



Understanding Development Co-Operation under the Cotonou Agreement

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FOREWORD

The Cotonou Agreement - a contract between the European Union and the former colonial countries in Africa, Caribbean and Pacific (ACP) - is almost only known by its economic element. The Economic Partnership Agreement (EPA) and Free Trade Areas (FTA) seem to rule the discussion. During the past years strong concerns came up on the trade dominance in the North culminating in the formula that EPA and Free Trade Areas are not based on reciprocity and free trade deals.

In this discussion and even struggle, it seems to be forgotten that the new agreement is based first and foremost on development. It seems to be forgotten that the Cotonou Agreement has to be seen as a house built on three pillars - development cooperation, trade and the political dimension of ACP/EC cooperation - which are closely interrelated.

In order to inform the public as broad as possible about the different aspects of these important measures, the FES Tanzania presents you the third booklet on the basics of the Cotonou Agreement called "Development Cooperation under the Cotonou-Agreement".

Indeed, we are offering a lot more information for the public. We are proud to be within the first organizations in Tanzania arising awareness about the process established in the contract in the year 2000. Meanwhile, we organized more than 60 seminars in the country and on the regional level with the East African Legislative Assembly and the East African Business Council. Our published material is even more comprehensive. Most of it you can access through our website <http://tanzania.fes-international.de/>.

Dear reader, thank you for your interest. I hope you can find some useful information in this brochure.



Reinhold Einloft

Resident Director

PART I

1. THE COTONOU AGREEMENT: BRIEF HISTORY ON DEVELOPMENT COOPERATION

The European Union (EU) and countries in Africa, Caribbean and Pacific (ACP) are currently, working in cooperation under what is commonly known as EU-ACP Members States. The cooperation is built under a Partnership Agreement commonly referred to as the Cotonou Partnership Agreement (CPA). It is a comprehensive development, trade and aid agreement between the EU and 77 African- Caribbean-Pacific countries. The Contract was agreed for a twenty-year period (2000-2020) and signed in June 2002 in Cotonou, Benin, thus bearing the name “the Cotonou Agreement”.

As stated in Article 1 of the EU-ACP Agreement, CPA’s central objective is the reduction and eventual eradication of poverty in line with the objectives of sustainable development and the gradual integration of the ACP countries into the world economy. Meanwhile, trade seems to be the central agenda in practice under the Cotonou Agreement, the fight against poverty has always been intended to be high on the European cooperation agenda and under the Cotonou Agreement it is seen as the central objective and performance indicator. Rather than defining poverty in a narrow economic sense (e.g. in terms of incomes), the Cotonou Agreement aims to ensure that the political, social, cultural and environmental circumstances of people living in developing countries change for the better. The CPA defines the new framework for the relationship between the EU and the ACP over the period 2000-2020.

A close observation of the CPA’s historical background shows that, the Cotonou Agreement may be called the fourth phase of development cooperation between ACP countries and the EU. European development policy, in its beginning was largely shaped by the colonial history of the European Community’s member countries with France pressing for special relations with their former colonies. The first two agreements focused on French speaking Africa (Yaoundé I 1963-69 and Yaoundé II 1969-75). The second phase took off with the United Kingdom (UK) joining the EU in 1973 and request similar privileges. The community reacted with a more balanced geographical spread. Lomé I (1975-80) included 47 ACP countries, a figure which rose to 77 under the latest agreement on development cooperation.

While the development strategy was reformulated every five years and new elements were introduced like Stabex and Sysmin, Lomé I – II remained primarily programmes on economic cooperation. Lomé III and IV

may be seen as third phase of ACP-EU relations, as they took momentum in a radically changing economic and political environment. The 'neo-liberal age' of the 1980s and the end of the bipolar world of the east-west-confrontation changed the framework of EU-ACP-relations in several ways:

1. Trade preferences to ACP countries eroded irreversibly due to progressive lowering of EU-tariffs under GATT/WTO as well as EU preferential agreements to other areas;
2. Political pressure increased to make Lomé - Agreements compatible with WTO-rules;
3. The focus of EU-aid shifted from ACP-countries to Central & Eastern Europe (CEE). While still increasing slightly in absolute figures, in relative terms, ACP-share in EU-aid fell from 61 % in 1990 to 30% in 1998;
4. Lomé IV, for the first time, introduced 'political conditionalities' and linked some aid to structural adjustment and the observance of human rights.

When Lomé IV expired, the environment for the European development aid had changed dramatically and had to be reformulated against the backdrop of following events:

1. The future enlargement of the EU to Eastern Europe;
2. The decreased geo-strategic importance of ACP-states in comparison to the Mediterranean and Latin American states;
3. The WTO trade regime which demanded most favored nation treatment thereby contradicting the Lomé rules (Occasionally experienced in the banana dispute between USA and the European Union);
4. The worsening of economic and social conditions in many parts of Africa and resulting frustration of European Union. Despite preferential access the ACP-share in EU markets had fallen from 6,7% (1976) to 3% (1998).

Within the EU, claims occurred to completely abandon the Lomé regime while statements of ACP governments mostly expressed the need to continue with the Lomé regime. In the end, a compromise was found which is a continuation of Lomé as well as a departure from it at the same time, culminating in establishment of the CPA. In its structure, currently the CPA encompasses three pillars for the relationship between EU and ACP countries which are:

1. A political dialogue between ACP-countries and the EU;
2. The development of a new trade regime, called Economic Partnership Agreements;

3. The Development aid cooperation.

The pillars expressing the above relationship could be simply illustrated through the following diagram:

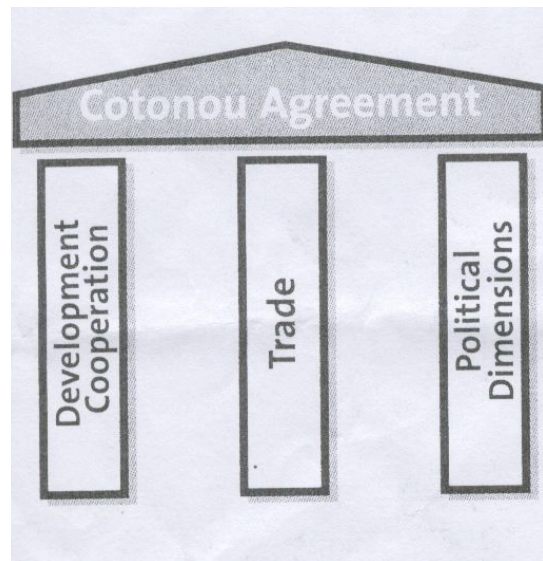


Figure 1: Three Pillars of the Cotonou Agreement

Source: Adopted from www.acpsec.org

A User's Guide for Non-State Actors www.ecdpm.org

1.1 SIGNIFICANT ELEMENTS SPECIAL TO THE COTONOU AGREEMENT

Unlike the previous agreements to Cotonou and many other multi-lateral agreements, Cotonou Agreement has been organized in a way that it gives an unique advantage in two main aspects, namely its wider scope of cooperation and its emphasis on participatory development approach in partnership.

Regarding the first aspect, it is important to understand that the Cotonou Agreement is not just about financing EC aid programmes and projects. It is concerned with many important issues that may have direct impacts on the lives of millions of ACP citizens. It is, among other things, about:

- Reducing poverty;
- Social development, including employment policies;
- Helping to avoid conflicts and wars, and, in areas where these are occurring, to restore peace and security;
- Establishing a new trade regime between the ACP and the EC;
- Improving the capacity of the ACP private sector to produce and export goods and services;
- Strengthening cooperation between the ACP and the EC in the field of migration;

- Promoting human rights and democracy; and
- Furthering regional cooperation and integration.

Secondly, there is the very fact about the emphasis on stakeholders' participation in the whole cooperation process under the Cotonou Agreement. In its recent developments, the Cotonou Agreement represents a break with the tradition of cooperating almost exclusively with central governments. It fully embraces the concept of participatory development, following a trend that can be observed in all parts of the world and among virtually all donor agencies. Making Cotonou work is a shared responsibility.

That spirit of recognition of participatory collaboration as the main principle central to the Cotonou Partnership is legally expressed and defined within the Agreement in the articles that emphasize members' ownership of the development process and promotion of dialogue between the state and non-state actors in national and regional cooperation strategies. The Articles specify that:

Article 2: "ACP states shall determine the development strategies for their economies and societies in all sovereignty." This principle should guide all aspects of cooperation between the ACP and the EC. In practice, this calls upon the EC to support existing national development strategies, or the development of such strategies, and to work primarily with existing institutions and capacities in the ACP countries. It also implies a shift towards supporting national budgets, rather than funding 'stand-alone' projects and programmes.

Article 4: "...the Parties recognize the complementary role of and potential for contributions by non-state actors to the development process." This is another major innovation of the Cotonou Agreement. For the first time, ACP-EC cooperation fully recognizes the essential role that non-state actors can play in the development process of an ACP country. New opportunities are created for these actors to participate in all aspects of cooperation (formulation, implementation and evaluation). The purpose is not to oppose governments, but to foster dialogue and collaboration between governments and other actors in development, all of whom have a legitimate role to play.

The Cotonou Agreement provides a definition for non-state actors (NSA) in Article 6. The actors of cooperation will include: State (local, national and regional); Non-State: Private Sector, Economic and Social partners, including trade union organizations; and Civil Society in all its forms according to national characteristics.

Article 6 further states, “Recognition by the parties of non-governmental actors shall depend on the extent to which they address the needs of the population, on their specific competencies and whether they are organized and managed democratically and transparently.” This article is extremely important as it acknowledges that ACP national characteristics are to play an important role in the identification and recognition of non-state actors, taking into account their basic and universal characteristics. The operational modalities for non-state actors access to funding in the framework of the national, regional and all-ACP programs concluded under the Cotonou Agreement still remain to be defined.

In terms of policy dialogue and access to funding, non state actors should have clearly defined interests, be representative, and should operate in a transparent and accountable manner within the broader framework of national and regional programmes. It is also accepted that access to funding will be limited to non-profit non state actors. A national/ regional Steering Committee should be created to take the final decision on the eligibility criteria in accordance with these guidelines. This should comprise of the NAO/ RAO, the relevant ACP government authorities, a mandated non state actor representative(s), and the EC.

PART II

2.1 DEVELOPMENT COOPERATION: FINANCIAL AND TECHNICAL ASSISTANCE

As pointed out earlier above, development cooperation is one of the three key areas in the EU-ACP Cotonou agreement. It is generally and mostly now asserted by various stakeholders in EU-ACP that the new Economic Partnership Agreements between the EU and ACP countries should be mainly about development. That will certainly be achievable depending on how the scope for the partnership under the Cotonou Agreement focuses on facilitating the integration of the ACP countries into the world economy, and building on regional integration initiatives.

The first type of support provided under the Cotonou Agreement takes the form of financial and technical assistance to support cooperation priorities, jointly agreed upon by the partners. Important to note is that, although much could be said about the development cooperation component of the Cotonou Agreement, only the most important elements are pointed out here.

Cooperation follows a five-year cycle. The Cotonou Agreement may have been signed for the duration of 20 years, but every five years a ‘financial protocol’ will have to be agreed on and attached to it. This protocol

indicates how much money the EC will put at the disposal of the ACP countries over the next five years. There is a special fund for the ACP countries. The resources for development cooperation which the ACP countries do not come from the regular budget of the European Union, as do the funds for cooperation agreements with other development regions.

For historical reasons, there has always been a separate funding mechanism for the ACP, known as the European Development Fund (EDF). Every five years, the EU Member States agree on their contributions to this Fund. The amount each country has to pay into the EDF is negotiated between EU Member States. We are currently in the 9th EDF, because eight similar financial protocols have preceded it under the Yaoundé and Lomé conventions.

Generally speaking, there is no shortage of resources. There is a considerable amount of money in the 9th EDF - some EUR 13.5 billion for the current five-year period - which is to be shared among the ACP countries and regions. In addition, the resources that remained unspent from previous EDFs are added to the recent fund. Almost EUR 2.5 billion have been transferred from the old EDFs to the 9th EDF and can also be used for new commitments.

2.1.1 FINANCIAL ASSISTANCE

Essentially, CPA is financed under a financial protocol, divided into 5 year periods with the financial means provided under the corresponding European Development Fund (EDF). For example, EDF9 for the period 2002-2007 contains 13.5 billion Euro to which may be added some 10 billion Euro unused funds from previous EDFs.

As reported in http://www.acpsec.org/en/com/83/accord_10FED_e.htm, during the recent meeting on 2nd of June 2006 in Port Moresby (Papua New Guinea), under the chairmanship of ACP Co-President Dr. Onofre Rojas (Dominican Republic) and EU Co-President Dr. Hans Winkler (Austria), the ACP-EC Council of Ministers agreed on a financial envelope of 23,966 million Euros for the 10th European Development Fund (EDF) for the period 2008-2013. The joint council also adopted a declaration on climate change, and addressed several key cooperation issues, namely, the EPAs, ACP commodities, migration and EU strategies for Africa, the Caribbean and the Pacific.

The most important was the agreement reached regarding the resources of the next European Development Fund as the **ACP-EU Council of Ministers agreed on 10th EDF**. The two parties agreed on the sum of 23,966 million Euros to cover six years, beginning 1 January 2008. The sum of 21,966 million Euros will become available under the 10th EDF once the pluri-annual financial framework comes into force. Also, as requested by the ACP side, it was further agreed that some amount would be directed exclusively to ACP countries, effectively quashing the Europeans' proposal to include the Overseas Countries and Territories (OCT).

2.1.2 TECHNICAL ASSISTANCE

According to Heather Baser and Joe Bolger from European Centre for Development Policy Management (ECDPM), in their article "*Contribution of Technical Assistance to Capacity Development*", they pointed out that technical assistance/ cooperation between North and South has been going on for centuries. In the 1950s and 60s - technical cooperation was seen "as indispensable instrument for world development". The emphasis was on support for newly independent countries to strengthen human capital, build new institutions. In early days, that meant transfer of knowledge, skills, and institutions to fill 'gaps'. In the 1970s and 80s, there was recognition of the importance of participation, process approaches while in 1980s there was increased emphasis on capacity development and less use of expatriate technical assistance. However, from 1990s up to date, more attention is given to country ownership and shorter-term technical assistance. Under the Cotonou Agreement, special efforts to achieve country ownership of development programmes emphasizes on building partnership capacity between the members states and the non-state actors within each respective country.

2.2 SUPPORT TO NON-STATE ACTORS AS PARTICIPATORY PARTNERS IN CPA

The Cotonou Agreement invites and encourages non-state actors to participate in dialogue with their governments and with the EC on their country's development strategy, and on the contribution the EC will make to support that strategy. In this process, non-state actors are expected to advocate the views of the group they represent (for instance, the representative of a banana growers' association would raise the concerns of banana farmers with regard to government policies).

Under the Cotonou Agreement (e.g. Article 4) types of capacity support that non-state actors could receive are identified. Assistance could be envisaged to support non-state actors in critical areas in order to reinforce their capabilities, particularly with regard to:

- organization and representation;

- the establishment of consultation mechanisms, including channels of communication and dialogue;
- the maintenance of non-state actor networks; and
- strategic alliances among non-state actors.

This support may take different forms. There is no doubt that for most of the non-state actors they clearly see capacity building as essential for ensuring their effective participation. Capacity building may also be required for ACP governments and European Commission officials. For many of them, promoting participatory development approaches are new experiences. They may lack the knowledge, experience, skills and tools to establish balanced partnerships with a variety of non-state actors. The list of 'top ten' capacity needs for non-state actors may range as follows:

- a) Better and up-to-date information on the Cotonou Agreement, as well as on WTO rules and the EPA negotiations.
- b) Management skills (e.g. organizational management; financial accountability; planning ahead; etc.).
- c) IT skills (e.g. how to find information on the Internet; how to disseminate information; etc.).
- d) Motivational skills (e.g. how to motivate people to get involved; how to convince them that being united means being stronger).
- e) Networking skills (e.g. how to link up with other organizations).
- f) Leadership/dialogue skills (e.g. how to take the lead on an issue; how to link up with the authorities; how to present a case to political leaders, and to follow it up).
- g) Representative structures (e.g. how to build platforms that take into account diverse organizations' views, and represent them in a common voice vis-à-vis the authorities).
- h) Literacy training, writing skills (e.g. particularly in writing project proposals).
- i) Analytical skills (e.g. what do policy papers/ legal texts actually mean; how to improve an organizations strategy).
- j) Encouraging institutional learning (e.g. how to avoid the situation that if key persons leave, a large part of the organizations knowledge goes with them).

Two main activities have to be carried out at this stage of the process:

- Preparation of a Country Support Strategy (CSS) based on the country's own medium-term development objectives and strategies. The CSS also contains the EC response strategy (what contribution can the EC provide).

- Preparation and adoption of a National Indicative Programme (NIP). This is in fact a kind of roadmap showing how the CSS will be implemented with EC funds. It specifies the focal and non-focal sectors of assistance and the (indicative) allocation of resources. In principle, it should also explain what kind of support will be provided to non-state actors.

2.3 IMPLEMENTATION OF DEVELOPMENT COOPERATION

Non-state actors involvement in national policies: The case of education in Tanzania

In Tanzania, the programming for the 9th EDF took its cue from the Poverty Reduction Strategy Paper (PRSP), in which basic education was highlighted as a key area for support. The indicative EC allocation of EUR 43.5 million would be provided in the form of sector-specific budget support for the implementation of the Education Sector Development Programme (ESDP) which receives assistance from a wider group of donors. Although transferred via the government budget, a part of the basket funding is earmarked for civil society. The National Policy Forum, a group of NGOs that have organized themselves to participate in national policy processes, has representatives in the working groups for implementation and monitoring of the Poverty Reduction Strategy. Non-state actors are also represented on the steering committee for the ESDP. Advocacy groups and networks, such as the NGOs HakiElimu and the Tanzania Education Network (TEN/MET) play a critical role in disseminating information to a broader group of non-state actors and school committees in order to broaden participation. It is not yet clear whether the participating non-state actors will be able to enjoy capacity building support through the NIP agreed between the Tanzanian government and the EC. (www.hakielimu.org)

(NATIONAL & REGIONAL LEVEL)

Historically, implementation of the Cotonou Agreement is done at both national and Regional levels. Meanwhile the national level of implementation is the matter of each individual state's programme; at the regional level, the ACP countries are organized in six self-determined ACP regions. Recently, between and among the ACP regions is the evolving Economic Partnership Agreements (EPAs) which is seen to greatly influence the development direction and success between and among the ACP partners. The discussions, decisions, implementation and operations of EPAs as well as its influence to contribute in development success of the ACP-partners is largely determined by the cooperation reforms needed between and among its regions within the following categories:

- *Central Africa*: CEMAC (Communauté Economique et Monétaire de l'Afrique Centrale) plus Sao Tome and Principe; negotiations were launched on 3rd of October 2003.
- *West Africa*: ECOWAS (Economic Community of West African States) plus Mauritania; negotiations launched on 6th of October 2003.

- *East and Southern Africa* (an open configuration currently comprising COMESA countries minus Egypt and South Africa); launched on 7th of February 2004.
- *Southern African Development Community* (Botswana, Lesotho, Namibia, Swaziland – BLNS – plus Angola, Mozambique and Tanzania); launched on 8th of July 2004.
- *CARIFORUM* (Caribbean Forum of ACP States); launched on 16th of April 2004.
- *Pacific ACP States*; launched on 10th of September 2004.

2.4 EPAs' DEVELOPMENT DIMENSION UNDER COTONOU COOPERATION

Currently, in the development cooperation under the Cotonou Agreement, a matter of special interest is Economic Partnership Agreements (EPAs). The latter provides for the negotiation of ***Economic Partnership Agreements (EPAs)*** between the two EU-ACP parties. The preparations for negotiations started in September 2002 and will go on until 2007 and 2008 come into effect. Once concluded, the EPA envisages creation of a Free Trade Area (FTA) where ACP countries and likewise the EU countries will be able to access each other's market duty free (reciprocal trade) and according to WTO rules.

Described briefly, (EPAs) are the new trade arrangements that are due to replace the current non-reciprocal preferences enjoyed by ACP countries by 2008. They will need to be 'compatible' with the requirements of the World Trade Organization (WTO). This means that for the ACP countries to maintain or improve their EU market access, they will gradually have to open up their own markets to EU products over a period of up to 12 years. In addition to trade in goods and agricultural products, the EPAs will also regulate trade in services, as well as a range of other trade related matters such as investment, government procurement, product standards, etc. They will be accompanied by development co-operation measures to support the adjustment process.

EPAs will be negotiated with ACP regions and, depending on their legal situation, ACP countries will be invited to sign either as groups (e.g. if they form a customs union) or individually. Implementation of EPAs will focus, especially at the beginning, on deepening regional integration.

The EPA is therefore expected to replace the current EBA (Everything But Arms) initiatives. EBA is a unilateral decision by EU to allow the Least Developed Countries to have full access to EU markets. All goods from Least Developed Countries except **arms** access EU market free of tariffs and quota. The EPAs go beyond EBA to allow for reciprocal trade relationships.

In relation to development cooperation, the prerequisites here would be to analyse the precise economic (trade, government revenue and production/ industry and socio-political impact of the agreement on Tanzania's economy. Obviously, the aid component of the cooperation is already quite decisive for Tanzania to subscribe to the agreement. The government of Tanzania has decided to take up the SADC-EU EPA and hence prepare for negotiations. Already the government has formed an EPA National Steering Committee, which is housed and coordinated by the Ministry of Finance (the National Authorizing Officer).

Since the negotiations of regional reciprocal free trade agreements have been suggested to replace the Lomé regime on non-reciprocal trade preferences granted by the European Union (EU) to the African, Caribbean and Pacific (ACP) States, in 1996, the possibility of alternative trading arrangements to these *regional* economic partnership agreements (EPAs) have been considered. The Cotonou Partnership Agreement, which defines the new framework for the relationship between the EU and the ACP over the period 2000-2020, explicitly provides for the negotiation of EPAs, due to enter into force by 2008, as well as for the consideration, if necessary, of alternatives arrangements.

With the preparation for the EPA negotiations and their formal launching in September 2002, most attention has been focused on the possible framework, configuration, content and impact of such EPAs. Although some progress have been achieved during the first phases of the negotiations, the prospect of EPAs has also raised serious concerns, related to a range of issues, including the development dimension of these EPAs, their impact on poverty, on the regional integration process of the various ACP regional groupings, on the unity of the ACP group, as well as the merits of reciprocal market opening, the capacity of ACP countries and regions to negotiate and implement EPAs and the linkages and coherence with parallel trade initiatives, notably at the World Trade Organization (WTO) with the ongoing Doha Round. While addressing these concerns in the context of EPA negotiations has proved a difficult challenge, increasing considerations is given to possible alternatives to EPAs, mainly but not only from civil society actors.

In the context of the above scenario, the on-going debate on EPAs comes at the centre stage as an important factor and condition in achieving desired results in development cooperation between EU-ACP countries. EPAs will determine very much the success of the needed and expected benefits of this partnership in the

way they will be smart in enabling stimulation of economic development and export growth, therefore contributing to sustainable development and poverty alleviation.

The question remains therefore as to whether EPAs will effectively foster development within the ACP-Partners or not, including Tanzania. While all parties agree that EPAs should first and foremost be tools for development of the ACP, the EU and ACP approaches are not yet in line. The ACP would like to see a greater parallel emphasis on development measures to accompany and be linked to the trade negotiations. Some ACP and European officials and politicians, as well as civil society representatives, have increasingly questioned the development dimension of EPAs, and a large coalition of North and South non-governmental organizations (NGOs) has even campaigned to 'Stop EPA'.

2.5 SUPPORT PROJECTS UNDER THE COTONOU COOPERATION

A specific capacity building programme for non-state actors must be included in the National Indicative Programme of the country. If this is the case, the question of who can benefit is addressed during the so-called 'identification phase', when the content and implementation modalities of the programme are defined in detail. Under the Cotonou Agreement, private sector organizations may be supported in the same way as non-state actors from civil society, as long as they carry out relevant activities that are nonprofit. Three possibilities for capacity building support (three windows) are possible for non-state actors as identified below.

Window 1: Capacity building for non-state actors

Alongside a support programme for non-state actors, funded under the EDF, non-state actors in a given ACP country could also benefit from funding available under the EU budget lines. Capacity building initiatives for non-state actors can go beyond providing organizational support to individual organizations. They can also aim at strengthening the civil society as a whole. If the National Indicative Programme does not include a specific capacity building programme, non-state actors may be able to obtain capacity support through either of the other two windows.

Beyond the capacity building programmes described above, the Cotonou Agreement (Articles 70 and 71) also makes it possible to fund two other programmes specifically intended for non-state actors: micro-projects and decentralized cooperation. These two approaches existed under the Lomé Conventions. In recent years, it is possible to observe an evolution in several ACP countries whereby micro-projects gradually evolve towards

decentralized cooperation approaches. However, both the ACP and the EC agree that the provisions with regard to decentralized cooperation in the Cotonou Agreement need further clarification.

Window 2: Micro-projects

As the name suggests, micro-projects are small-scale projects at the local level, involving limited funding, that address immediate and concrete needs. This is the oldest financing instrument for non-state actors. It was introduced under the Lomé I Convention (1975-80) and retained in the Cotonou Agreement. Several ACP countries have included a new micro-project programme in their recently elaborated National Indicative Programmes. Types of activity funded include small infrastructure projects such as building a rural school or a bridge, and income-generating activities. Beneficiaries of this type of funding are mainly local communities; and grassroots organizations. This is fully consistent with the basic philosophy underpinning the Cotonou Agreement to build bridges between state and non-state actors.

Window 3: Implementation of EDF standard programmes

Non-state actors can also access funds by participating in the implementation of standard EDF programmes, i.e. sector programmes or development projects promoted by their government (and included in the National Indicative Programme). In practice, this means that funds are put aside in these programmes to pay for the services provided by non-state actors in the implementation process. The types of activity to be funded will depend on the nature of the sector programme or project to be implemented. Non-state actors can play different roles in the implementation process, to be agreed upon with the government for each project. Non-state actors are usually invited to provide specialized services that will contribute to the realization of the project. The participation of non-state actors can take the form of public-private partnerships for implementing a programme or project. Implementation can also be entrusted to a non-state actor to provide services or added value different groups of non-state actors, depending on the sector programme or project.

The main criteria to access this type of funding are likely to be the skills and competencies of each non-state actor. The government is clearly in the driving seat, as this concerns the implementation of government programmes. When analyzing the NIP of their country, non-state actors are advised to look beyond the specific programmes intended for them to see whether there are any other opportunities for them to participate and access funds through the other programmes. The involvement of non-state actors in standard EDF

programmes and projects will contribute to the gradual mainstreaming of their participation in the overall cooperation process.

In addition to EDF funds under the Cotonou Agreement, the EC also provides resources through a number of special budget lines. These are managed by the European Commission, without the involvement of ACP governments, and are financed through the overall EU budget. Perhaps the best known among non-state actors is the 'Co-financing with NGOs'. The EU is currently reviewing and harmonizing the system of budget lines in order to improve the coherence between them and other sources of EC aid, such as funding for the National Indicative Programmes under the EDF.

2.5.1 PROJECTS CURRENTLY RECEIVING FINANCIAL SUPPORT IN TANZANIA

Tanzania under the CPA has been enjoying financial support focused on priority areas by supporting the growth of the economy through budget support, infrastructure development, education, supporting governance initiatives and facilitating trade and growth of private sector. The table below summarizes some of projects under support at different levels.

Table1: Financial Support Summary

Ongoing Programmes	Financial Commitments (In EURO)	Payments
Budget Support for Poverty Reduction	33m	33m
Rehabilitation of Mwanza Roads	35m	0.3m
Rehabilitation and Up-grading of Mwanza Border and Tinde & Isaka-Nzega Roads	85m	37m
Maintenance Programme for the Central Corridor	42m	16m
A Regional Water Sanitation Programme	50m	-
Education Sector Programme	44m	-
Support to Non-State Actors	3m	-
Capacity Building	-	3m
Support to Civil Society	-	7m
STABEX (Agricultural Development)	6m	4m
Support to Tanzanian Game Reserves	2m	0.6m
EU SADC Regional Monitoring and Control Surveillance Programme	2m	0.8m
Freshwater Fisheries Management Project	30m	-
Sustainable Management of Coastal Resources	15m	-
Indian Ocean Tuna Tagging Project	14m	-
Muafaka Zanzibar Political Accord	2m	2m
Rehabilitation of Zanzibar Port	31m	5m
Tourism Training Project	3m	-
Special Programme for Refugees	14m	14m
Emergency Food Aid for Refugees		
Support for Economic Integration		0.08m

Source: European Union (2005), An Overview of Tanzania Development Cooperation in 2005.

2.5.2 UPCOMING PROJECTS TO BE SUPPORTED AT REGIONAL AND NATIONAL LEVELS

The upcoming areas of project support include aid development, implementation of Africa strategy, EPAs financing, South Africa strategy, migration, and environmental management.

On July 11th, EC Development Commissioner Michel addressed the European Parliament's Development Committee. In his speech he made announcement of the upcoming proposals under Cotonou Agreement. It was informed that for the governance proposal to implement EU Africa Strategy – in the 10th EDF, EC will deliver a new specific instrument with 3 billion EURO. Those eligible should agree to sustainable ambitious reform and action plans and they will get extra money. It will be to sanction positively, not negatively.

Allocation criteria will be if the projects proposals support governance (like training judges, programmes to support local governments/ decentralization programmes). It is not just calling for fight against corruption but it is increasing state institutional capacity to govern as envisaged in good governance. The Cotonou Agreement (Article 9) defines good governance as 'the transparent and accountable management of human, natural, economic and financial resources for the purposes of equitable and sustainable development'.

In South Africa's communication trying to move to true political cooperation, there will be single, coherent FW covering all aspects of cooperation including economic cooperation and implementation of trade agreements. The Action Plan is under preparation in EC now. It is expected that in November 2006, there will be a joint declaration as a founding act of partnership.

As reported in http://www.acpsec.org/en/com/83/accord_10FED_e.htm, during the recent meeting on 2nd of June 2006, the ACP-EC Council of Ministers also reviewed the state of play of the negotiations of the **Economic Partnership Agreements**. During their discussions, the Ministers noted the difference in the pace of negotiations among the different regions, but nonetheless commended the progress made. The joint council reaffirmed its desire for the EPAs to be real instruments for development.

The other area discussed in the joint council of ministers was trade for development as stipulated under the Cotonou Agreement. The council session also provided the ACP side the opportunity to express its growing concern at the treatment of commodities from ACP countries. With regard to **Cotton**, the ACP countries mentioned the delay in implementing the EU-Africa Cotton Partnership due to the non-allocation of resources for implementing the Plan of Action before 2007. The ACP side also expressed concern about the future of **Sugar**. It urged the European Union and the Commission to honor their commitment to provide sufficient aid to the Sugar Protocol countries by allocating at least 500 million Euro per annum for the period 2007-2013, under the EU financial outlook for the same period. With regard to **Bananas**, the ACP side called for consultation with the EU with a view to ensuring their effective participation in any legal action that might be initiated at the WTO by the MFN countries. It urged the ACP and the European sides to open discussions with the aim of setting up a regime that would guarantee the viability of banana-exporting enterprises in ACP countries.

Furthermore, the joint council discussed, for the first time, the issue of **Migration** and development, particularly in view of the United Nations' high-level meeting to be held in September 2006. Hon. Paul M'both, the Congolese Minister who had chaired the 1st meeting of ACP Ministers responsible for Asylum, Migration and Mobility, presented the Brussels Declaration that was adopted on 13th of April 2006. The Declaration expresses the ACP Group's commitment to address the issue of managing migration, particularly with the aim of effectively initiating the implementation of Article 13 of the Cotonou Agreement on Migration. During the discussions, the ACP and the EU considered the possibility of presenting a common position at the UN meeting in September.

The joint council adopted a **Declaration on Climate Change and Development** which expresses their common concern about the deterioration of environmental conditions throughout the world. For the Ministers, it is not only an environmental issue, but also a developmental one. In the declaration, the council calls on the ACP and EU countries to work together to fight this phenomenon that threatens primarily the Least Developed Countries, and the vulnerable Small Island States.

PART III

3.1 PRINCIPLES, APPROACH AND AREAS OF SUPPORT UNDER CPA

The Cotonou Agreement provides in Article 20 the overall framework of principles and approach that should guide the cooperation partners to attain their objectives in developmental cooperation as follows:

*“The objectives of ACP-EU development cooperation shall be pursued through integrated strategies that incorporate economic, social, cultural, environment and institutional elements **that must be locally owned**. Cooperation shall thus **provide a coherent enabling framework of support to the ACP’s own development strategies**, ensuring complementarity and interaction between the various elements....” (Art. 20)*

The same developmental approach also characterizes the ‘Economic and Trade Cooperation’ pillar of the CPA, as clarified by its specific objectives stating that:

“Economic and trade cooperation shall aim at fostering the smooth and gradual integration of the ACP States into the world economy, with due regard for their political choices and development priorities, thereby promoting their sustainable development and contributing to poverty eradication in the ACP countries.” (Art.34.1)

The development approach as articulated above is not only stated in the Cotonou Agreement, but is now emphasized , by both the European Union, its institutions and member states, the ACP regions and countries and various actors from civil society.

While Lomé IV had 10 different instruments; cooperation under Cotonou is rationalized and based on two instruments: First, grants are given through a country support strategy (CSS) which covers all grants and runs

for a period of five years. Second, investments are operated under a special investment facility. Programming of development aid can be for regional or national projects. In both cases, the sequence of programming involves three steps:

1. Country or Regional Support Strategy (CSS, RSS)

Based on a country's or region's situation analysis, development strategies are outlined to which the EU responds by identifying its sector focus and bringing development activities of other donors like the Worldbank or bilateral EU member countries programmes into a coherent plan.

2. National or Regional Indicative Programme (NIP, RIP)

Based on a country's or regional support strategy, a national or regional indicative programme is drawn up for five years, listing individual concrete proposals for funding.

3. Review

The indicative programme will have an annual review, to check on operation and implementation, and a mid-term review and an end-term review to give a performance test.

3.2 EXAMPLES OF SUPPORTED AREAS IN TANZANIA

An overview of the EU/ Tanzania cooperation achievements in 2005 revealed a total of Euro140m (approx. 200b in TSHs) had been disbursed to the government of Tanzania for the different development programmes. The table below illustrates that support as follows:

Table 2: Payments in 2005

Sector	Amounts in Euro	Approx. in amount in TSH	% of Total
Budget Support	33m	46bn	24%
Infrastructure	63m	88bn	44%
Civil Society	3m	4bn	2%
Agriculture (STABEX)	4m	6bn	3%
Refugees including aid	19m	27bn	14%
Other grants	8m	11bn	6%
European Investment Bank	10m	14bn	7%
TOTAL	140m	196bn	100%

Source: Adopted from European Union (2006), an Overview of EU: Tanzania Development Cooperation in 2005

PART 1V

4.1 FINANCING THE COTONOU'S DEVELOPMENT COOPERATION

In principle, financing of the Cotonou Agreement is on the basis of the financial protocol that specifies how the overall amount of the EU's financial assistance provided to the ACP group for a period of five years is allocated between the EDF financial instruments. This protocol supplemented to the Cotonou Agreement as Annex 1 and is normally revised every five years in line with the negotiations of the next EDF. Once an overall EDF amount has been provided, a lump sum is allocated to each ACP country, based on a prior needs and performance assessment conducted by the EU. The ending 9th EDF which was for the period 2002-2007 contained 13,5 billion Euro to which were added some 10 billion Euro unused funds from previous EDFs. Currently, the financing arrangements are in the final programming of the 10th European Development Fund (EDF10) which is to succeed the ending EDF9.

The Cotonou Agreement itself continues for 20 years, and its political cooperation and development assistance provisions will remain in force for the whole of this period. Development finance and technical assistance, therefore, will still be provided to ACP regions and countries, currently under the European Development Fund (EDF) through the Regional Indicative Programmes (RIPs) and the National Indicative Programmes (NIPs).

4.2 EUROPEAN DEVELOPMENT FUND (EDF) AND ITS FINANCIAL INSTRUMENTS

The EDF is a specific funding mechanism outside the European Commission's general budget. Historically, it was established in 1958 for the purpose of providing financial support for social and economic development activities in the ACP countries only. Normally, every five years the EU member states agree in negotiations on the amount contributed to the EDF. The contribution is based on certain criteria, such as a country's Gross National Product (GNP) or historical links with the ACP countries, which up to now make Germany and France the main contributors to the EDF. According to the establishment procedures, the EDF is administered by the European Commission with the EU member states exerting an influence on the financing decision through the EDF Committee. In its mechanism to ensure efficient and effective allocation of funds, EDF channels out its funds through two financial instruments, the grant facility and the investment facility.

The above two are commonly referred to as cooperation instruments. The Cotonou Agreement drastically reduced the number of cooperation instruments that existed under the previous Lomé Conventions. From now on, all the resources of the EDF will be channeled through above two facilities in the following consideration:

4.2.1 THE GRANT FACILITY

The Grant facility is one of two financial instruments through which the EDF resources are channeled. This facility comprises all non-repayable funds (grants) reserved for long-term development, including the support for some institutions i.e. the Joint Parliamentary Assembly). A grant facility will finance a wide range of long-term development operations such as macro-economic support, sector policies (e.g. education and health), democracy programmes, debt relief, regional cooperation and integration etc. Support programmes for non-state actors will also be financed through this grant facility.

These funds are also earmarked for two other purposes namely, regional cooperation and financial support to one of the financial instruments of EDF namely the Investment Facility which is explained below.

4.2.2 THE INVESTMENT FACILITY

Investment facility is the second financial instrument that channels out the EDF resources. Unlike the Grant Facility, the Investment Facility provides loans on concessional terms for private sector development activities. This facility functions as a revolving fund, meaning that the returns accruing from its operations flow back to the facility. The Investment facility is managed by the European Investment Bank. The latter is responsible to manage these resources.

As it is now under Cotonou Agreement, the newly created Investment Facility is specifically oriented towards development. This facility differs considerably from previous EIB activities in terms of modus operandi, objectives and size, as a result of a greater focus on the private sector (although commercially run public sector entities are still eligible for support). Annex II to the Cotonou Agreement lists the key features of this facility:

- The facility shall be managed as a revolving fund and aims at being financially sustainable;
- The facility's operations shall be on market-related terms;
- The facility shall endeavor to have a catalytic effect by encouraging the mobilization of long-term local resources and attracting foreign private investors and lenders; and
- The facility shall try to avoid displacing private sources of finance.

In terms of its operations, the Investment Facility will offer a variety of instruments, including equity, quasi-equity, guarantees and ordinary loans. It is expected that a good deal of the resources will be made available in the form of loans. The lending terms will reflect the relevant cost of capital and the perceived level of risk. The risk capital will be used to enhance the capital base of projects, thereby reassuring other prospective

investors, playing its catalytic role. The EIB will target potentially profitable projects with a high risk factor, and take all or part of the risk, but unlike under Lomé, the Bank will also expect an appropriate share of the rewards. Guarantees are a new instrument aimed to enhance the credit of local borrowers and to support the development of local financial markets.

A major innovation in the modus operandi is that the facility will be managed as a revolving fund, operating on market terms. This implies that the investments need to be financially viable projects to enable the reinvestment in ACP countries and ensure the sustainability of the facility. In terms of objectives, special efforts will be made to improve the access of small and medium-sized enterprises to risk-sharing instruments and to finance. This implies active support to the development of local financial sector and capital markets. Viable public or private infrastructure projects will be funded with the aim of developing a sound economic environment. The projects will have to be financially and economically viable, and contribute to economic growth. An emphasis will be put on investments geared to improve income distribution, i.e. projects with a significant impact on employment.

4.3 MAKING RESOURCES AVAILABLE

One of the important matters of concern in financing the CPA is the question how to ensure availability of required resources to be allocated to EU-ACP group through EDF. To date, the EDF resources are made available through the financial instruments mentioned above. Historically, those instruments, namely Grant Facility and Investment Facility, came into being under the Cotonou Agreement in the process where other related instruments which were existed were reduced in number for the purposes of simplifying related processes and their management. It is clearly defined in the Cotonou Agreement that, resource allocation shall be based on needs and performance. In this context:

- Needs shall be assessed on the basis of criteria pertaining to per capita income, population size, social indicators and level of indebtedness, export earning losses and dependence on export earnings, in particular from the sectors of agriculture and mining. Special treatment shall be accorded to the least developed ACP States and the vulnerability of island and landlocked states shall duly be taken into account. In addition, account shall be taken of the particular difficulties of post-conflict countries; and
- Performance shall be assessed in an objective and transparent manner on the basis of the following parameters: progress in implementing institutional reforms, country performance in the use of resources,

effective implementation of current operations, poverty alleviation or reduction, sustainable development measures and macro-economic and sectoral policy performance.

4.4 FINANCIAL EXPENDITURE

Under the development cooperation component of the Cotonou Agreement, implementation and management procedures of the funds are defined under Annex IV. Accordingly, the decision on how the money will be spent is made in a process of joint consultations between the EU and an individual ACP government or regional body, called the programming process.

For example, the resources of the 9th EDF are to be shared among the 77 ACP countries and the six ACP regions. The allocation is done by the EC according to 'needs' and 'performance'. The Cotonou Agreement defines both a set of objective needs criteria (e.g. per capita income, population size) and performance indicators.

Cotonou Agreement financial resources (EUR in billion), 9th EDF = 13.5:

- Long-term envelope (1) = 10
- Regional envelope = 1.3
- Investment facility = 2.2

Including:

- CDE = EUR 90 millions
- CTA = EUR 70 millions
- Joint Parliamentary Assembly = EUR 4 million

4.5 PROGRAMMING PROCESS

In its nature, programming process under Cotonou Agreement is a formal process of consultations and decision making between the EU and an individual ACP country or regional body. Under this, the priority sectors of assistance, particular operations financed from the grant envelope and the implementing agencies are identified. The programming comprises the drawing up of the Country/ Regional Support Strategy and the designing of the National/ Regional Indicative Programme.

According to the Cotonou Agreement, the CSS is key and central in the programming process for each member state. Essentially, the CSS shall be prepared by the ACP State and the EC 'following consultations with a wide range of actors in the development process'. In practice, this means that non-state actors can participate in the debate on the priorities of the cooperation between their country and the EC. They can express their opinions and comment on the directions sketched out by the official parties or on the use of the funds set aside for their country by the EC. In particular, they can report on the specific needs of non-state actors and make suggestions as to the type of support programmes that would be most relevant for them.

However, they can neither decide nor impose specific directions: the final decision rests with the official parties. The only thing they can do is to influence these choices through constructive participation in the programming process. The programming exercise for the 9th EDF has been largely completed for the different ACP countries and regions.

Following that and as mentioned earlier, the Cotonou Agreement is all about supporting national development strategies and sectoral policies. In practice, this means that there are now few individual projects, and that aid is concentrated on a limited set of sectors. This change in the targeting of EC aid has also affected the ways in which it is delivered. The Cotonou Agreement actively promotes the use of 'budget support' as a tool to ensure stronger local ownership, to achieve greater impact and to improve the sustainability of the assistance provided. Budget support means that the EC pays money directly to the budget of an ACP country (to particular sectors, jointly agreed upon).

The priorities included in the National Indicative Programme of an ACP country have to be translated into concrete development programmes and projects. This means that a support programme needs to be identified ('what do we want to do and to achieve?') appraised ('is it feasible?') and then approved ('will we finance it?').

4.5.1 COUNTRY SUPPORT STRATEGY (CSS)

Under the Cotonou Agreement, the Country Support Strategy (CSS) is the policy framework within which the EU assistance to a single ACP country is made available. It includes an analysis of the country's political, economic and social context, and outlines its medium-term development strategies. CSS pays attention to the activities of other donors and includes the EU response strategy, which details the specific contribution the EU can provide. The CSS serves as an instrument to prioritize activities.

Specifically, CSS document underlies all cooperation of the European Community with a given ACP country. It is a strategic tool that is used to make a clear analysis of the country's situation and priorities, as well as to identify a truly coherent package of EC support measures. It is prepared through extensive dialogue with different actors. So, in a nutshell, the CSS for a given ACP country includes:

- an assessment of the country's political, economic and social situation;
- an assessment of its basic needs;
- an outline of the country's medium term development strategy;
- an outline of the activities of other donors in the country to ensure complementarity and coherence;
- response strategies detailing how the EC can contribute to the country's development;
- a definition of support mechanisms to implement the strategies; and
- the National Indicative Programme, or NIP.

However, attached to the CSS is a National Indicative Programme (NIP) while a similar framework, the Regional Support Strategy (RSS), also exists for the cooperation at regional level. RIP is negotiated by mandated bodies in six regions: the Caribbean, the Pacific, Southern, Central, East and West Africa. The RIP includes:

- an analysis of the political, economic and social situation of the region;
- an assessment of the prospects for the integration of the region into the world economy;
- regional strategies and priorities, and expected financing requirements;
- an outline of the activities of other donors in the region to ensure complementarity and coherence;
- a proposal for the specific EC contribution to regional integration; and
- the Regional Indicative Programme, or RIP (see key term 5).

4.5.2 NATIONAL INDICATIVE PROGRAMME (NIP)

As stated above, the National Indicative Programme (NIP) is annexed to the CSS. It is a basic work plan, outlining the focal sectors the support in one country will be concentrated on. It includes clearly identified operations, a timetable for their implementation and a schedule for the disbursement of the resources. Over and above that the NIP provides the indicators to be applied in the review processes. An indicative programme

also exists for the regional cooperation (Regional Indicative Programme - RIP). The latter is annexed to the Regional Support Strategy.

NIP is therefore, a part of the CSS, compiled by each ACP country. The NIP maps out the sectors and areas that will receive EC aid, explains how the aid will fulfill its objectives, gives a timetable for its implementation, and specifies how non-state actors will be involved in the cooperation (if applicable). The NIP is subject to annual as well as mid-term and end-of-the-term reviews. Within the last two mentioned time frames, the review may lead to adjustments of the CSP and the NIPs/RIPs.

The Regional Indicative Programme (or RIP) provides a similar framework to guide the use of resources allocated to each of the six ACP regions. Generally, the NIPs and RIPs can be regarded as roadmaps for action. They show what priorities have been chosen by each country or region, and where the money will be spent. NIPs and RIPs concentrate the resources on a limited number of 'focal areas', such as transport, health or education. There is also a separate (much smaller) window for other 'non-focal areas'. In practice, possible support programmes for non state actors are included in the non-focal areas.

4.6 IMPLEMENTATION AND MONITORING OF CSS/ NIP THROUGH REVIEWS

In general, under Cotonou Agreement regular performance reviews serve as control mechanisms. In various reviews the effectiveness in implementation of current operations and the results achieved are measured against identified targets, sectoral policy commitments, etc. They are jointly conducted by the EC Delegation and the National Authorizing Officer (NAO) and offer the possibility to adjust cooperation programmes and the overall funds allocated in the light of what is actually achieved.

In ensuring a realistic control mechanism through performance reviews, the Cotonou Agreement established a number of review processes that make it possible, continuously to update the Country Support Strategy, the volume of the resources and the indicative programme to the developments in need and performance of a country.

Reviews and evaluations are the processes whereby cooperation is assessed throughout its implementation. They are part of the overall (rolling) programming process. They can be used to modify cooperation strategies. It is a stock-taking exercise with focus on the national indicative programme. The purpose is to check whether cooperation is being implemented in accordance with the commitments made, and whether it is effective.

Depending on the results of these processes, the content of cooperation may be revised to respond more effectively to the needs and constraints of the country (or region) concerned. The quality of participation is one of the criteria used in the reviews. Non-state actors can contribute to an assessment of their own participation. The Cotonou Agreement differentiates between three review processes as follows:

4.6.1 THE ANNUAL REVIEW

During the annual review the results achieved in the focal sectors are measured against identified targets, impact indicators and sectoral policy commitments. But also the use of the resources set aside for non-state actors is assessed. In order to promote smooth and efficient implementation, it is foreseen that the NAO and the Head of the Delegation of the European Commission will undertake an annual operational review of the National or Regional Indicative Programme. In practice, this will be a joint assessment of implementation progress achieved. Note that one of the issues to be covered in the annual reviews is 'the use of resources set aside for non-state actors' (Article 5).

4.6.2 THE MID-AND END OF TERM REVIEW

These reviews mark the mid and end of the five year application period of the financial protocol. They build on the annual reviews including the option to update and modify the programme. In addition, they are conceived to evaluate the effectiveness of the Country Support Strategy. This means that based on the analysis of the country performance in meeting set targets, substantive changes can be proposed and resources can be confirmed or reallocated. Since each NIP is adopted for a period of five years, the mid-term review takes place, in principle, two and a half years after the NIP is signed. The mid-term review is a key moment, for it allows an overall review of cooperation with the country concerned, in terms of its performance in implementing the programme. The mid-term review (MTR) involves a systematic examination of programme implementation. The purposes of the MTR are:

- to review and adapt, if needed, the Country Strategy Paper (CSP);
- to introduce new objectives into the CSP to reflect changing conditions in the country; and
- to reallocate funding, if necessary.

4.6.3 THE END-OF-TERM REVIEW

The final review takes place at the end of the five-year period of the NIP. It has the same purposes as the mid-term review. As in the case of programming, responsibility for carrying out these reviews lies with the National

Authorizing Officer and the EC. The official parties may (or may not) decide jointly on the need to adapt the CSP (e.g. to reallocate funds from one programme to another). In contrast, it is up to the EC alone to revise the overall resource allocation to a given ACP country following the completion of the mid-term and end-of-term reviews.

After the above details at what the various reviews entail, quite logically, this implies that non-state actors should also be involved in the review process. The following elaboration helps to enable a more clarification on where non-state actors could be involved in this process for monitoring efficient and effective use of resources.

4.7 PARTICIPATION OF STAKEHOLDERS IN THE MANAGEMENT OF THE PROGRAMME

It should be noted that concerning responsibility in day to day management of a programme specified in the NIP, a number of stakeholders may be involved differently. In principle, depending on the nature of the programme, any of four actors – or implementing agencies - may be responsible for day-to-day management. These are:

- A Ministry. For instance, if the NIP includes a programme aimed at reforming the judicial system, the implementing agency will most likely be the Ministry of Justice.
- A private company. Private sector companies are often involved in managing programmes under the Cotonou Agreement. In practice, this means that a company is contracted to take care of day-to-day management, under the supervision of the NAO. The company then recruits technical assistants to staff a programme management unit (PMU) or programme implementation unit (PIU) that will carry out the work.
- Non-state actors. The management of particular project components can be delegated to non-state actor organizations provided they meet the necessary legal, financial and any other requirements.
- The Delegation of the European Commission. When the Delegation acts as the implementing agency, it may recruit technical assistants to carry out some of the work (e.g. preparatory work on a call for proposals).

4.8 THE ROLES OF THE NON-STATE ACTORS IN THE REVIEWS

Where appropriate, non-state actors should be consulted during the mid-term and end-of-term reviews. This implies that they need to be properly informed on the issues to be discussed. It also requires a mechanism to ensure efficient dialogue. The involvement of non-state actors depends on national arrangements within the

member state. However, though the areas of involvement may vary from one stakeholder to another it will be intended to cover the following roles:

- Ensure that there is a mechanism in place for the systematic gathering and analysis of information on the implementation of the Cotonou Agreement as seen from the perspective of non-state actors. Such a mechanism would preferably be created in collaboration with national or sectoral platforms and jointly with official parties.
 - Initiate a discussion with official parties around the development of simple, realistic evaluation indicators, especially in relation to monitoring the quality of non-state actor participation.
 - Use the reviews to propose new projects and support programmes. The reviews can be used to start a dialogue on needs that may not have been properly identified or taken into account at the initial programming stage.
- Try to work out, together with official parties, joint learning mechanisms that can ensure that non-state actors are systematically involved in monitoring and evaluation on an ongoing basis rather than in an ad hoc manner during reviews.

PART V

5.1 CPA DEVELOPMENT COOPERATION: CHALLENGES TO TANZANIA

Following the ongoing good cooperation between and among EU-ACP partners, there is no doubt that historically the cooperation has many success stories which are self-manifesting in socio-economic and political developmental spheres of the member partners, Tanzania being one among them. As explained above, there is no doubt that Tanzania benefits in various ways in her partnership within the Cotonou Agreement. However, there are a number of other issues related to the partnership directly or indirectly that pose a number of challenges to Tanzania from within or without, in a number of areas. Below are some of the issues that are important to be pointed out:

5.2 PARTICIPATION OF NON-STATE ACTORS (NSAs)

As explained above, one of the most radical innovations of the Cotonou Agreement is the introduction of a new participatory approach. For the first time, the ACP and the EU legally commit themselves to involve new actors. Article 2 of the Agreement defines participation as a fundamental principle of the cooperation between the EU and the ACP-countries. The principle of participatory development is promoted to involve a wide range of actors.

It is important here to mention that, although the role and place of non-state actors in the implementation of the Cotonou Agreement is clear, what is not clear, however, are the modalities and conditions to ensure their full and effective participation. This initiative is rooted in the knowledge of a lack of awareness in ACP States, at the level of non-state actors, of the benefits and opportunities available under the Cotonou Agreement as well as the dynamic and more participatory approach to ACP-EC cooperation.

As clarified above, a key feature of the Cotonou Agreement is its emphasis on the participation of 'non-state actors' in ACP countries in the implementation of the agreement. These actors are now recognized as essential in helping to ensure the relevance and impact of cooperation policies and programmes between the ACP and the EC. Yet without adequate information on the Cotonou Agreement, the envisaged benefits from a more participatory approach may well remain elusive.

There appears to be **three areas, where Central Governments should allow participation of new actors:**

- a) Policy formulation and drawing-up programmes: The rights are limited to information and consultation while voting and final decision-making is left to state actors. The areas of information and consultation include the political dialogue, the Economic Partnership Agreements as well as the aid programme under CSS/NIP and RSS/RIP;
- b) Project implementation: Two issues are of major importance. The private sector should be strongly involved in terms of consulting as well as taking contracts; and NGOs and socioeconomic interest groups may receive financial resources for capacity building to improve their participation;
- c) Programme review and evaluation: While the monitoring of programme implementation and reviewing the outcome is made a major point in quality management, no clear provision is provided as to how non-State actors should get involved in what kind of review procedure.

5.3 THE IMPLICATIONS OF EPA TO TANZANIA WITHIN EAC

The big problem about the implications of EPA to Tanzania within the Cotonou member states is not directly isolated from EAC regional integration. That regards the question of EAC member states negotiating EPA in different groupings. This problem is one of the main challenges which Tanzania needs to resolve very soon if viable benefits in development cooperation under EU-ACP are to be achieved for her economy.

Although East African Community member states, as it is well known, are all engaged in EPA negotiations, Kenya and Uganda are in the ESA group (largely COMESA members) and Tanzania is negotiating under the SADC group (7 member countries of SADC). This is one of the biggest challenges ahead of members of the EAC.

Supply side constraints, loss of customs revenue and fiscal restructuring, competition from the European firms and how developmental is EPA are some of the issues raised in almost all forums discussing EPA since negotiations started.

In principle, all EPA groups were supposed to be in substantive negotiations up to July 2007. But experience has shown that, ESA group is moving well while SADC group is progressing not very well. By December 2007 negotiations are expected to end and EPAs will be signed for them to start in January 2008. Lack of participation of the EAC secretariat in negotiations could impact negatively the project of East African Integration.

But the main worry is that, if Kenya and Uganda agree on the ESA tariff structure different from the one Tanzania agrees under SADC that is likely to result into negative implications to the strengthening of EAC – CU. It is envisaged that, since EAC market is not as large and dynamic as COMESA market, Kenya and Uganda will apply the COMESA rates. The main problem here is likely to be that, Kenya and Uganda will not lose much in terms of market by doing so, since combined they have the biggest share of market than Tanzania left alone.

Worse still, in EPA negotiations, Tanzania is seen as isolated. It is alone from the EAC negotiating under SADC – EPA. It is also expected that, Rwanda and Burundi will soon join EAC. These two countries negotiate EPA under ESA group. This means Tanzania will become more isolated. Tanzania can not afford to be “mchawi” in the group of sister members of EAC. Thus, it has to make a decision now and not later on the issue of negotiating group. The decision of Tanzania to join fellow members of EAC (plus potential EAC members in few months to come) will dramatically change the chemistry of EPA negotiation groupings.

In fact, there is a big challenge to hold EAC together through making sure that those international trade policies are harmonized and all regional and bilateral trade negotiations are done by EAC as a block. There should be a

procedure/ institutional arrangement through which all trade negotiations should be coordinated on behalf of the members of the EAC.

Analysis of the impact on customs revenue and fiscal restructuring shows that loss of government revenue is one of the contentious issues on EPAs. It is estimated that Tanzania, for example, will lose a total of 37% of its customs revenue if it signs an EPA. Customs Revenue as a share of total government revenues in Tanzania is high at the rate of 19%. That means customs revenue to the revenue of the Government is very crucial. Thus, any change in customs duties due to EPA has the potential to severely affect overall government revenue. This is more substantiated by the fact that EU is the major trade partner to Tanzania (accounting for 31% of the share of imports).

If that happens, then the issue remains on how to resolve the above shortcoming. On one way, Tanzania Government may be forced to find other ways to replace the lost revenues. Solutions could be the increase of VAT rate which could mean higher prices for goods and services to consumers, introduce other taxes, increase the national debt or ask from the EU for budgetary support.

On the other possibility, Tanzanian government may as well reduce the funding of social services (for which the reduced funding is already chaotic to the poor and particularly women). The budgets for education will dramatically fall as well as the budget for health and other social services. Experience shows that, the people in the rural areas, where most poor lives will be hammered badly by the budget cuts.

Tanzania specifically and other countries of the East African Community are therefore challenged to be proactive by using the current formulation of the Country Support Papers (CSP) and National Indicative Programme (NIP) under 10th EDF by taking into consideration the impact of EPA. Similarly EAC should use the RSP and RIP to cater for mitigating EPA impacts and concentrate on addressing the supply side constraints such as transport infrastructures.

Currently, as the state of the affair vividly shows, there is no a clear plan for Tanzania to prepare for the coming changes on fiscal policies due to EPA as well as plans for final phases of negotiations under 10th EDF. Not much time remain (less than fifteen months) before EPA is signed but unfortunately most of stakeholders in Tanzania know little about EPA.

The challenge now, and in the years to come, will be to make full use of this cooperation tool, to tap its dormant potential, and to exploit all its relevant provisions and instruments. Achieving this will be the shared responsibility of all state and non-state actors. The Cotonou Agreement is too important to be left to governments alone. The active participation of non-state actors can help to transform the words of the Cotonou Agreement into an effective tool that can be used to foster the development process of a country or region.

ACRONYMS

AWP	Annual Work Programme
CAP	Common Agricultural Policy (EU)
CARICOM	Caribbean Community
CDE	Centre for the Development of Enterprise
CEDEAO	Communauté Économique des États de l'Afrique de l'Ouest (ECOWAS)
CEMAC	Communauté Économique et Monétaire de l'Afrique Centrale
CONCORD	European Federation of Development and Relief NGOs
CPA	Cotonou Partnership Agreement
CSS	Country Support Strategy
CTA	Centre for the Development of Agriculture
DAC	Development Assistance Committee (OECD)
EBA	'Everything-but-Arms' - Initiative
EAC	East African Community
EC	European Community
ECDPM	European Centre for Development Policy Management
ECOWAS	Economic Community of West African States (CEDEAO)
EDF	European Development Fund
EEC	European Economic Community
EESC	European Economic and Social Committee
EIB	European Investment Bank
EPA	Economic Partnership Agreement
ESDP	Education Sector Development Programme (Tanzania)
EU	European Union
FES	Friedrich-Ebert-Stiftung
FTA	Free Trade Agreement
GDP	Gross Domestic Product
JPA	Joint Parliamentary Assembly
JTAT	Jamaican Trade and Adjustment Team
LDC	Least Developed Country

MTR	Mid-Term Review
NAO	National Authorizing Officer
NEDLAC	National Economic Development and Labor Council (South Africa)
NGO	Non-Governmental Organization
NIP	National Indicative Programme
NSA	Non-State Actor
NSAF	Non-State Actors' Forum
ODI	Overseas Development Institute
OECD	Organization for Economic Cooperation and Development
PIU	Programme Implementation Unit
PMU	Programme Management Unit
PPP	Public-Private Partnership
PRSP	Poverty Reduction Strategy Paper
RAO	Regional Authorizing Officer
RIP	Regional Indicative Programme
RSP	Regional Strategy Paper
SIA	Sustainability Impact Assessment
TANGO	Tanzanian Organization of Non-Governmental Organizations
TEN	Tanzania Education Network
ToR	Terms of Reference
UN	United Nations
WTO	World Trade Organization

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