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## **ANNEX 5**

**Capacity building and modernisation of the economies of Central Africa under the EPA**

**Central Africa / European Union joint guidance document**

**Sao Tomé, 15 June 2007**

# **Capacity building and modernisation of the economies of Central Africa under the EPA**

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### **A. General framework**

As one of the fundamental principles of the EPA is to promote regional integration and to facilitate the economic and social development of the ACP States, both Parties expect this Agreement to make a useful contribution to meeting the objectives of sustainable development, eradication of poverty and the gradual integration of the countries of Central Africa into the global economy.

The aim is to build synergies between the mutual commitments set out in the EPA and the cooperation instruments, in order to support a quantitative and qualitative increase in the goods and services produced and exported by Central Africa<sup>1</sup>. In partnership with the EU, operators in Central Africa will promote this objective in the following areas:

1. Development of basic regional infrastructure
  - Transport
  - Energy
  - Telecommunications
2. Agriculture and food safety at regional level
  - Agricultural production
  - Agro-industry
  - Fisheries
  - Stock farming
  - Aquaculture and fish stocks
3. Competitiveness and diversification of economies
  - Modernisation of businesses
  - Industry

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<sup>1</sup> Draft Central Africa terms of reference of technical working group No 5 on capacity building and modernisation (May 2006).

- Standards and certification (SPS, quality, zootechnical standards, etc.)
- 4. Strengthening of regional integration
  - Development of the regional common market
  - Taxation and customs
- 5. Improvement of the business environment
  - Harmonisation of national trade policies
- 6. Setting up EPA institutions
- 7. Financing of the partnership (roadmap and recommendations of ministerial meetings)

Needs identified will be passed on to the RPTF or other relevant bodies in order to identify support programmes, possible sources of funding and arrangements for implementing the EPA accompanying measures. For this purpose, experts may be used, where appropriate, in order to identify support programmes, assess their feasibility and propose appropriate arrangements for implementation. These analyses will take the form of development programmes, together with a financial evaluation.

In terms of timing, the aim is to have these results by September 2007. The RPTF will draw up a timetable which it will forward to the negotiation bodies in order to keep them informed of the progress made regarding the selected measures for capacity building and for modernising the economies of Central Africa.

The work set out in this document will of course have to comply with the ministerial guidelines issued on 6 February 2007 (see Annex).

## **B. EPA Regional Fund: areas of assistance**

The EPA regional fund is an instrument which was created by and for Central Africa, which thus determines the details of its use and its organisation, and its key areas of action as set out in the table below:

All measures set out below must be compatible with the objectives of points 3 and 4.

Key areas	Examples of types of activities
<i>1- Development of basic regional infrastructure</i>	<p><b>1.1. Support for improving the integrated sub-regional communication network (roads, inland waterways, railways, promotion of ports, dry ports and airports)</b></p> <p><b>1.2. Support for developing hydroelectric infrastructure in the area, interconnection of electricity grids</b></p> <p><b>1.3. Interconnection of Member States' telecommunications networks,</b></p>

	<p><b>particularly by improving ICT infrastructure</b></p> <p><b>1.4. Support for evaluating the costs of basic infrastructure</b></p>
<p><i>2- Agriculture and food safety at regional level</i></p>	<p><b>2.1. Support for improving productivity (seed programme, research and dissemination)</b></p> <p><b>2.2. Development of agro-industries</b></p> <p><b>2.3. Improvement in trade in agricultural products</b></p> <p><b>2.4. Support for the implementation of a regional common agricultural policy</b></p>
<p><i>3- Industry, diversification and competitiveness of economies in conjunction with regional development</i></p>	<p><b>3.1. Support for the development of processing industries (timber, cotton, leather, meat, fish, other agricultural products, hydrocarbons, mines, etc.)</b></p> <p><b>3.2. Support for reducing supply-side constraints</b></p> <p><b>3.3. Support for the development of tourism</b></p> <p><b>3.4. Financing of research and development</b></p> <p>3.4.1. Evaluation and use of appropriate technologies</p> <p>3.4.2. Harmonisation of research and innovation policies (universities, public and private research institutes and centres, institutes of technology, vocational schools, etc.)</p> <p>3.4.3. Support for capacity building in the use of ITC</p> <p>3.4.4. Support for research institutes</p> <p>3.4.5. Support for the development of the pharmacopeia and the pharmaceutical industry</p> <p>3.4.6. Support for technology transfer, particularly by means of partnerships between businesses</p> <p><b>3.5. Support for the programme identifying economic potential</b></p> <p>3.5.1. Identification and promotion of the region's products and services (agri-food sectors, tourism, mines, business services: management, accounting, interpreting, banks, informatics, insurance, etc.)</p> <p>3.5.2. Creation of specialised training centres for new occupations and high added-value occupations (secondary processing of timber, textiles and clothing)</p> <p>3.5.3. Support for the development of business incubators</p> <p><b>3.6. Competitiveness / modernisation programme for businesses with high potential</b></p> <p>3.6.1. Support for drafting and implementing national and regional strategies to promote and consolidate competitiveness</p> <p>3.6.2. Support for improving the regional modernisation programme: programme to support and strengthen business competitiveness (PARCE), support for intangible investment (e.g.: marketing strategies), business diagnostics programme and market analysis (modernisation plans and financing of these plans), technical and technological support, support for obtaining quality</p>

	<p>certification (e.g.: ISO 9001, ISO 14001, ISO 22000), support for facilitating CA exports with respect to private standards (EUREPGAP, etc.)</p> <p>3.6.3. Support for carrying out the study on factor cost in the industrial sector in Central Africa</p> <p>3.6.4. Support for the processing of agricultural products and of natural resources with strong export potential</p> <p>3.6.5. Consolidation of "quality" infrastructures (laboratories) in support of exports</p> <ul style="list-style-type: none"> <li>- Support for the introduction of a regional accreditation and metrology system</li> <li>- Harmonisation of national standards at regional level.</li> </ul> <p>3.6.6. Improvement of packaging, traceability and storage operations.</p> <p>3.6.7. Creation of technical centres for national and regional occupations</p> <p>3.6.8. Development of a network of auditors to support businesses in the certification process and laboratories in the accreditation process.</p> <p>3.6.9. Loans for adapting productive infrastructure (EIB, ADB, CASDB)</p> <p><b>3.7. Support for the protection of intellectual property rights, including<sup>2</sup>:</b></p> <ul style="list-style-type: none"> <li>- Development of a register of trademarks and products with designation of origin and promotion of these products</li> <li>- Support for development of a marking indicating origin</li> </ul> <p><b>3.8. Support for the creation of a subcontracting exchange market and a regional economic partnership</b></p> <p><b>3.9. Support for small and medium-sized enterprises</b></p> <p>Types of measures to be taken:</p> <ul style="list-style-type: none"> <li>a. Expertise services – provision of a range of services to help SMEs with marketing, accounting, legal analysis, business plan preparation, access to finance.</li> <li>b. Vocational training</li> <li>c. Facilitating access to credit and improving conditions for SMEs to access credit<sup>3</sup></li> <li>d. Provision of credit information at regional level<sup>4</sup></li> </ul>
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<sup>2</sup> Central Africa will be consulting an expert from the African Intellectual Property Organisation (OAPI) to determine the type of support it needs.

<sup>3</sup> Useful to create mechanisms which are more likely to provide funds for SMEs in the region, for example by means of loan guarantee funds. Examples are: BEI, BDEAC etc. Expertise services will be able to help SMEs to prepare their loan documentation.

<sup>4</sup> Facilitating access to information for potential creditors in order to reduce the level of bank risk which currently exists. For example: creation of shared databases on client risk.

	<p>e. More flexible lending conditions<sup>5</sup></p> <p>f. Strengthening the capacity of financial intermediaries in Central Africa<sup>6</sup></p> <p>g. Analysis of the potential role of the CASDB</p> <p>h. Analysis of the recommendations resulting from the study on financial services in Central Africa.</p> <p>i. Promoting the transition from the informal to the formal economy, in conjunction with the public authorities, for example by means of incentives.</p> <p><b>3.10. Promotion of entrepreneurship among women</b></p>
<i>4- Strengthening of regional integration</i>	<p><b>4.1. Development of the regional market (harmonisation of fiscal/customs instruments, strengthening of tax/customs administrations, identifying border security measures)</b></p> <p><b>4.2. Introduction of Community rules (competition, competitiveness, intellectual property, tackling illegal trade, piracy, public procurement, services, investment)</b></p> <p><b>4.3. Strengthening the capacity of tax/customs administrations</b></p> <p><b>4.4. Support for the regional programme for standards and certification</b></p> <p><b>4.5. Support for the Regional Economic Communities (streamlining and harmonisation of programmes)</b></p> <p><b>4.6. Support for the free movement of goods, services, capital and persons</b></p> <p><b>4.7. Support for existing and future regional policies</b></p> <p>a. Regional preference in the EPA, in favour of regional integration</p> <p>b. Support for the introduction of the common commercial policy</p> <p>c. Reduction of non-tariff barriers at regional level, e.g.: introduction of regional health standards (for programming purposes this is dealt with under point 3 below)</p> <p>d. Integration of the DRC and Sao Tomé and Príncipe in the region's commercial integration plan (90 million consumers...)</p> <p>e. Impetus for internal reforms: free circulation / double taxation; transit; rules of origin; compliance with regional provisions on trade.</p> <ul style="list-style-type: none"> <li>• Example: Support from customs authorities for computerisation and interconnection</li> <li>• Example: Standards and quality programme for the region, including relevant infrastructure (control laboratories, etc.)</li> </ul>

<sup>5</sup> Exploring ways of relaxing lending conditions in order to facilitate access to loans, taking account of the scale of the informal sector of the economy.

<sup>6</sup> Improving risk analysis capacity in institutions which may issue loans. Modernisation of and training for credit institutions.

	<ul style="list-style-type: none"> <li>• Example: Support to administrations for CEMAC/DRC/STP tariff harmonisation</li> <li>• Example: Strengthening the capacity of tax/customs administrations</li> <li>• Example: Support for the Regional Economic Communities</li> <li>• Example: Support in defining and developing a mechanism to solve the problem of double taxation</li> </ul> <p><b>4.8. Tax base and regional financial instrument</b></p> <ol style="list-style-type: none"> <li>a. Make provision for the creation of a regional financial instrument. Cohesion fund in support of public finances and as a development tool in the least-favoured areas.</li> <li>b. Supporting fiscal reforms (restructuring of the tax base, harmonisation of domestic tax systems, etc.) and strengthening the capacity of tax administrations.</li> <li>c. Continuing the work begun on statistics, particularly in the context of the PAIRAC programme.</li> </ol>
5- Improvement of the business environment and support for businesses	<p><b>6.1. Support for improving the judicial and legal security of private investments</b></p> <p><b>6.2. Support for improving the Community Investment Charter and sectoral codes</b></p> <p><b>6.3. Support for setting up guarantee fund and venture capital structures</b></p> <p><b>6.4. Institutional support for intermediaries in the region</b></p> <p>Measures in support of intermediaries in the region</p> <ul style="list-style-type: none"> <li>• Example: support for chambers of commerce</li> <li>• Example: support for professional or employer organisations</li> <li>• Example: support for export promotion agencies – APEX</li> <li>• Example: support for investment promotion agencies – API</li> <li>• Example: support for structuring the dialogue between the regional private sector and the European private sector</li> <li>• Example: support for the Regional Economic Communities of Central Africa in areas related to the EPA</li> </ul> <p><b>6.5. Improvement of the business environment</b></p> <ul style="list-style-type: none"> <li>• Support for existing and future regional policies <ul style="list-style-type: none"> <li>- competition policy</li> <li>- OHADA law</li> <li>- right of establishment of companies</li> </ul> </li> </ul>



	<ul style="list-style-type: none"> <li>- labour standards</li> <li>- public procurement</li> <li>- intellectual property (tackling illegal trade, piracy, geographical indications, etc.)</li> </ul> <ul style="list-style-type: none"> <li>• With substantial support for national and region administrations, to help in the implementation of regional and national reforms: <ul style="list-style-type: none"> <li>- Example for intellectual property: support for the regional programme for standards, patents and certification.</li> <li>- Example: support for improving the Community Investment Charter and sectoral codes.</li> </ul> </li> <li>• Study of mechanisms designed to improve the judicial and legal security of private investments, for example by means of guarantee systems to help promote investments (best practice, current practices in Central Africa, recommendations etc.) and contribute to technology transfer.</li> <li>• It is also advisable to promote the exchange of best practice at regional level with regard to taxation affecting businesses. An initial comparative analysis of national approaches in this area will be undertaken in order to give impetus to this debate.</li> </ul>
6- Facilitation of the establishment of EPA institutions	Support for the institutional system necessary both for trade matters and for development matters to ensure the effective implementation of the Agreement and thus the legal credibility of the EPA and of the regional reform process with respect to the national, regional and international private sectors.

### C. Financing of the partnership

With regard to the financing of the EPA, Central Africa agrees with the other regions that the capacity-building measures and other support needed to take account not only of the adjustment costs but also of other countervailing measures related to the implementation of the EPA must come from specific resources separate from the funds usually allocated through conventional ACP-EU cooperation under the RIPs and NIPs. The EPA regional fund is intended to be a tool for coordinating support from the EU (EC and Member States) and other lenders, and to this end regional infrastructure and interconnection will be financed via the EPA regional fund.

The financial framework proposed by the EC Party comprises the following:

- i. Increase in the RIP 9/10 EDF, NIP/RIP interface, 10<sup>th</sup> EDF end of 2013, but Cotonou until end of 2020 (after anchoring of DRC in Central African region)
- ii. Link with the Partnership for Infrastructure ("All ACP" funds)
- iii. GAERC conclusions of October 2006 on aid for trade
- iv. Legal commitments in the EPA

- v. Voluntary national contributions from countries in the region
- vi. Support from other development partners

Support for basic infrastructure and for other areas not directly related to the implementation of the EPA is provided via the appropriate instruments, for example the instruments of the Cotonou Agreement.

The European Commission specifies that the priority areas for the use of its funds under the EPA Regional Fund will be:

- i. Support for the competitiveness or diversification of the production sectors affected by the EPA, in the primary, secondary and tertiary sectors (e.g.: consolidation of "quality" infrastructures in support of exports; expertise services for businesses; development of business incubators; measures to improve access to credit for businesses in the region, particularly SMEs; identification and promotion of the region's products and services (agri-food sectors, tourism, mines, business services)).
- ii. Contribution to absorbing the net fiscal impact of the EPA in full complementarity with the fiscal reforms.
- iii. Support for implementation of the rules laid down in the EPA (e.g.: support for the EPA institutions; support for regional policies in the areas covered by the EPA and other measures which may help to improve the business environment; support for tax/customs administrations and other measures which may help to create a regional market in Central Africa).

#### **D. Timetable**

A timetable will be drawn up for implementation of the measures selected for capacity building and for modernising the economies of Central Africa.

#### **Annex**

Final joint communiqué of the ministerial meeting held on 6 February 2007.