility will provide technical assistance to the RECs in order to strengthen their capacities for the formulation of their own projects that will be financed in the framework of the regional indicative programme of the 10<sup>th</sup> EDF.

Activities of the programme will focus on actions which cannot well be undertaken under the national and regional programmes financed either by national or regional budgets or supported by the EU/EDF of other donors.

Such requests may be directly formulated by these organisations as well as from the AU-EU partnership number 3, the latter for implementing the recommendations proposed by the different task groups (such as the creation of regional and continental platforms to share information among stakeholders and actions of capacity building at the level of RECs by actions aiming at the reflection on and the creation of convergent or harmonized approaches, policies, systems or rules as between REC's).

### **3.1. Objectives**

#### Overall objective:

The programme aims at enhancing economic growth and, through that, reducing poverty in ACP countries and regions, by means of financing actions aiming to improve an enabling business environment.

#### Specific objectives: Regulatory framework, including that in the area of the financial sector

The programme will provide assistance in improving legislation, institutional setup and financial measures relating to the enabling environment of the private sector in ACP countries and/or regions.

### **3.2. Expected results and main activities**

- Support to identification of existing bottlenecks in the area of the regulatory framework hampering the creation of an appropriate enabling business environment for private sector development in ACP countries and regions and of possible way to address them at the continental level, including such actions undertaken at the level of the AU and within the framework of the EU-AU partnership number 3 (regional integration).
- The Facility will also enable the ACP countries to relate to key themes in the field of regulatory framework.
- Support to the RECs in formulating of their own project financed in the framework of their respective focal sectors under 10th EDF..
- The new Facility will continue to support the organisation of the EU-ACP Business Fora in terms of logistics, meetings preparation and documentation drafting; it will also ensure the dissemination of results and the follow-up of recommendations drawn during the events.

### **3.3. Risks and assumptions**

The Programme relies primarily on the willingness of ACP States and Regions to further improve their enabling environment for private sector development through actions at the regional and continental level. At the continental level of Africa, the involvement of the AU

could help to manage these risks through the institutionalized separation of action levels, implying the necessity to clearly define the subsidiary framework underlying the various actions such as to ensure that what can be better done at national and sub-regional levels is not undertaken at the regional and continental level.

The coherence and coordination will be examined ad hoc in relation to each of the specific projects to be financed by the programme, on the basis of the information provided in the project proposals and of any further information which need to be sought. In relation to other all ACP programmes.

### **3.4. Crosscutting Issues**

In terms of cross cutting issues, reforming the business environment should address in particular those aspects of the regulatory framework which hamper women to fully play their important role in the economy of many ACP countries.

### **3.5. Stakeholders**

The key stakeholders of this programme are: the ACP group of states, the ACP Secretariat, ACP Organisations (for example the Commission of the African Union), ACP Governments and State Agencies, Regional Organisations (RECs such as CEMAC, ECOWAS, COMESA, SADC, CARIFORUM, the Pacific Islands Forum etc...), Intermediary Organisations (IOs) and the European Commission

## **4. IMPLEMENTATION ISSUES**

### **4.1. Method of implementation**

In accordance with Art. 14.6 of Annex IV of the ACP-EC Partnership Agreement, a Financing Agreement will be signed with the ACP Secretariat. All components of the project will be implemented through direct labour i.e. through private indirect decentralised operations.

A service tender will be launched and a contract will be signed with the company in charge of the setting up of the new PMU. This new PMU will be responsible for the management of programme estimates from which the specific activities under BizClim will be financed.

A Steering Committee composed of representatives of ACP-Secretariat and the Commission (Aidco and DG DEV) will be set up. Additionally, ACP Regional Institutions and ACP Private Sector Organisations, the EIB as well as UNICE<sup>3</sup> and EDFI<sup>4</sup> may, where appropriate, be invited to participate as observers to this Steering Committee.

While project proposals will be screened by the PMU, a Selection and Validation Committee composed of representatives from the ACP Secretariat, a representative from EC/AIDCO and a representative from EC/DG-DEV will be set up to assist in the appropriate selection of projects and approval of the tendering process to be financed under the programme.

The activities will be carried out through grant contracts or contribution agreements with the beneficiaries of selected project proposals and through supply and service contracts.

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<sup>3</sup> Union of Industrial and Employers' Confederations of Europe

<sup>4</sup> European Development Finance Institutions

The Commission controls ex ante all the procurement procedures except in cases where programmes estimates are applied, under which the Commission applies ex ante control for procurement contracts > EUR 50,000 and may apply ex post for procurement contracts ≤ EUR 50,000. The Commission controls ex ante the contracting procedures for all grant contracts.

Payments are executed by the Commission except in cases where programmes estimates are applied, under which payments are executed by the PMU under the supervision of the beneficiary (ACP Secretariat) for operating costs and contracts up to the ceilings indicated in the table below.

The responsible Authorising Officer ensures that, by using the model of financing agreement for decentralised management, the segregation of duties between the authorising officer and the accounting officer or of the equivalent functions within the delegated entity will be effective, so that the decentralisation of the payments can be carried out for contracts up to the ceilings specified below.

<b>Works</b>	<b>Supplies</b>	<b>Services</b>	<b>Grants</b>
< 300,000 EUR	< 150,000 EUR	< 200,000 EUR	≤ 100,000 EUR

#### **4.2. Procurement and grant award procedures**

##### 1) Contracts

All contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations in force at the time of the launch of the procedure in question.

Participation in the award of contracts for the present action shall be open to all natural and legal persons covered by the financial regulation of the 10th EDF. Further extensions of this participation to other natural or legal persons by the concerned authorising officer shall be subject to the conditions provided in art. 20 of Annex IV of the Cotonou Agreement.

##### 2) Specific rules of grants

The essential selection and award criteria for the award of grants are laid down in the Practical Guide to contract procedures for EC external actions. They are established in accordance with the principles set out in Title VII 'Grants' of the Financial Regulation applicable to the 10th European Development Fund. When derogations to these principles are applied, they shall be justified, in particular in the following cases:

- Financing in full (derogation to the principle of co-financing): the maximum possible rate of co-financing for grants is 80%. Full financing may only be applied in the cases provided for in Article 253 of the Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of the Financial Regulation applicable to the general budget of the European Communities and in Article 109 of the Council Regulation on the Financial Regulation applicable to the 10th European Development Fund.

- Derogation to the principle of non-retroactivity: a grant may be awarded for an action which has already begun only if the applicant can demonstrate the need to start the action before the grant is awarded, in accordance with Article 108 of the Financial Regulation applicable to the 10th EDF.

### 3) Specific rules on programme estimates

All programme estimates must respect the procedure and standard documents laid down by the Commission, in force at the time of the adoption of the programme estimates in question (i.e. the Practical Guide to procedures for programme estimates).

#### 4.3. Budget and calendar

This execution period will comprise 2 phases under the conditions provided for in article 4.1 of the General Conditions:

- Operational implementation phase that starts from the date of signature of the financing agreement and will last 36 months.
- Closure phase lasting 24 months starting from the expiry date of the operational implementation phase.

The contracts implementing the financing agreement shall be signed at the latest within three years of the entry into force of the financing agreement (except audit and evaluation contracts). This deadline may not be extended ('sunset clause').

The indicative budget foreseen is the following (in euro):

Action	Description	Implementing modality	Indicative Amount (EUR)
Component I	Regulatory framework, financial development and support to the EU/ACP Business Forum	Programme estimates/grants/contribution agreements	7,500,000
Operating Costs	PMU Coordination, Communication/visibility	Service contract	1,700,000
	Monitoring and evaluation	Framework contract	150,000
	Audit	Framework contract	150,000
	Contingencies		500,000
<b>TOTAL</b>			<b>10,000,000</b>

#### 4.4. Performance monitoring

Day-to-day technical and financial monitoring will be a continuous process as part of the Beneficiary responsibilities. To this aim, the Beneficiary shall establish a permanent internal, technical and financial monitoring system to the project, which will be used to elaborate the progress reports, in line with the existing practices of the PMU.

#### **4.5. Evaluation and audit**

Independent consultants recruited directly by the Commission on specifically established terms of reference will carry out a final evaluation at the beginning of the closing phase of the project.

The reports of the evaluation and monitoring missions will be given to the Beneficiary, in order to take into account any recommendations put forward.

The project will be audited by external consultant so as to check that EDF procedures and guidelines were respected during the entire duration of the programme.

#### **4.6. Communication and visibility**

The EU visibility guidelines will be applied. The programme will ensure that communication and visibility guidelines are integrated in all its activities, including in the project proposals to be submitted.

The PMU will be responsible to ensure constant EC exposure in its activities (website, studies, conferences etc.)

Appendix 1: Logframe matrix Appendix 2: Indicative timetable
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Appendix 1 – Logframe matrix

Intervention Logic	Indicators	Means of Verification	Assumptions
<p><b>Development Objective</b> Enhancing economic growth by means of the setting up of an enabling environment, made up of macroeconomic stability and an appropriate set of rules of the games</p>	<p>Private sector growth</p>	<p>National accounting statistics</p>	<p>Economic stability Favourable trade conditions</p>
<p><b>Immediate Objective</b></p> <ul style="list-style-type: none"> <li>• Legislation, institutional setup and financial measures promoting private sector investment and growth</li> </ul>	<ul style="list-style-type: none"> <li>• More favourable investment and businesses climate</li> <li>• Increase in the output, employment and assets of restructures firms</li> <li>• Growth in foreign and domestic private sector investments share of GDP</li> </ul>	<ul style="list-style-type: none"> <li>• International and regional benchmarking based on International business and investment climate ratings.</li> <li>• World Bank CPIA Scores for competitive environment for the private sector and UNCTAD IPR reports</li> <li>• PRSP private sector related targets</li> <li>• National accounting statistics</li> </ul>	<ul style="list-style-type: none"> <li>• Political stability and will to improve enabling environment of private sector development.</li> <li>• Commitment of ACP countries towards private sector development, macroeconomic stability and to implementation of recommendations</li> </ul>
<p><b>Outputs</b></p> <ul style="list-style-type: none"> <li>• Relevant, applicable and accessible recommendations and diagnostic studies.</li> <li>• Final strategy and database of best practices.</li> <li>• Capacity of ACP Governments, Regional Organisations, and Private Sector to identify legal, institutional and financial bottlenecks and relate in a proactive manner to pertinent themes.</li> <li>• Private sector institutions contribution and participation in policy formulation.</li> <li>• Capacity of key ACP and public and private institutions to efficiently co-ordinate and implement private sector support instruments and donor funded studies.</li> </ul>	<ul style="list-style-type: none"> <li>• Implementation of recommendations by ACP governments and/or follow up activities by the commission.</li> <li>• Macro-economic and legal regulatory reforms formulated.</li> <li>• Public – private sector dialogue.</li> <li>• Limited duplication of efforts and relevant and timely use of funds.</li> </ul>	<ul style="list-style-type: none"> <li>• Legislation,</li> <li>• PRSP Documents etc.</li> <li>• Policy documents</li> <li>• Policy documents</li> <li>• Assessment by political observers and stakeholders</li> <li>• Public-private participation in workshops</li> <li>• Research bibliographies</li> </ul>	<ul style="list-style-type: none"> <li>• Long-term commitment, capacity and involvement of key stakeholders</li> <li>• Dissemination of information and study results.</li> </ul>

Intervention Logic	Indicators	Means of Verification	Assumptions
<p><b>Activities</b></p> <ul style="list-style-type: none"> <li>• Identify main problems based on wide-ranging consultative process with stakeholders.</li> <li>• Conduct diagnostic studies endorsed by stakeholders</li> <li>• Discuss diagnostic studies in workshops with key stakeholders</li> <li>• Prepare strategy and recommendations (Identify options)</li> <li>• Validate strategy with stakeholders</li> <li>• Prepare final strategy (with database of best practices)</li> <li>• Mobilise technical assistance to respond to the requests of the beneficiaries (including structures such as the AU-EU partnership). This would normally entail the completion of studies, workshops etc.</li> <li>• Organisation of the EU/ACP Business fora</li> </ul>	<ul style="list-style-type: none"> <li>• TOR for studies considering stakeholder inputs</li> <li>• Fully accessible web site</li> <li>• Newsletters published and disseminated</li> <li>• Interventions carried out (see Annex 4)</li> <li>• Workshops</li> <li>• Draft Strategy paper</li> <li>• Stakeholder consultations</li> <li>• Final Strategy and database</li> <li>• Amount of requests financed as compared to requests received that are respecting the</li> <li>• Amount of events organised</li> </ul>	<ul style="list-style-type: none"> <li>• Workshop reports and stakeholder interviews?</li> <li>• Study reports</li> <li>• Study reports</li> <li>• Workshop reports</li> <li>• Documents</li> <li>• Minutes from consultations</li> <li>• Documents and database</li> <li>• Internal statistics</li> <li>• Press release, feedback forms from participants</li> </ul>	<ul style="list-style-type: none"> <li>• Willingness of ACP States and Regions to improve enabling environment and involve stakeholders</li> <li>• Willingness and capacity of stakeholders to participate in diagnostic process</li> <li>• Potential beneficiaries are interested and some requests for assistance are received</li> <li>• Sufficient interest from participants</li> </ul>
<p><b>Inputs</b> Budget of 10 million Euro, hereof:</p> <ul style="list-style-type: none"> <li>• Interventions: 7,5 millions Euros</li> <li>• Operating Costs (PMU Coordination, Communication/visibility, Monitoring and evaluation, Audit, Contingencies): 2.5 millions Euros</li> </ul>			

Appendix II – Indicative Timetable

Activities	2010				2011				2012				2013				2014			
	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV
<b>Financing Agreement</b>																				
<b>Signature of the service contract extension</b>																				
<b>PMU in place and operational</b>																				
<b>Implementation phase</b>																				
<b>Closure phase</b>																				
<b>Evaluation</b>																				
<b>Audit</b>																				

## ANNEX 8

### 1. IDENTIFICATION

Title/Number	Capacity Building in Support of Land Policy Development & Implementation in Africa CRIS N° 2009/021-580		
Total cost	<b>Total cost:</b> EUR 10,000,000 joint co-financing; <b>EC contribution:</b> EUR 9,000,000 from the Intra ACP envelope of 10 <sup>th</sup> EDF:  United Nations Economic Commission for Africa (UNECA): EUR 550,000 International Fund for Agricultural Development (IFAD): EUR 450,000		
Aid method / Method of implementation	Project approach – Joint management with an international organisation		
DAC-code	43040	Sector	Rural development

### 2. RATIONALE

#### 2.1. Sector context

Land is central to Africa's development, especially on a continent where the majority of people depend on land and land-based resources for their livelihoods. And secure land rights are clearly linked to the attainment of broad-based economic development, peace and security, and sound natural resource management. Unfortunately, inadequate and inappropriate land policies and legislation as well as low levels of implementation have continued to hamper land governance. Reasons for this predicament include low political will and commitment by African governments and their development partners, and incoherent involvement of stakeholders at various levels in land policy formulation and implementation on the continent. An increased interest from international investors for large-scale acquisitions of farmland in Africa demands attention. The tripartite institutions of the AU (including NEPAD), UNECA and AfDB, through a joint Land Policy Initiative (LPI) have over the past three years built partnerships and increased political will in support of land policy development and implementation. Through the LPI consultations, most countries have cited the lack of resources and capacity at country level for land reform, mapping, surveying, collecting and documenting information as some of the main reasons behind low levels of land policy implementation. Several regions have also decried the inadequate tools and mechanisms for monitoring land governance as a key constraint. Given the small nature of many African economies and the similarities in their conditions across boundaries, a regional approach to addressing land related issues and improving access to land related information is critical. Therefore, on-going efforts at continental and regional levels in the areas of policy development, land information management and capacity building would support land policy development and implementation at the national level. It is against this backdrop that UNECA, with its partners, is formulating this project on *capacity building in support of land policy development and implementation in Africa*.

The project will also enhance monitoring and evaluation. In this regard, the project will support an ongoing ECA program, *Assessing Land Policy Formulation and Implementation*

*in Africa* with pilot case studies on monitoring and evaluation. As this project falls in line with various priority areas of the Africa-EU Strategic Partnership, it is complementary to EC support to continental and regional institutions in some of these priority areas, especially: Millennium Development Goals; Peace and Security; Democratic Governance and Human Rights; Trade, Regional Integration and Infrastructure; and Climate Change. This project is also in line with the EU's *Communication on Advancing African Agriculture* [COM (2007) 440], adopted in July 2007 and calling for EC support to "the improvement of governance and management regimes for land, fish and forest resources that aim to combine environmental sustainability with profitable utilisation and poverty reduction". It further contributes to current EU support to AU's Peace and Security Council, by addressing land related challenges which are the underlying causes of many conflicts in Africa.

## **2.2. Lessons learnt**

To date, the LPI roadmap as agreed by the consortium has been successfully implemented. Regional assessments have been completed and multi stakeholder consultations have taken place in all regions. The Framework and Guidelines (F&G) on Land Policy in Africa that have been prepared have benefited from expert inputs from across the continent and development partners like FAO, IFAD, UN-Habitat. They have been recently completed and endorsed by the AU Meeting of Ministers of Agriculture, Land and Livestock in April 2009. They epitomise the success of the AUC led land policy initiative. To build commitment for land policy development even further, a declaration on land policy, supporting the recommendations of the Ministers with regard to land policy development and implementation, was presented and adopted at the 13<sup>th</sup> AU Ordinary Assembly of Heads of States and Governments in July 2009.

## **2.3. Complementary actions**

The International Land Coalition (ILC) supported by the EC via the Food Security Thematic Programme has as objective to secure equitable access to and control over land, reduce poverty and contribute to identity, dignity and inclusion. Therefore support to the ILC, a global alliance of civil society and intergovernmental organizations, will very well complement interventions supported under this project as the LPI is mainly working through governmental institutions.

## **2.4. Donor coordination**

Land policy issues are on the agenda for the "Global Donor Platform for Rural Development". Ad hoc donor coordination advents are frequently organised by international organisations as IFAD, FAO, CTA, IIED etc. The participating donors will be observers in the Steering Committee

# **3. DESCRIPTION**

## **3.1. Objectives**

- **The overall objective** is economic development and poverty reduction through improved land use, management and governance
- **The specific objective** is to enhance sound land policy development and implementation in Africa

### 3.2. Expected results and main activities

**The expected outcome** is to facilitate the implementation of the *Framework and Guidelines on Land Policy in Africa* through:

- a) Enhanced capacity of the AU-ECA-AfDB LPI, RECs, African governments, civil society and other stakeholders in land policy development, implementation and monitoring
- b) Improved land information systems; increased networking, lesson learning and knowledge sharing among practitioners in land policy and increased monitoring of progress in land policy development and implementation

The following **activities** will be conducted with a view to achieving the objectives and expected outcomes.

i) *In support of **Capacity Building**:*

- a) Recruitment for a technical staff at the LPI joint Secretariat, in the regional offices at SADC and CILSS; in the five RECs; and short term experts for national capacity building
- b) Regional training sessions on land policy development, implementation, research and monitoring, including training of trainers in five regions of Africa and in cooperation with NEPAD.

ii) *In support of **Land Policies development / implementation**, including monitoring and evaluation of land reform and administration, Land Information Systems and knowledge management, networking, lesson learning and sharing*

- a) Research and Development of inventories/baseline data related to land policy development and land management at regional level
- b) Upgrade and maintenance of the Virtual Land Policy and Administration Facility (VALPAF) being developed by ECA
- c) E-fora on various issues of interest using VALPAF's knowledge management component
- d) Piloting the use of indicators to assess processes, outcomes and impacts of land policies and administrative institutions/reforms, including regional and national stakeholder consultations.

### 3.3. Risks and assumptions

Some of the key assumptions/risks associated with the project are summarised below.

Key stakeholders (AU, ECA, AfDB), have the needed will and capacity to work closely together and implement project activities. These institutions have demonstrated their keen interest to assist AU member states to address land related challenges through the establishment of- and support to the LPI. The African Unions Heads of states' commitment to support the initiative in July 2009 increases the probability of the availability of needed resources.

Regional Economic Communities (REC) have the interest and capacities to support the implementation of project activities. The SADC has demonstrated keen interest in addressing land issues. In West Africa, CILSS has been given the mandate by ECOWAS to spearhead activities relating to land and natural resource management. With regard to the other regions (Central, East, and North Africa), the LPI Secretariat will support the RECs the first year of the programme, to ensure the presence of dedicated staff to work on land issues in these institutions during the rest of the implementation.

The project will benefit from the interest and commitment of African governments, civil society, development partners and other stakeholders to improve land policy development and implementation. The approval by the African Heads of States on 8<sup>th</sup> July 2009 of the Framework and Guidelines for Land Policy in Africa and the declaration on land policy made

by the African ministers for Agriculture in January 2009 underlined this commitment. Development partners have continued to support the work of the LPI since 2006, showing their interest and support to addressing land issues.

### 3.4. Crosscutting Issues

#### Gender Equality

The system of patriarchy which dominates social organisation in Africa has tended to discriminate against women when it comes to ownership and control of land resources. This has been reinforced by imported land laws which tend to confer land titles and inheritance of land rights to male head of household on the theory that women, specially married women can access the land through their husband or male children. Such a situation is both undemocratic and a constraint on economic development.

#### Good governance

It is important for land policy development and implementation processes to understand how property rights are defined, enforced and protected; it is equally important to know how land is used, how land use plans and regulations are prepared and, how land is taxed at country level. Land governance issues also include the importance of state ownership of the land and the way public lands are managed and disposed of. Land policies should take into account rights of pastoral people. Special attention will be given to large scale land acquisition/lease by foreign countries and companies. Lastly, land governance covers issues related to access to land information and land disputes settlement.

#### Climate change and environmental sustainability

The impact of climate change is expected to affect land use systems in Africa although its extent and magnitude is still unfolding. Nevertheless, direct impacts such as reduced availability and scarcity of water, saline intrusion, biodiversity loss and desertification, are now known to reduce productivity of the land and hence, likely to increase poverty.

### 3.5. Stakeholders

African **governments** and the **civil society** are crucial stakeholders for the implementation of the LPI and the project.

**African Union Commission:** The associated department of this project is the Department of Rural Economy and Agriculture (DREA) which is tasked with assisting member states to address challenges related to rural development, agriculture and food security, livestock, environment, water and natural resources and desertification.

**Economic Commission for Africa:** The implementing department of the project will be the Food Security and Sustainable Development (FSSD) division.

**The African Development Bank:** The associated department for this project will be the Operations Policy and Compliance Department under the Vice Presidency of Operations in charge of Country and Regional Programmes and Policy.

## 4. IMPLEMENTATION ISSUES

### 4.1. Method of implementation

The method of implementation will be joint management with UNECA through the signature of a contribution agreement.

## 4.2. Procurement and grant award procedures

All contracts implementing the action are awarded and implemented in accordance with the procedures and standard documents laid down and published by the International Organisation concerned (UNECA).

## 4.3. Budget and calendar

### Contributions

Contributions/Pledges from UNECA & Partners	EUR 1,000,000
<i>European Commission contribution</i>	<i>EUR 8,800,000</i>
<b>TOTAL managed by UNECA</b>	<b>EUR 9,800,000</b>
<i>External evaluation and verification managed by the European Commission</i>	<i>EUR 200,000</i>
<b>Grand Total</b>	<b>EUR 10,000,000</b>

The foreseen operational duration is 60 months as of the adoption date of the Commission decision on the Annual Action Programme 2009 in favour of Intra-ACP Cooperation to be financed from the 10<sup>th</sup> EDF, including one year period for the formulation of the contribution agreement with UNECA. The execution period is 84 months.

## 4.4. Performance monitoring

Progress in achieving the objectives of the project will be assessed by the use of selected relevant indicators. Indicators of performance will give clear indications of the extent to which the project has performed activities in a manner that allows him to realise each expected accomplishment: **Expected outcome 1:** Capacity to support Land policy formulation & implementation; **Expected outcome 2:** Land Policies Development/Implementation, including Monitoring & Evaluation of Land Reform and Administration, Land Information Systems and Knowledge Management, Networking, Lesson Learning & Sharing; Attention is given to gender sensitivity indicators and measurement of participatory approach.

## 4.5. Evaluation and audit

External evaluation and verifications will be organised in application of the relevant rules and regulations of the Financial and Administrative Framework Agreement signed between the EC and the UN. Evaluations will be organised by UNECA including a mid term evaluation after 30 months of implementation phase and an end-of- programme evaluation two months before end of implementation phase. In conformity with its financial regulations, the European Communities may undertake, including on the spot, checks related to the actions financed by the EC.

## 4.6. Communication and visibility

The main tool of communication and visibility of the project will be through the Website of the LPI. A periodic LPI newsletter will give information to the mailing list on ongoing activities of the project.

APPENDIX I List of abbreviations:

ACP	Africa, Caribbean, and Pacific
AfDB	African Development Bank
AU	African Union
AUC	African Union Commission
CILSS	Comité permanent Inter-Etats de Lutte contre la Sécheresse dans le Sahel
DREA	Department of Rural Economy and Agriculture (African Union Commission)
EC	European Commission
ECOWAS	Economic Community of West African States
FAFA	Financial and Administrative Framework Agreement
FAO	Food and Agriculture Organization
HDI	Human Development Index
IFAD	International Fund for Agriculture Development
ILC	International Land Coalition
LPI	Land Policy Initiative
NEPAD	New Partnership for Africa's Development
ODI	Overseas Development Institute
OECD	Organisation for Economic Co-operation and Development
REC	Regional Economic Communities
SADC	Southern Africa Development Community
SC	Steering Committee
TA	Technical Assistance
UNECA	United Nations Economic Committee for Africa
VALPAF	Virtual Land Policy and Administration Facility



## ANNEX 9

### 1. IDENTIFICATION

Title/Number	Support to the Centre for Development of Enterprise		
Total cost	<b>EUR 18,000,000</b> EDF contribution: EUR 18,000,000 from the Intra-ACP envelope of the 10 <sup>th</sup> EDF CDE own resources: n.a.		
Aid method / Method of implementation	Project approach – Direct Central Management		
DAC-code	32130	Sector	SME development

It should be highlighted that at this stage **the work plan and related budget 2010 are still under preparation by the CDE**. The budget of the Centre is to be submitted to the Executive Board and approved during the second quarter of the year, for onward submission to the supervisory authority in July. Given the present ongoing reform process, discussions are taking place on the mandate and structure of a future CDE, and these elements influence and delay the budget 2010 elaboration. The CDE revised 2009 budget, incorporating the first steps of the reform, was approved by the ACP States in April 2009 and by the ACP Group of the Council only on the 8<sup>th</sup> June 2009. The official approval by the supervisory authority occurred on the 14<sup>th</sup> July 2009.

This action fiche is introduced in the consultation process in order to comply with the different stages of the approval process on the basis of a global budget of EUR 18,000,000 corresponding to the annual grant foreseen in the 10<sup>th</sup> EDF envelope for the Centre. **The Appendix 1 with the breakdown of the overall budget amount by main components will be provided upon submission of the 2010 budget by the CDE.**

### 2. RATIONALE

#### 2.1. Sector context

Private Sector Development is an important catalyst for growth and poverty reduction in developing countries. A strong and functioning domestic private sector is an essential element of sustainable economic growth; the growth of the local private sector has been a key element in countries that have achieved rapid economic development and by providing employment and income generation opportunities. The private sector can provide means for poverty alleviation.

The ACP private sector is very diverse but with a certain number of problems in common. The markets where they operate are under-developed and the legal framework is not conducive for competitiveness and growth. Very often the entrepreneurs have difficulties to take advantage of the existing business opportunities as they often lack the knowledge on the

trade rules of goods and services or lack the technical or financial means to elaborate elementary business plans. Furthermore, the weak capacity of the intermediary organisations to support its members contributes to the existing status quo.

In addition to various EDF programmes supporting the private sector in ACP countries under 9th EDF, **the CDE has a specific status, being an institution (Annex III of the Cotonou Agreement)**, in charge of supporting the implementation of private sector development strategies in the ACP countries by providing non financial services to ACP companies and businesses or support them through national or regional service-providing intermediaries.

## 2.2. Lessons learnt

In early 2007, the EC decided to support the CDE's Executive Board reflection on the current impact and perspective of the CDE. With this aim, it launched the study: "An analysis of the mandate, positioning and structures for a new CDE" which highlighted that "the CDE's mandate is very wide-ranging, but priorities are not stated and the method of governance does not allow for rapid strategic adjustments in response to changes in the environment in which the CDE is operating.". The study proposed 3 options for the future for reflection: suppression of CDE and substitution by ad hoc programmes (option 1); reform including regionalisation (option 2); ambitious and fully deconcentrated CDE (option 3).

In 2008, a joint ACP-EU Task Force was established to think through the different options proposed by the study for the future of CDE and to present its conclusions for eventual reform. The Task Force is co-chaired by the ACP and EU presidencies. In a meeting held at the Council on 17 July 2008 under the FR presidency the EU Task Force members (DK, BE, DE, UK and IT) agreed on the objectives of the Task Force, including the need to redefine CDE's mission and mandate and to reassess the implications in terms of structure, organisation, staff and costs. Progress has been slow despite a number of meetings held during the first semester of 2009. Lengthy discussions have been necessary to come to a common position regarding the "option 2" scenario. The regionalisation of the CDE is a matter of consensus between the ACP and the EC, and this could lead to the opening of new regional offices in 2010/2011 (Central Africa, Pacific region).

On governance, the debate is ongoing and will require decisions to be taken at the level of the Joint Committee of Ambassadors, which received the mandate to modify Annex 3 of the Cotonou Agreement, if required, from the Council of Ministers in its meeting in Addis Ababa in May 2008.

An institutional audit (4 pillars) was completed in December 2007 and included a list of recommendations to be put in place by CDE. Improvement is expected on the front mainly internal control systems. A first progress report was provided by CDE in April 2009 showing little progress. This issue will be discussed during the next Board meeting (13/14 July 2009) and a new progress report is expected soon. The Commission foresees a follow up mission in the coming months.

OLAF investigations, completed in April 2008, resulted in recovery of funds by the Commission from CDE for an amount of EUR 381,926. The Commission also joined the EIB in filing a case before the French judicial authorities concerning a EUR 3,700,000 million loan from the European Investment Bank. At present a case is the subject of a recently opened investigation.

The year 2009 is marked by the change of Director (1<sup>st</sup> March 2009) and the renewal of the EU members of the Board (effective from end of June 09).

As foreseen in the grant contract between the CDE and the EC for the year 2009, a revised 2009 budget including the cost of the CDE restructuring (EUR 4,000,000) has been prepared and submitted to the supervisory authority. The revised budget was approved on 14<sup>th</sup> July 2009. **Major progress in terms of CDE restructuring should take place in 2009/2010** (the payment of the second and third tranches of the 2009 budget is conditioned to a revised 2009 budget incorporating the reform and its effective implementation).

### **2.3. Complementary actions**

The EDF support to the CDE is complementary to national, regional and other all-ACP Cooperation Programmes that address constraints of the private sector. At meso-level such programmes include: Pro€Invest aiming at strengthening intermediary organisations in order to support the services they provide to enterprises, the Micro-Finance Facility supporting ACP financial business service providers and financial sector development and the Pesticides Initiative Programme, which helps the ACP exporters to comply with EU regulations for food safety and consumer protection. At macro level, complementary interventions include Private Sector Environment Enabling Facility – BizClim, to enhance the business enabling environment in ACP countries and regions. Access to new markets is supported through regional integration and participation in the WTO and EPA through the Trade.Com Facility and the WTO/EIF Programme.

### **2.4. Donor coordination**

The CDE participates in the co-ordination meetings of All-ACP programmes (currently Pro€Invest, Bizclim, Microfinance and Trade.Com) organised by the Commission that take place on a regular basis in Brussels, in order to ensure the complementarity of the interventions.

## **3. DESCRIPTION**

### **3.1. Objectives**

The overall objective of the programme is to contribute to poverty reduction through sustained economic growth. The specific objective is to support the private sector, in particular the SMEs, in ACP countries.

As in previous years, the project will be implemented through a grant agreement with the CDE, which is an institution set up on the basis of the Annex III of the Cotonou Partnership Agreement and designed to contribute to implementing the private sector strategies in the ACP countries. The CDE's objectives are the following

- to facilitate ACP-EU business partnerships
- to develop enterprise support services in ACP (capacity building with private sector organisations and service providers)
- to assist investment promotion activities and organisations

- to assist technology transfer and management skills.

### **3.2. Expected results and main activities**

The CDE activities are implemented through two types of interventions:

#### 1) multi-annual sectoral and regional programmes

The programme approach, which has become CDE's main mode of operation for private sector support, with sector-focused as well as transversal programmes, will be pursued.

A limited number of programmes will be implemented with the concern to concentrate resources on best potentials and to obtain a focused impact. The ongoing programmes include:

- Increase of competitiveness and upgrading of operational productivity
- Improvement of market access (especially exports)
- Facilitation of access to investment finance

#### 2) integrated assistance to individual enterprises outside of those programmes

Assistance to individual SMEs outside the sectoral and regional programmes and upon ad-hoc request will remain part of CDE's operations.

The Commission recommends a combined approach including direct support to enterprises and interventions at a meso level through intermediary organisations. Direct support to enterprises will however be limited to cases where local circumstances clearly justify this mode of intervention.

The Commission considers that the future mission of CDE lies essentially in the field of capacity building at meso level. Concentrating at meso level activities, with specific sector concentration, would allow for a greater impact.

### **3.3. Risks and assumptions**

**The proposal for CDE Budget 2010 is still under preparation** and will be presented by the CDE management to the Executive Board and then subsequently submitted to the Joint EU-ACP Committee of Ambassadors for approval.

The underlying assumption, which is essential for implementation of the work programme and, indeed, for the future of the CDE itself is the timely conclusion of works by the EU-ACP Task Force on reforming the CDE and subsequent implementation of its recommendations by the CDE Board and management.

It must be borne in mind though that the CDE is an institution set up on the basis of the Annex III of the Cotonou Partnership Agreement, including its revision. Hence, at this stage the EC puts forward a proposal to finance CDE's budget on the basis of the existing organisational structure and mandate of the CDE and without being in possession of any information on the budget and work plan 2010. It must be stressed that it is the CDE supervisory authority, the joint Committee of Ambassadors ACP-EU, which holds the responsibility in terms of strategic orientation and budgetary issues as well as the reform of the Centre. The Commission has an observer status in the Executive Board.

### 3.4. Crosscutting Issues

Programme selection and principles adopted by the CDE Management take account of the fact that various cross-cutting programme facilities (such as environmental/energy management and industrial maintenance) should be deliberately combined and focussed on the priority sectors chosen, rather than being applied separately and dispersed over various sectors. This synergy should strengthen results and impact.

### 3.5. Stakeholders

The beneficiaries of the CDE interventions are the private enterprises in ACP countries, as well as intermediary organisations, financial and non-financial service providers for the SMEs.

The joint ACP-EU Committee of Ambassadors, as the supervisory authority, is actively involved in discussions about the restructuring of CDE.

## 4. IMPLEMENTATION ISSUES

### 4.1. Method of implementation

The method of implementation is direct centralised management. No Financing Agreement will be signed. As in previous years, the implementation of the project will be through a grant contract signed between the Commission and the CDE. The contract shall be signed by 31 December of the year 'n+1', year n being the year in which the corresponding global financial commitment was adopted. The direct award of a grant is justified by the fact that support to the CDE is foreseen in the Cotonou Agreement (Annex III).

The payment schedule for the grant contract will follow the same principles as the ones adopted for the budget 2009 i.e. three advance instalments of 30% + 25 % + 25 % of the total requested with agreed triggering indicators for the release of the tranches. The remaining 20% will be transferred upon approval of the final report.

### 4.2. Procurement and grant award procedures

The CDE applies its Financial Regulation approved by the ACP-EC Committee of Ambassadors on 17th December 2004.. Article 33 of the Financial Regulation of the CDE governs the applicable procurement rules for goods and services. In case of conflict regarding Article 33 between the provisions of the CDE regulations and the Financial Regulation applicable to the 10th EDF, it is the latter that prevails

### 4.3. Budget and calendar

The operational duration of the project will be 12 months. The contribution from the European Commission will be EUR 18,000,000.

Heading	Budget 2010 in EUR
EDF grant	18,000,000
CDE's own revenue (estimate)	n.a.
<b>TOTAL: EDF subsidy</b>	<b>18,000,000</b>

**It is not possible at this stage to give an indication of the amounts foreseen for the individual budget headings. This information will be provided as soon as the 2010 budget is submitted.**

#### **4.4. Performance monitoring**

According to the CDE, an information management system, Procede, is in place to monitor the activities and outputs of the Centre. With its new procedures the Centre has introduced selection and grading schemes with a view to improved effectiveness and impact. These schemes and criteria, applied for programme selection as well as individual assistance requests, are designed to improve the choice of beneficiaries, the type of assistance and thereby the resultant impacts.

The CDE's documentation indicates that the logical framework method is in use for all sector programmes. The logical framework should serve as a tool for establishing criteria and indicators for monitoring and evaluation. According to CDE, interventions are being assessed after completion with a short questionnaire to be completed by the beneficiary enterprise. This is aiming at giving feedback on the efficiency of the CDE's service provision and also providing indications on effectiveness and likely impact of the assistance. The beneficiaries' response has been made a contractual obligation with the allocation of the subsidy.

#### **4.5. Evaluation and audit**

The CDE carries out statutory audit every year in order to establish legality and regularity of expenses and to certify the application of international accounting standards. According to the Financial Regulation the accounts of the CDE must be audited by an internationally recognised auditing company.

In addition to that the Commission systematically undertakes external financial audits on the EDF funds paid to the CDE. The Court of Auditors and OLAF may also carry out verifications.

#### **4.6. Communication and visibility**

CDE is expected to undertake steps to ensure the visibility of the actions financed by the EC. It is done through reference to the joint character (ACP-EU) of the institution on its letter heads in all correspondence. EU logo is also present on the CDE's website and in its publications.