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EFFECTIVENESS OF EDF SUPPORT
FOR REGIONAL ECONOMIC
INTEGRATION IN EAST AFRICA
AND WEST AFRICA



EN



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REPLY OF THE COMMISSION

GLOSSARY

ACP: African, Caribbean and Pacific (States)

ASECNA: Agence pour la sécurité de la navigation aérienne en Afrique et à Madagascar
(*Agency for the Safety of Aerial Navigation in Africa*)

COMESA: Common Market for Eastern and Southern Africa

EAC: East African Community

EC: European Community

ECOWAS: Economic Community of West African States
(*Communauté économique des Etats de l'Afrique de l'Ouest, Cedeao, in French*)

EDF: European Development Fund

EPA: Economic Partnership Agreement

IAS: Internal Audit Service

IGAD: Intergovernmental Authority on Development

IOC: Indian Ocean Commission

IRCC: Inter Regional Coordinating Committee

RISM: Regional Integration Support Mechanism

RISP: Regional Integration Support Programme

SADC: Southern African Development Community

UEMOA: Union économique et monétaire ouest africaine
(*West African Economic and Monetary Union, WAEMU, in English*)

UNIDO: United Nations Industrial Development Organisation

EXECUTIVE SUMMARY

I.

Regional integration is the process of neighbouring countries cooperating in order to improve political stability and to stimulate economic development in a region. In larger and more harmonised markets, the free movement of goods, services, capital and people enables economies of scale and stimulates trade and investment. Regional economic integration between developing countries is thus a vehicle for economic growth and can contribute to poverty reduction.

II.

The objective of the Court's audit was to assess whether EDF support for regional economic integration in East Africa and West Africa had been effective. The audit examined the Commission's approach to regional economic integration, its management of the support provided and the results of a sample of individual projects.

III.

The regional economic integration process is making progress in both regions in terms of agreements being reached on regional objectives and policies relating to trade and transport issues. However, the implementation of such agreements by the national authorities is lagging behind and the free movement of goods, services, capital and people is not yet a reality in either of the two regions.

EXECUTIVE SUMMARY

IV.

Overall, EDF support for regional economic integration has so far been only partially effective, being undermined by several factors. The occurrence of multiple Regional Organisations with overlapping mandates and membership, as well as weak capacity, results in a complex institutional framework. Furthermore, there are weaknesses in the Commission's approach to, and management of, regional economic integration programmes.

V.

The Commission's approach to supporting regional economic integration in East Africa and West Africa is relevant to the regions' and the countries' needs to achieve higher economic growth as a means to fight poverty. However, the strategies and interventions at the regional and national levels have largely been designed and implemented independently of each other, with insufficient attention paid to the possibility of creating complementarity between them except, to some extent, in the transport sector.

VI.

The Commission's Delegations have neither adequate guidelines nor sufficient capacity to deal with the preparation, implementation, reporting and coordination of regional activities. At the level of the Regional Organisations, coordination is also inadequate and there is no monitoring system to track the overall progress of the regional economic integration process in the individual countries.

VII.

It was difficult to assess the results achieved or likely to be achieved by individual projects, due to poorly defined objectives, the lack of adequate reporting and monitoring and the fact that several major projects are ongoing and their final results are not yet known. Overall, these projects are likely to have, at best, only partially satisfactory results.

VIII.

The Court's main recommendations are that the Commission should:

- make the continuation of its support for regional integration conditional on an early agreement on how to achieve the necessary convergence between the various Regional Organisations in a region within a predefined time-frame and on the national authorities taking greater ownership of the regional integration process;
- from the 2010 mid-term review of the 10th EDF strategies onwards, improve coherence between its regional and national strategies;
- examine whether the financial allocation in the 10th EDF to regional programmes is too high;
- in relation to the Delegations' management of regional programmes, define their responsibilities, set up an appropriate coordination mechanism between them and review their staff capacity.

INTRODUCTION

POLICY FRAMEWORK

1. The main objectives of cooperation between the European Community (EC) and the African, Caribbean and Pacific (ACP) States under the 'Cotonou Agreement' are the reduction of poverty and ultimately its eradication, sustainable development and progressive integration of the ACP countries into the world economy¹. Regional economic integration can be an important step towards meeting these objectives for many countries, especially for the smaller ones. Its main goals are to create or improve political stability and to stimulate economic development within a region. Large harmonised markets facilitate the free movement of goods, services, capital and people which enables economies of scale and stimulates trade and investment. Regional economic integration (hereinafter called 'regional integration' for the purpose of this report) helps stimulate economic growth and can thereby contribute to poverty reduction².
2. Even prior to the Cotonou Agreement, in a Communication of 1995³, the Commission had defined its support for regional integration among developing countries by outlining a conceptual framework and by formulating three main areas for development cooperation support: capacity building and institutional strengthening at regional and national levels, direct support for the private sector to help exploit the opportunities resulting from regional integration and budget support to help meet the transitional costs of economic liberalisation and reform.
3. The EC Development Policy of 2000⁴ selected a limited number of priority fields for Community development cooperation activities, including trade and development, and regional integration and cooperation. The updated EC development policy of 2005, 'The European Consensus on Development'⁵, again emphasised the importance of trade and regional integration by linking them and selecting them as one of the priority areas for Community action.

¹ ACP-EC Partnership Agreement, signed on 23 June 2000 and revised on 25 June 2005 (hereinafter called the Cotonou Agreement), Part 3, Title I: Development Strategies, Article 19.

² Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions: Regional integration for development in ACP countries. COM(2008) 604 final/2 of 6.10.2008. Also see the Commission staff working document accompanying the Communication on regional integration for development in ACP countries, SEC(2008) 2539 of 1.10.2008.

³ Communication from the Commission: EC support for regional economic integration efforts among developing countries. COM(95) 219 of 16.6.1995.

⁴ Communication from the Commission to the Council and the European Parliament: The European Community's Development Policy, COM(2000) 212 final of 26.4.2000.

⁵ Joint Statement by the Council and the Representatives of the Governments of the Member States meeting within the Council, the European Parliament and the Commission: 'The European Consensus on Development', 22 November 2005.

4. The Commission updated its policy on regional integration, specifically in relation to ACP countries, in a Communication in 2008 (see footnote 2) in which it confirmed its view that regional integration was essential for increasing economic growth and reducing poverty. It also identified several longstanding challenges for achieving regional integration, including a lack of institutional capacity and ownership at national and regional levels, a need to improve implementation of economic integration agreements and to streamline overlapping and inconsistent integration agendas, insufficient economic diversification in national economies and inefficient infrastructure interconnections. In the area of regional economic integration, the Communication proposed focusing EU support on the following priority areas: strengthening regional institutions, building regional integrated markets, supporting business development and connecting regional infrastructure networks.



Source: European Court of Auditors.

EDF SUPPORT FOR REGIONAL INTEGRATION

5. The EC supports the ACP countries in their development efforts through the European Development Funds with national programmes established with individual countries, regional programmes covering several or all countries in a particular region and what are known as Intra-ACP programmes, which target many or all ACP States. From the ninth EDF (2002–07), regional programmes have become the main instrument used to support regional integration. A number of Regional Organisations, established by various groups of ACP countries with a mandate to pursue regional economic integration, have become the main partners of the Commission to prepare and implement these regional programmes. Under the ninth EDF 1 000 million euro was originally reserved for regional programmes. After the end-term reviews of the various programmes, the final amount committed for regional programmes was 904 million euro, of which 70 % was dedicated to regional economic integration interventions⁶. Under the 10th EDF the total allocation for regional programmes has been increased to 1 783 million euro, with the share of regional economic integration coming to 75 %. The allocated amounts by region are given in **Table 1**.

⁶ The Commission's indicative programmes sub-divide the total allocations into amounts for two or three main areas of support, also referred to as 'focal sectors'. In the data presented, the share of the regional programmes allocated to regional economic integration has been calculated by adding the amounts allocated to the focal sectors called 'regional integration and trade' or 'regional economic integration' and 'transport and communications' or 'transport interconnectivity'. Under the 10th EDF regional programmes, 'transport' is no longer presented as a separate focal sector but is covered under the main focal sector of 'economic integration'.

TABLE 1

FINANCIAL ALLOCATIONS TO REGIONAL PROGRAMMES

(million euro)

| Region | 8th EDF (1996–2001) | | 9th EDF (2002–07) | | 10th EDF (2008–13) | |
|---|------------------------|------------------|----------------------|------------|-----------------------|--------------|
| | Total | REI ¹ | Total | REI | Total | REI |
| East Africa ² | 219 | 154 | 289 | 203 | 645 | 548 |
| West Africa | 226 | 143 | 253 | 200 | 597 | 418 |
| Subtotal | 445 | 297 | 542 | 403 | 1 242 | 966 |
| Southern Africa Development Community (SADC) | 121 | 81 | 147 | 95 | 116 | 93 |
| Central Africa | 91 | 60 | 64 | 29 | 165 | 97 |
| Caribbean region | 90 | 40 | 111 | 89 | 165 | 140 |
| Pacific region | 35 | – | 40 | 15 | 95 | 45 |
| Total | 782 | 478 | 904 | 631 | 1 783 | 1 341 |

¹ Regional Economic Integration.

² The Commission's official denomination for this region is 'Eastern and Southern Africa and the Indian Ocean'; in this report it will be referred to as 'East Africa'.

MANAGEMENT OF REGIONAL PROGRAMMES

6. Before the ninth EDF, the regional programmes were agreed between the Commission and the individual countries belonging to the region concerned, with regional projects often providing additional funding for national activities (e.g. road building) rather than supporting clearly designed regional policies.
7. The Cotonou Agreement, however, placed a new emphasis on the regional programmes as the main instrument to support regional economic integration and stipulated that multi-annual Regional Support Strategies and Indicative Programmes be prepared and agreed for each region jointly by the Commission and the duly mandated Regional Organisation(s), under the following conditions⁷:
 - the ACP States concerned decide on the definition of the geographical regions;
 - to the maximum extent possible, regional programmes should correspond to programmes of existing Regional Organisations with a mandate for economic integration;
 - in the case of overlapping membership of several Regional Organisations, the regional programme should 'correspond to the combined membership of these organisations'.
8. As a result of the aforementioned provisions, regional programming under the ninth and 10th EDFs has resulted in strategies and indicative programmes for six different regions covering the totality of the ACP countries, i.e. four in Africa, one in the Pacific and one in the Caribbean. In several of the African regions more than one Regional Organisation exists with a mandate for economic integration, covering different, and sometimes overlapping, areas. This has led to the situation that in the two largest regions, East Africa and West Africa, for example, the Commission has to work with four (East Africa) and two (West Africa) Regional Organisations respectively as the duly mandated organisations to draw up, sign and implement the Regional Strategy and Indicative Programme for their region. The Regional Indicative Programme provides a first allocation of the resources available for the region and the period concerned to the focal areas of support. For each individual intervention the most appropriate Regional Organisation is allocated the role of Regional Authorising Officer, responsible for preparation and implementation of the interventions in close cooperation with the Commission.

⁷ Cotonou Agreement, Annex IV 'Implementation and management procedures', Chapter 2 'Programming and preparation (regional)'.

EAST AFRICA REGION

9. The East Africa region in its current composition was created with the signing of the ninth EDF Regional Strategy Paper and Regional Indicative Programme⁸. It is a heterogeneous and diverse region in many respects, with countries varying in size, population, geographical situation, level of development and political stability. Under the ninth EDF, the regional programme covered 21 countries, but under the 10th EDF this number has been reduced to 17, following the withdrawal of four countries from the Regional Organisations involved.
10. The region is characterised by the presence of four Regional Organisations, covering different sub-regions, with a mandate for regional integration. These are known respectively by the acronyms COMESA, EAC, IGAD and IOC⁹. These organisations show significant overlaps in geographical coverage and membership and in mandates and policy objectives (see *Annexes I and II*). COMESA and EAC are primarily aiming for regional economic integration, with EAC already having established a customs union, while COMESA is still in the process of transforming its free trade area into a customs union. IGAD also includes regional economic integration in its mandate but focuses more on conflict resolution and food security issues. The IOC has a mandate for economic and trade cooperation rather than for regional economic integration, and it focuses mainly on regional cooperation in natural resources management (fisheries). Nevertheless, IOC participates in the programming and implementation of the 9th and 10th EDF Regional Indicative Programmes for the East Africa region.
11. The overlapping membership poses considerable problems, as some member countries belong to two different trade areas (COMESA and EAC). In addition, there are overlaps and incompatibilities in membership with the Southern Africa Development Community (SADC), the Regional Organisation for Southern Africa¹⁰, which also aims to establish a customs union between its member countries. Membership in more than one customs union, however, is technically not possible. These overlaps in membership and mandates result in a complex institutional framework. These factors, and the current weak state of coordination between these organisations (see paragraphs 39 to 43), pose serious problems for the Commission, in particular for the design and implementation of interventions in the area of regional economic integration.

⁸ Up to the eighth EDF, this region was covered by two Indicative Programmes, one for Eastern and Southern Africa and one for the Indian Ocean region, but following the principles of the Cotonou Agreement, these were replaced by one single strategy and indicative programme for the larger region.

⁹ COMESA — Common Market for Eastern and Southern Africa, EAC — East African Community, IGAD — Intergovernmental Authority on Development, IOC — Indian Ocean Commission.

¹⁰ For example Tanzania participates in the East Africa regional programme as a member of the EAC. However, it is not a member of COMESA, but it is a member of SADC.

WEST AFRICA REGION

- 12.** There are two mandated Regional Organisations in this region, i.e. the Economic Community of West African States (ECOWAS) and the Union Économique et Monétaire Ouest Africaine (UEMOA/ WAEMU — West African Economic and Monetary Union). The regional programme covers the combined membership of these two organisations. Mauritania, the region's only country which is not a member of either organisation, also takes part in EDF regional cooperation under the umbrella of ECOWAS.

¹¹ The EPAs will be the new trade agreements between (groups of) ACP countries and the EU, to replace the system of non-reciprocal trade preferences agreed in the Lomé Conventions, which preceded the Cotonou Agreement.

- 13.** Although economic integration in this region may appear more straightforward to achieve as there are fewer sub-regions than in East Africa, it too faces significant challenges. UEMOA has the advantage of a common currency and an established customs union, while ECOWAS is much less advanced in this respect, but ECOWAS has the wider membership and is, therefore, the more logical regional integration structure in the long term and the main reference for the Economic Partnership Agreement (EPA) to be agreed with the EC¹¹. The two organisations have recognised the need for convergence between the two regions and organisations and have agreed to work towards this long-term goal through an 'approche à géométrie variable et à rythmes différents'. In the meantime, substantial coordination is required between the two organisations, and between them and the European Commission, in order to move this regional integration process forward as effectively and efficiently as possible.

AUDIT SCOPE AND APPROACH

14. In view of the growing interest in, and the increased EDF support for, regional economic integration, the Court decided to carry out an audit on this subject. The audit was planned so that the results could be taken into account by the Commission in its mid-term review of the implementation of the 10th EDF which is scheduled for 2010.
15. The purpose of the audit was to determine whether European Development Fund (EDF) support for regional economic integration has been effective. The audit addressed the following questions:
 - (a) Does the Commission have a relevant and coherent approach to regional integration?
 - (b) Has the Commission managed its support for regional integration well?
 - (c) Have the Commission's individual projects in support of regional integration met their objectives?
16. Regarding the geographical scope, the Court's audit has focused on the two largest of the six existing regional programmes, i.e. those for East Africa and West Africa (see **Table 1**), which together account for well over 50 % of the total amount allocated to regional programmes.

17. The audit work carried out included the following:

- (a) a review of relevant documentation on EC development policy concerning regional integration;
- (b) an examination of the Commission's regional strategy documents¹² for the ninth and 10th EDFs for the two regions selected, together with the national strategy documents¹³ for the countries visited;
- (c) on-the-spot missions to both regions, covering in total nine countries as well as the Headquarters of the relevant Regional Organisations¹⁴;
- (d) an examination of 18 regional projects, which include all ninth EDF and the largest eighth EDF projects on regional integration, trade and transport, with a total financial allocation of almost 450 million euro¹⁵. The scope of this examination was restricted to an assessment of the achievement (or likelihood thereof) of the project results, but not the longer-term impact thereof. The list of projects examined is provided in **Annex III**;
- (e) a review of the evaluations carried out of the Commission's regional strategies for East and West Africa, in order to assess the reliability of their conclusions and the follow-up action taken or planned by the Commission and a review of an internal audit of the financial management of regional projects, in particular in the Southern Africa region¹⁶.

¹² Within the Commission, these documents are called 'Regional Strategy Paper' and 'Regional Indicative Programme'.

¹³ Within the Commission, these documents are called 'Country Strategy Paper' and 'National Indicative Programme'.

¹⁴ In East Africa visits were made to Kenya, Malawi, Rwanda, Tanzania, Zambia and to the regional organisations Common Market for Eastern and Southern Africa (COMESA) and East African Community (EAC). In West Africa visits were made to Burkina Faso, Ghana, Nigeria and Senegal and to the regional organisations Economic Community of West African States (ECOWAS) and Union Économique et Monétaire Ouest Africaine (UEMOA/ WAEMU, West African Economic and Monetary Union). In East Africa two other regional organisations (Intergovernmental Authority on Development and Indian Ocean Commission) are also involved in regional cooperation, but they play a minor role in relation to economic integration and they were not visited during the audit.

¹⁵ 12 projects were financed from the 9th EDF and 6 from the 8th EDF; no projects financed from the 10th EDF were being implemented yet at the time of the audit.

¹⁶ 'Évaluation de la stratégie régionale de la Commission Européenne en Afrique de l'Ouest', Rapport final de synthèse, mai 2008; 'Evaluation of the Commission's support to the region of Eastern and Southern Africa and the Indian Ocean', final report December 2008; IAS Audit report, July 2008 (Commission internal document).

OBSERVATIONS

DOES THE COMMISSION HAVE A RELEVANT AND COHERENT APPROACH TO REGIONAL INTEGRATION?

18. In addressing this question the Court examined whether, for the two regions concerned, the Commission's regional cooperation strategy was aligned with the regions' own priorities and complementary to the Commission's individual country cooperation strategies. For individual regional projects, the Court examined whether they addressed priority needs at both the regional and national levels.

THE COMMISSION'S REGIONAL COOPERATION STRATEGY IS RELEVANT BUT COMPLEMENTARITY VIS-À-VIS ITS NATIONAL COOPERATION STRATEGIES IS WEAK AND THE LEVEL OF FUNDING DOES NOT TAKE ACCOUNT OF ABSORPTION CAPACITIES

19. In its regional strategy documents for both the ninth and the tenth EDFs the Commission provides an accurate analysis of the progress made in regional integration and the challenges it faces. This analysis justified the decision to focus the EDF financial allocations for both regions on economic integration and trade, with transport either being included or treated as a second focal sector. The justification provided, in the 10th EDF regional strategy papers and in the Commission's 2008 Communication (see footnote 2), for the doubling of the financial allocation to regional programmes under the tenth EDF to 1 783 million euro is that it reflects 'EU-ACP consensus on the importance of regional integration for development'. This large allocation will be difficult to use in an efficient and effective way by the Regional Organisations, given their limited absorption capacity demonstrated so far (see paragraphs 44 to 49).
20. The Commission's regional strategies are aligned with the strategies and objectives of the main Regional Organisations to increase economic growth and reduce poverty through higher levels of regional economic integration, by supporting the implementation and consolidation of existing free trade areas and customs unions, and by addressing supply side constraints in the area of infrastructure.

21. The Commission has followed an appropriate approach of providing institution building support to the Regional Organisations in order to increase their capacity to develop regional policies and enforce their implementation. Its strategy of supporting, in each region, one joint Regional Indicative Programme involving the various Regional Organisations takes account of the complexity of the current institutional framework, caused by the multiplicity and overlapping mandates of Regional Organisations (see paragraphs 10 to 13). Another aim is to strengthen cooperation and the convergence process between these organisations. However, the regional strategy documents do not identify the priority needs to strengthen the institutional capacity of individual countries to participate actively in the formulation and implementation of regional integration policies.

¹⁷ 'The Africa–EU Strategic Partnership: A Joint Africa–EU Strategy', adopted at the EU–Africa Summit, Lisbon, December 2007.

22. The focus on transport in the regional strategy is in line with the Joint Africa–EU Strategy¹⁷ which stated that Africa and the EU would aim at increasing interconnectivity by investing in and improving infrastructure along the Trans-African road transport corridors in order to support development through growth and trade. The objective is to support the definition and implementation of regional transport policies, with priority being given to the harmonisation of national transport policies (e.g. standardisation of maximum axle load for heavy goods vehicles) and transport facilitation along regional corridors (e.g. jointly built and managed border posts, elimination of illicit controls).

23. The Commission's cooperation strategies with individual countries under the ninth and 10th EDFs are aligned with national development strategies, as formulated in the countries' Poverty Reduction Strategy Papers. The aim of all these national strategies is to achieve higher economic growth, which is seen as a necessary condition to be able to reduce poverty. However, in many cases the national strategies do not consider how they should interact with or complement regional integration programmes.

24. For most of the countries examined by the Court, the Commission's cooperation strategies have focused on budget support. This is meant to contribute to macro-economic stability, which is an important condition for strengthening the convergence of national macro-economic policies, economic growth and development of trade in the regions and thus, regional integration overall.
25. Transport is defined as a focal sector for most of the countries examined by the Court and has the potential to contribute to regional integration. Under ninth EDF national programmes, whilst the importance of improving regional transport corridors is mentioned in several cases, the majority of road programmes in the different countries examined by the Court focus on improving domestic interconnectivity. In the 10th EDF country strategies, there has been a significant change of emphasis, since priority is now given to promoting regional interconnectivity in order to facilitate and expand regional trade.
26. In the ninth EDF country strategies, in areas other than transport, varying and generally inadequate attention is given to regional integration. There is no indication as to how the Commission's support and policy dialogue at national level should support the regional integration process and there are no explicit linkages or complementarity with regional interventions, for example in relation to the need for institutional support for national administrations in the transposition and application of regional law or for strengthening the competitiveness of the private sector. Whilst, for most of the countries examined by the Court, the 10th EDF country strategies include provisions for non-focal support in areas such as trade, regional integration or implementation of Economic Partnership Agreements (EPA), they do not specify the priority needs to be addressed.
27. The Court's findings corroborate the evaluations commissioned by the Commission for the two regions. These evaluations, which covered the eighth and ninth EDFs, concluded that there was insufficient complementarity, because of inadequate coordination, both at the level of the policy dialogue between the Commission, the Regional Organisations and individual countries, and at programme level between regional and national programmes.

REGIONAL PROJECTS ARE RELEVANT BUT DO NOT SUFFICIENTLY ADDRESS REGIONAL INTEGRATION NEEDS AT NATIONAL LEVEL

28. The ninth EDF regional programmes for East Africa and West Africa each contain comprehensive regional integration projects¹⁸ which address most of the issues in the area of regional integration. They focus on support for institutional capacity building, development of trade policy regulations, negotiations and implementation of EPAs and financial compensation mechanisms for loss of government revenues due to customs tariff reductions. In the area of transport, they focus on transport facilitation, since support for transport infrastructure is funded by the national programmes.
29. The RISP project in East Africa for example consists of nine 'Result Areas', which range from implementation of the agreements on the Free Trade Area and the Customs Union to harmonisation of statistical data, harmonisation of monetary, fiscal and tax policy, to preparation of a transport and communications strategy and priority investment plan. The Economic Integration and Trade project in West Africa contains four main components, i.e. achievement of a common market, macro-economic stability and convergence, institutional capacity building and enhancement of the competitiveness of productive sectors. All these activities are relevant to the integration agenda of the Regional Organisations, i.e. COMESA and EAC in East Africa and ECOWAS and UEMOA in West Africa¹⁹.
30. The RISM project in East Africa is the largest financial intervention in that region with an EDF commitment of 78 million euro. Its objective is to assist countries in the region in the fiscal adjustment process when they liberalise their tariffs vis-à-vis other Member States joining the free trade area or the customs union. There has been a lack of interest from certain countries in the project. The main reason is that the project, as designed, does not target the priorities of those countries. No disbursement had been made under this project at the time of the audit.

¹⁸ In East Africa this consists of the Regional Integration Support Programme (RISP) in combination with the Regional Integration Support Mechanism (RISM); in West Africa it consists of the project Support for Regional Integration in West Africa in combination with the project Economic Integration and Trade.

¹⁹ The full names of the regional organisations are given in the Glossary, provided after the Table of Contents and in footnote 14.

- 31.** The regional projects examined all have a clear regional dimension and involve activities at the regional level. However, the Commission, Regional Organisations and individual countries have respectively given insufficient attention to and support for the necessary follow-up actions at national level, in particular in relation to the transposition and application of legislation and the implementation of regional policies (see **Box 1**).

BOX 1
INSUFFICIENT LINK BETWEEN REGIONAL AND NATIONAL ACTIVITIES

In East Africa, the Regional Integration Support Programme (RISP), launched in July 2005, aims to develop the capacity of the Regional Organisations and their member states in policy formulation, implementation and monitoring of regional integration, multilateral and regional trade and in trade-related areas. Under its 'Result Area 5 — Improve harmonisation of regional policies at national level', the project is meant to support member states' 'national development and trade policy forum' (or similar national working group) in the task of guiding, co-ordinating and monitoring a country's regional integration efforts as well as its integration in the world economy. In 2008, however, there were only four countries (Burundi, Ethiopia, Malawi and Seychelles) where the Trade Policy Forum was sufficiently active and had enough capacity to present a work plan in this area. Among them, only Ethiopia has actually been assisted by the project.

In West Africa, ECOWAS focal points exist within the administrations of all the member states. They are responsible for assisting the ECOWAS countries in the transposition of regional decisions, but their inputs are not sufficiently considered in the management of the main regional integration project, as they are not represented on the project's Steering Committee. Their capacity is very limited and so far they have mostly functioned as information and contact points of ECOWAS in the member countries. The project has acknowledged the need to reinforce the capacity of the ECOWAS focal points, but it has allocated insufficient funds for this task. The project work plan for 2008 provided 45 000 euro (3 000 euro per focal point) for the development of a capacity building plan, which was still under preparation at the time of the audit. The 2009 work plan only provides for 98 000 euro (6 500 euro per focal point) for the implementation of the capacity building plan.

HAS THE COMMISSION MANAGED ITS SUPPORT FOR REGIONAL INTEGRATION WELL?

- 32.** In addressing this question the Court examined whether the Commission provided adequate guidelines, mechanisms and human resources capacity to facilitate management by its Delegations of the programming, implementation and monitoring of regional interventions, whether the Commission ensured that adequate coordination and monitoring mechanisms were put in place by the Regional Organisations and whether regional projects were implemented within the planned time frame.

DELEGATIONS LACK GUIDELINES AND CAPACITY TO MANAGE REGIONAL PROGRAMMES

- 33.** Whereas country strategy papers are prepared on the basis of discussions between the Commission and an individual country, regional strategy papers concern no less than four Regional Organisations (COMESA, EAC, IGAD, IOC) in the case of the East African region, representing 17 national governments, and two Regional Organisations in the case of the West African region (ECOWAS, UEMOA), representing 16 national governments. On the Commission's side there is in each region almost the same number of Delegations involved. Activities under the regional projects are mainly carried out at the regional level, i.e. by one or more of the Regional Organisations, but some activities also take place at the level of the individual countries belonging to the region. Establishing a customs union, for instance, requires first an agreement to be reached at regional level on one Common External Tariff, but its application requires the involvement and training of all the Customs services in the participating countries. With so many different parties involved, the preparation and implementation of a regional strategy requires a high degree of coordination.

34. The Commission has not established procedures or guidelines for the preparation and implementation of regional strategies and interventions. The lack of adequate guidelines means that:

- (a) there is no clear definition or allocation of specific roles and responsibilities for the different Delegations in a region, i.e. those with and those without responsibility for relations with a Regional Organisation;
- (b) no single Delegation has the overall responsibility or coordinating role for a regional indicative programme;
- (c) there is no established comprehensive coordination framework covering all Delegations in a region.

35. The 10th EDF regional strategy papers and indicative programmes have been prepared largely following the guidelines for drafting country strategy papers. Specific programming guidelines for regional programming were issued which covered the content and format of the documents but not the preparation process. Neither did they take account of the significant institutional differences between country and regional strategies. The lack of coordination and definition of responsibilities is one of the main reasons for the lack of complementarity between regional and national programmes (see paragraphs 20 to 31).

36. Regarding the implementation of projects, each Delegation only monitors and reports on the activities implemented by the government of the country where it is based and, where it is the case, by the Regional Organisation established in that country (see **Box 2**). In addition, the Delegations' reports mainly focus on the financial implementation of projects and provide little or no detail on physical progress or problems with projects. As a result, Commission Headquarters generally do not get an overall, consolidated, picture and are, therefore, not in a position to adequately monitor and coordinate regional projects. Furthermore, the lack of an overall view of the progress of regional projects prevents a timely reaction by the Commission's services to problems with project implementation as, and when, these occur (see paragraphs 40 to 46).

- 37.** The Delegations in Burkina Faso, Nigeria, Tanzania and Zambia combine the responsibility for maintaining relations with the Regional Organisation established in those countries and for managing both parts of the regional programme and the national programmes. The Court examined whether these 'regional' Delegations had been allocated additional staffing capacity for managing a regional programme. Whereas a Delegation's workload is determined by various factors²⁰, the size of the financial allocation to be managed by a Delegation is relevant for its staffing position, in particular for operational, financial and contractual matters. However, the Court found that the larger responsibility of those Delegations managing regional as well as national activities is not reflected in their staffing capacity and that the potential impact of the doubling of the 10th EDF regional allocations has not yet been addressed.

²⁰ For example, budget support may carry a different workload for a Delegation than project support, while the percentage of budget support may vary from one country to another; or, in addition to the normal EDF allocations, Delegations in the regions concerned may also have responsibility for a number of projects funded from horizontal budget lines in the General Budget.

BOX 2

INADEQUATE REPORTING AND MONITORING BY THE COMMISSION

The fragmentation of responsibilities can be observed in the way Delegations report on regional activities in their six-monthly External Assistance Management Reports to Commission Headquarters. In West Africa, neither the Delegation in Abuja, which deals with ECOWAS, nor the Delegation in Ouagadougou, dealing with UEMOA, has a full overview of the progress of two major regional projects, 'Support for Regional Integration and Trade' and the 'Transport Facility', which involve activities taking place in all or many of the countries in the region. In practice, each of these two Delegations reports to Commission Headquarters on those activities for which 'their' Regional Organisation is responsible. Furthermore, since Delegations in any of the other countries do not have any formal responsibility for regional projects, they do not report on any activities that may have taken place under these projects in their country²¹.

A similar situation has arisen in East Africa, where the Regional Organisation COMESA, based in Zambia, has formal responsibility for the main regional integration projects (RISP/RISM), but part of the project activities relate to the EAC's integration agenda, and are implemented by the EAC, based in Tanzania, while certain activities concern, in principle, all countries belonging to the East Africa region. Neither the Delegation in Zambia as the main contact point for COMESA, nor any of the other Delegations has a complete overview of the progress of these projects and only the four Delegations in the countries where the four Regional Organisations are based report to Commission Headquarters on those activities for which 'their' Regional Organisation is responsible.

²¹ An exception is the regional project 'Appui au programme de formation de l'ASECNA' (support for ASECNA's training programme) for which the responsibility is shared by the Delegations in Senegal and Niger.

- 38.** The Court's observations concerning the lack of coordination between the different Delegations in the region corroborate the findings of the evaluations commissioned by the Commission. The evaluation report for West Africa observed that the Commission had not effectively used its network of Delegations to manage interventions at the regional and national levels in a complementary and coordinated way. The evaluation also concluded that, in the absence of a functioning coordination system, the separation of the aid management between Abuja and Ouagadougou caused problems and re-enforced the impression that the region was actually composed of two independent sub-regions. The evaluation report for East Africa observed that there were no mechanisms in place to ensure a coordinated policy dialogue between the Delegations responsible for the Regional Organisations involved and between these and the Delegations with national competences. The evaluation also stated that 'actual coordination remains weak... as there is no joint monitoring system at Regional Organisation level and communication between Delegations with national responsibilities and regional responsibilities remains low'. During the audit, the Court did not find evidence that appropriate action had been taken by the Commission in response to the evaluation findings.

OVERALL COORDINATION, REPORTING AND MONITORING BY REGIONAL ORGANISATIONS IS INADEQUATE

- 39.** In both regions, the Regional Organisations have set up mechanisms to support coordination between themselves and to monitor implementation of programmes. In 2003, the four Regional Organisations in East Africa established the Inter Regional Coordinating Committee (IRCC), the Secretariat of which is currently supported through an EDF project ('Support to Secretariat of IRCC'). In West Africa ECOWAS and UEMOA established a Joint Technical Secretariat in 2004. This body is also supported through an EDF-funded project ('RIP Monitoring Mechanism').

40. The IRCC is regarded by all parties concerned as a key coordinating instrument between the Regional Organisations and to help ensure coherence between the different individual projects and the approved regional strategy. However, the IRCC has so far not ensured that an overall monitoring and evaluation system covering the whole Regional Indicative Programme has been established. In practice, the IRCC monitors the financial implementation of the regional projects, but not the progress made by these programmes against predefined targets and their contribution towards the regional integration process as such. A mid-term review of the IRCC project, carried out in 2005, recommended, among other things, the setting up of a common monitoring and evaluation system and a quality-review system of financing proposals, to increase coordination between the National and Regional Indicative Programmes. The Regional Organisations and the Commission have, however, been slow to adjust the project accordingly, as these recommendations will only be taken up in new Terms of Reference for the project's extension phase under the 10th EDF, which will become operational during the course of 2009.
41. In West Africa, the Joint Technical Secretariat has the potential to be an important instrument for coordinating between the Regional Organisations and ensuring the coherence between the different individual projects and the approved regional strategy. So far, it has not been able to undertake these roles effectively, due to limited human resources capacity and limited authority. The activity reports produced by the RIP Monitoring Mechanism project have mentioned problems such as lack of staff and the unavailability of monitoring data in the absence of timely progress reports by projects. These problems, which were also reported to the Steering Committee for the Regional Indicative Programme, on which the Commission is represented, illustrate the failure of the two Regional Organisations (ECOWAS and UEMOA) and the Commission to overcome basic constraints, which were already known and reported in 2007 and which prevent an effective monitoring and coordination of the Regional Indicative Programme in West Africa.

- 42.** The Court found, in almost 40 % of the projects examined, that reporting by the Regional Organisations or by separate project management teams was poor and, in some cases, delayed. In West Africa no mid-term review, normally required for every project, was carried out on the four closed eighth EDF projects and only one end-of-project evaluation was performed, while all the reviews scheduled for the seven ongoing projects had been postponed because of late starts and insufficient progress. There is a risk that the mid-term review of the latter projects will be held either too late to allow implementation of its recommendations, or not undertaken at all. Inadequate reporting makes it difficult, if not impossible, to assess and conclude on project effectiveness (see **Box 5**).
- 43.** Although the two coordination committees (i.e. the IRCC and the RIP Steering Committee) are under the direct responsibility of the Regional Organisations themselves, the Commission has an indirect responsibility for, and influence on, the functioning of these committees, as it provides financial and technical support to them through the two projects mentioned and is represented on both committees. The Commission has therefore been aware of the shortcomings in respect of the monitoring and coordination systems in both regions, but its influence and support have so far been insufficient to overcome these problems.

IMPLEMENTATION OF REGIONAL PROJECTS IS COMPLEX AND SLOW

- 44.** The Court examined whether the 18 selected regional interventions were implemented within the timetable planned and whether the use of Contribution Agreements contributed to improving the implementation of regional projects.

45. For 11 projects (8 closed and 3 ongoing) of the 18 examined the duration had to be extended due to a late start following a lengthy preparation process and/or because of slow implementation. Contributing factors include the complexity of regional projects, the weak institutional capacities of the Regional Organisations and the lack of ownership in some cases on the part of national authorities and other stakeholders such as civil society. Overestimation by the Commission of the Regional Organisations' management and absorption capacities has led to the formulation of project objectives which were too ambitious, with too wide a range of activities and project budgets which are too large (see **Box 3**).

BOX 3

REGIONAL PROJECT COMPLEX AND SLOW

The main ninth EDF support for regional integration in West Africa is channelled through one large project with a financial allocation of 105 million euro. This complex project started in 2007 and is implemented under the responsibility of the two Regional Organisations, ECOWAS and UEMOA, through the following instruments:

- a Contribution Agreement with each of the Regional Organisations for 44,8 and 31,6 million euro respectively with a focus on the common market, macroeconomic stability and capacity building for the Regional Organisations and member states;
- a Financing Agreement of 28,6 million euro, with a focus on improving the competitiveness of the private sector and capacity building for Non-State Actors, signed with UEMOA acting on behalf of the two organisations;
- the 'private sector' component of this Financing Agreement consists of three sub-components: 1) a 'Quality' programme implemented through a Contribution Agreement with UNIDO (15 million euro); 2) 'Harmonisation of business law' (4 million euro) and 3) 'Harmonisation of fisheries legislation' (5 million euro), to be implemented by UEMOA through programme estimates and direct labour operations, but delegated to the National Authorising Officers in member states;
- the 'capacity building for Non-State Actors' component (2,6 million euro) is implemented by ECOWAS through grant contracts following a Call for Proposals.

Implementation under the fifteen different components has been very slow, mainly due to the weak institutional capacity of the two Regional Organisations. In early 2009, after almost 2 years of implementation, the implementation rate of the Contribution Agreements was 4 %²². Payments by the Commission under the Financing Agreement, signed in 2006, amounted to some 20 % of the budget, while in January 2009, the deadline by which all contracts had to be signed, more than 5 million euro (or 17 % of the Financing Agreement's budget) were not yet committed and are in principle lost for the project.

²² Excluding payments under the financial compensation mechanism for loss of government revenues due to customs tariff reductions.

46. The Court's observations corroborate those of the Commission's Internal Audit Service in its report on the financial management of regional programmes (see footnote 16), which mainly focused on the Southern Africa region as far as ACP countries are concerned. It found the programming and design of regional projects to be a complex process involving numerous actors, which, together with the limited capacity of the counterparts, led to significant operational difficulties for the implementing bodies and Delegations, resulting in long inception periods and significant implementation delays.

²³ Financial Regulation of 27 March 2003 applicable to the 9th EDF, Article 16 (OJ L 83, 1.4.2003, p. 1); Council Regulation (EC) No 215/2008 of 18 February 2008 on the Financial Regulation applicable to the 10th FED, Article 29 (OJ L 78, 19.3.2008, p. 1).

47. In order to improve the efficiency and effectiveness of projects and increase ownership by the Regional Organisations, the Commission decided to apply the 'joint management' mode for the main ninth EDF regional projects. Joint management is the main method of implementation foreseen in the Financial Regulation²³ for cooperation with international organisations. Its main characteristic is that the organisation in question is allowed to use its own accounting, internal control, audit and procurement procedures, provided a four-pillar ex-ante assessment confirms that these procedures comply with international standards. Following a positive assessment, the Commission can provide its financial support for the organisation in question through a Contribution Agreement.

48. The Commission signed Contribution Agreements with UEMOA and ECOWAS for the implementation of a significant part of the ninth EDF regional programme in spite of the fact that the four-pillar assessment conclusion was negative. As a result, the Commission had to add special conditions concerning the financial, procurement and external audit procedures to compensate for weaknesses found in the organisations' systems and procedures. Instead of strengthening the ownership, this interim solution resulted in considerable discontent on the part of UEMOA, as in its view these conditions defeated the purpose of using a Contribution Agreement. The envisaged increased efficiency has not yet materialised either, as the Delegations concerned are still obliged to monitor financial implementation closely, given the weak financial management capacities of the organisations. In practice, implementation of the current ninth EDF programmes in West Africa has been very slow (see **Box 3**), and the absorption capacity for increased aid flows remains limited for the foreseeable future. In this context, the doubling of funds allocated to regional cooperation under the 10th EDF is likely to aggravate the implementation problems experienced in this region.

49. In East Africa, one Regional Organisation (COMESA) has so far received a positive assessment of its financial management capacity and the Commission has used a Contribution Agreement to channel its support to the two main ninth EDF regional integration projects (RISP/RISM). However, some of the activities under these projects are to be carried out by the other Regional Organisation, EAC, whereas the institutional capacity of its Secretariat is still weak and the four-pillar assessment was negative. Again, an interim solution was agreed which required the EAC to manage RISP funds on the basis of COMESA procedures. However, according to internal audit reports by COMESA, in practice EAC is actually applying its own procedures, which have not yet been validated by the Commission.

HAVE THE COMMISSION'S INDIVIDUAL PROJECTS IN SUPPORT OF REGIONAL INTEGRATION MET THEIR OBJECTIVES?

50. The Court examined a sample of regional projects to assess the extent to which their objectives, in terms of results achieved or likely to be achieved, had been met. In respect of ongoing projects, the assessment has taken into account their state and pace of implementation. The effectiveness was rated as 'satisfactory' where they have been, or are likely to be, successful in achieving their results, 'partially satisfactory' where they have experienced some problems and have achieved, or are likely to achieve, only part of their results and 'unsatisfactory' where they have experienced significant problems and have achieved, or are likely to achieve, few of the planned results. The list of projects and their respective ratings is included in **Annex III**.

PROJECT EFFECTIVENESS DIFFICULT TO ASSESS BUT IN MOST CASES LIMITED

51. The objectives and expected results of projects are often not formulated clearly in the financing agreements and the related indicators to measure progress are not well defined. In such cases it is difficult to determine objectively whether the expected results have been obtained.
52. Moreover, for five projects, already closed or ongoing for a long period, even though planned activities were generally carried out and expected outputs produced, the Court was not able to assess the results due to the absence of adequate progress reports and/or the required monitoring and evaluation reports (see **Box 4**).

BOX 4

UNABLE TO ASSESS EFFECTIVENESS

In East Africa the Regional Integration Programme (Phase II) aimed to strengthen regional integration policy-making by increasing the analytical and information capacity of the COMESA Secretariat. The Court found that the project had not reported, as required, on the progress made every six months, but had instead only reported in the annual work plans on the activities carried out during the preceding year. The project did not have a Steering Committee to assess periodically the progress achieved. Apart from a mid-term review, no other external monitoring missions had taken place, nor had an independent evaluation mission at the end of the project been carried out, although this was foreseen in the Financing Agreement. The indicators provided in the project's logical framework were found to be too vague to permit a reliable and detailed assessment of the project's effectiveness for each of the expected results.

- 53.** For six projects, including the main regional integration projects in both regions²⁴, the Court assessed the effectiveness as ‘unsatisfactory’. These are all ninth EDF projects which were still ongoing at the time of the audit. In view of these projects’ wide scope and objectives, their slow pace of implementation and low disbursement of funds, it is unlikely that most of these ongoing projects will be able to achieve their expected results in the remaining period (see **Box 5**).

²⁴ In East Africa this concerns:

- Regional Integration Support Programme (RISP);
- Regional Integration Support Mechanism (RISM).

In West Africa this concerns:

- Economic Integration and Trade;
- Support for Regional integration in West Africa.

BOX 5

PROJECT RESULTS UNSATISFACTORY

The Court found that the Regional Integration Support Project in East Africa, which is scheduled to be completed by mid 2010, had by the end of 2008 accomplished only three out of the seven intermediate targets proposed in the Contribution Agreement. In particular the lack of relevant results regarding the adoption of regional policies by the national authorities is putting at risk the project’s overall effectiveness.

In West Africa, the Transport Facility Project (64 million euro) aims to improve regional transport services, in particular by establishing joint border posts along the main regional transport corridors. The project has experienced significant delays during its start-up phase and after three years of implementation the main achievement has been the completion of a detailed study concerning the intended functioning of these border posts. In order to be able to continue with the design and eventually the construction of the border posts, the Commission had to provide a ‘waiver’ for what is known as the D+3 rule, which requires contracts within a project to be signed not later than three years after the project’s financial commitment has been approved. Even with the two years’ extension obtained, the two Regional Organisations ECOWAS and UEMOA are still facing a difficult task to complete the construction works and to establish detailed and harmonised arrangements between the countries concerned to operate the border posts efficiently.

54. The remaining seven projects appear to have achieved, or are likely to achieve, part of their expected results, but for the closed projects further support is required and is in most cases provided or programmed under the various ongoing projects (see **Box 6**).
55. The two evaluations commissioned by the Commission have focused more on the relevance and coherence of the Commission's regional strategies and choice of focal sectors, than on the performance of individual projects. The West Africa regional evaluation states that the majority of the ninth EDF regional projects had been too recent to allow an assessment of their effectiveness. It does remark, however, on the lack of well-defined, expected results and baseline references, which make it difficult to determine the impact of EDF projects.

BOX 6

PROJECT RESULTS PARTIALLY SATISFACTORY

In West Africa the PARI project ('Programme d'Appui à l'Intégration Régionale de la zone UEMOA'/Support programme for regional integration in the WAEMU zone) aimed to support UEMOA and its member states in improving the legal and administrative framework, in establishing a regional market and in consolidating the macro-economic framework. Although these project objectives and related indicators were formulated in very general terms, the final evaluation of the project found improvements in the regional integration process. Specifically, the legislation regarding the customs union and the liberalisation of intra-community trade, produced by UEMOA, was of good quality and was introduced into the legal systems of the various member states. However, the free circulation of goods, persons, services and capital as well as the right of establishment were still far from being achieved. Similarly, the functioning of the multilateral macro-economic surveillance mechanism of UEMOA had improved, but this had not yet resulted in a better convergence of the UEMOA-zone economies, which was the main objective. The same areas are again being addressed under the ongoing Economic Integration and Trade project.

CONCLUSIONS AND RECOMMENDATIONS

EDF SUPPORT FOR REGIONAL ECONOMIC INTEGRATION IN EAST AFRICA AND WEST AFRICA HAS SO FAR BEEN ONLY PARTIALLY EFFECTIVE

- 56.** The regional integration process is making progress in both regions in terms of reaching agreements on regional objectives and policies relating to trade and transport issues, such as establishing free trade areas and customs unions and establishing regional transport corridors with harmonised rules and without undue controls. The EDF has been providing considerable technical and financial support for this process. However, the implementation of such agreements by the national authorities is lagging behind and the free movement of goods, services, capital and people is not yet a reality in either of the two regions.
- 57.** EDF support for regional economic integration has so far been only partially effective, due to a number of factors. Some of these factors are outside the direct control of the Commission, even though it can influence them through its support and policy dialogue. In both regions there are multiple Regional Organisations with overlapping membership and mandates. Moreover, despite the Commission's capacity building support, all the Regional Organisations still lack institutional capacity, albeit in varying degrees, in all aspects of the project cycle, from programming and project preparation to implementation, reporting and financial management. Furthermore, member countries do not always give a high priority to regional integration as a policy objective in view of the many other pressing needs identified at national level. Other factors related to the Commission's approach and management also undermine the effectiveness of EDF support (see paragraphs 58 to 60).

RECOMMENDATION 1

The Commission should make the continuation of its support for regional integration conditional on an early agreement on how to achieve the necessary convergence between the various Regional Organisations in each region within a pre-defined timeframe and on the national authorities taking greater ownership of the regional integration process.

THE COMMISSION'S APPROACH TO REGIONAL INTEGRATION IS RELEVANT BUT COHERENCE IS INADEQUATELY ADDRESSED AND THE LEVEL OF FUNDING DOES NOT TAKE ACCOUNT OF THE LIMITED ABSORPTION CAPACITIES

- 58.** The Commission's approach to supporting regional integration in East Africa and West Africa is relevant to the regions', and the countries' needs to achieve higher economic growth as a means to fight poverty, an objective which the Commission's regional and national strategies and interventions all share. However, coherence is inadequately addressed in that the strategies and interventions at the two levels have largely been designed and implemented independently of each other, with insufficient attention paid to the possibility of creating complementarity between them, except to some extent in the transport sector. Furthermore, the doubling of the financial allocation to regional programmes under the 10th EDF does not take into account the limited absorption capacity of the Regional Organisations (paragraphs 19 to 31).

RECOMMENDATION 2

The Commission should, from the 2010 mid-term review of the 10th EDF strategies onwards, improve the coherence between its regional strategy and national strategies, by 'mainstreaming' regional integration in all its support activities at national level and by seeking more systematic complementarity between its support activities at the two different levels.

RECOMMENDATION 3

As part of the 10th EDF mid-term review, the Commission should examine whether the financial allocation to regional programmes is too high.

THE COMMISSION DOES NOT ADEQUATELY MANAGE ITS SUPPORT FOR REGIONAL INTEGRATION

- 59.** The Commission's management of its regional programmes has lacked specific management and coordination instruments to adequately deal with the preparation, implementation, reporting and coordination of regional activities: the roles and responsibilities of the different Delegations in a region are not clearly established, nor has a coordination mechanism between these Delegations been set up. The larger responsibility of those Delegations managing regional as well as national activities is not reflected in their staffing capacity. At the level of the Regional Organisations, coordination is also inadequate and a monitoring system to track the overall progress of the regional integration process in the individual countries is lacking. Where the institutional capacity of the implementing organisation is weak, the use of Contribution Agreements has not improved the speed of project implementation (paragraphs 33 to 49).

RECOMMENDATION 4

In relation to its management of regional programmes the Commission should:

- clearly define the responsibilities of the different Delegations in the regions concerned;
- establish an appropriate coordination mechanism between Delegations in a region;
- review the resources allocated to Delegations for the programming and implementation of its regional programmes;
- use Contribution Agreements with Regional Organisations only where the financial management is found to comply with international standards.

RECOMMENDATION 5

The Commission should increase its efforts to help Regional Organisations in:

- improving coordination between themselves and between them and their Member States;
- establishing monitoring systems which will support implementation of programmes and provide comprehensive information on the progress of the overall regional integration process, including progress in individual countries.

INDIVIDUAL PROJECTS IN SUPPORT OF REGIONAL INTEGRATION ARE LIKELY TO HAVE UNSATISFACTORY RESULTS OVERALL

- 60.** It has been difficult for the Court, and in some cases impossible, to assess the effectiveness of individual interventions, because their objectives are often not well defined and the necessary information is frequently lacking due to inadequate quality and frequency of project reporting, monitoring and evaluation. Recent, ongoing projects mostly have a wide scope and ambitious objectives; however, their implementation has so far been slow. Overall, for the 18 regional projects examined, the results, or likely results, are, at best, only partially satisfactory (paragraphs 51 to 54).

RECOMMENDATION 6

The Commission should:

- formulate project objectives which are specific, measurable, achievable, relevant and subject to a realistic time-frame ('SMART');
- pay more attention to regular, good-quality progress reporting, and systematic monitoring and evaluation of project results.

This Report was adopted by the Court of Auditors in Luxembourg at its meeting of 19 November 2009.

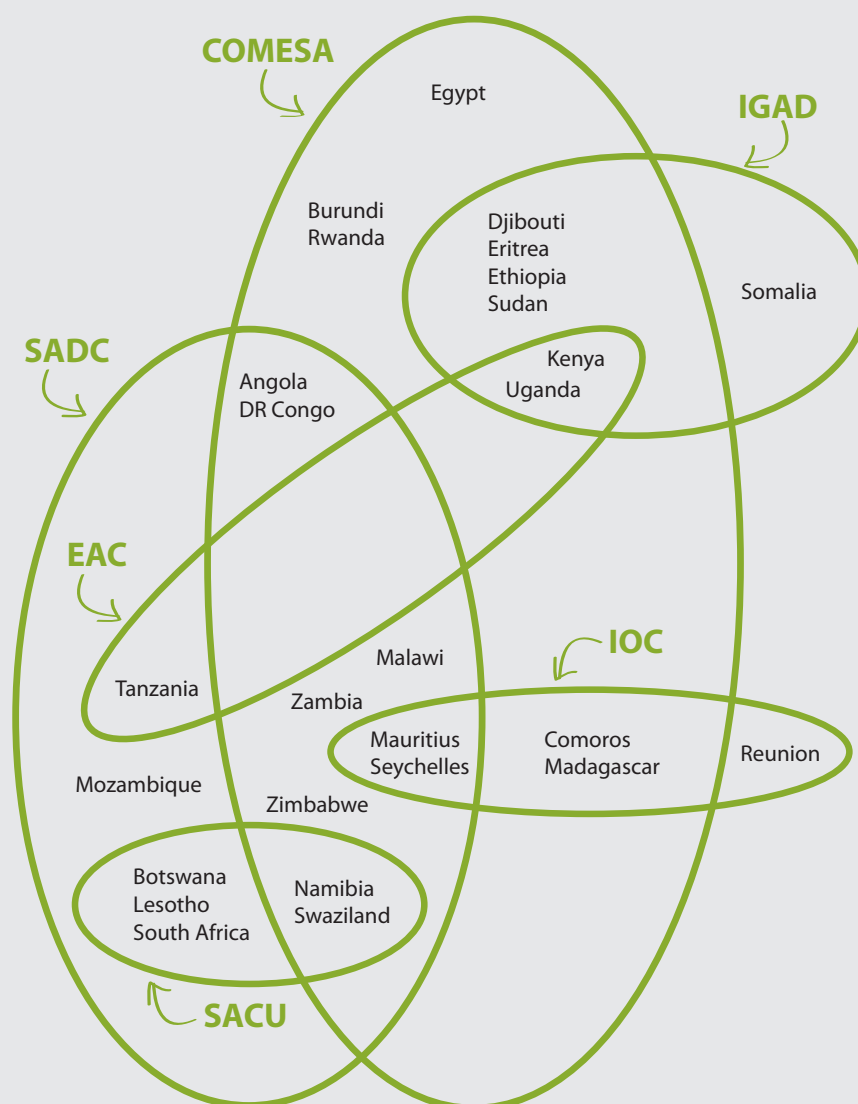
For the Court of Auditors



Vítor Manuel da Silva Caldeira
President

ANNEX I

CHART OF EAST AND SOUTHERN AFRICA REGIONAL ECONOMIC INTEGRATION ARRANGEMENTS



COMESA: Common Market for Eastern and Southern Africa

EAC: East African Community

IGAD: Intergovernmental Authority on Development

IOC: Indian Ocean Commission

SACU: Southern African Customs Union

SADC: Southern African Development Community

Source: Region of Eastern and Southern Africa and the Indian Ocean — European Community: Regional Strategy Paper and Regional Indicative Programme for the period 2002–07, Annex 6.

ANNEX II

MAIN REGIONAL ORGANISATIONS IN EAST AFRICA AND WEST AFRICA

| Main regional organisations | Type of economic community | Areas of integration and cooperation include | Date of entry into force | Member states | Specified objective |
|--|----------------------------|---|--------------------------|--|---------------------|
| Common Market for Eastern and Southern Africa (COMESA) | Free Trade Area | Goods, services, investment, migration | 8 December 1994 | Burundi, Comoros, Democratic Republic of the Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia, Zimbabwe | Common market |
| East African Community (EAC) | Customs Union | Goods, services, investment, migration | 7 July 2000 | Kenya, Tanzania, Uganda, Rwanda, Burundi | Full economic union |
| Inter-Governmental Authority on Development (IGAD) | Free Trade Area | Goods, services, investment, migration | 25 November 1996 | Djibouti, Eritrea, Ethiopia, Kenya, Somalia, Sudan, Uganda | Full economic union |
| Indian Ocean Commission (IOC) | | Diplomatic, economic, commercial cooperation, Natural resources, environment protection | 1984 | Comoros, Madagascar, Mauritius, Reunion (France), The Seychelles | See COMESA |
| Economic Community of West African States (ECOWAS) | Free Trade Area | Goods, services, investment, migration | 24 July 1993 | Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, Togo | Full economic union |
| West African Economic and Monetary Union (UEMOA) | Customs Union | Business law harmonised. Macroeconomic policy convergence in place | 10 January 1994 | Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, Togo | Full economic union |

ANNEX III

LIST OF PROJECTS EXAMINED

| Reference | Project title | Amount ¹ | Rating |
|--------------------|--|---------------------|------------------------|
| EAST AFRICA | | | |
| 9 ACP RSA 03 | Support to Secretariat of IRCC | 9,7 | partially satisfactory |
| 9 ACP RSA 08 | Trade Negotiations Facility | 2,0 | unable to assess |
| 9 ACP RSA 16 | Regional Information and Communication Technologies Support Programme | 21,0 | partially satisfactory |
| 9 ACP RSA 19 | Regional Integration Support Programme | 33,5 | unsatisfactory |
| 9 ACP RSA 25/26 | Regional Integration Support Mechanism | 78,0 | unsatisfactory |
| 8 ACP ROR 01 | Regional Harmonisation of Customs and Trade Statistics Systems | 13,6 | partially satisfactory |
| 8 ACP ROR 02 | Regional Integration Programme Phase II | 9,5 | unable to assess |
| | TOTAL EAST AFRICA | 167,2 | |
| WEST AFRICA | | | |
| 9 ACP ROC 16 | Economic Integration and Trade | 76,4 | unsatisfactory |
| 9 ACP ROC 15 | Support for Regional Integration in West Africa | 28,6 | unsatisfactory |
| 9 ACP ROC 14 | Facilitation des Transports (Transport Facilitation) | 63,8 | unsatisfactory |
| 9 ACP ROC 10 | RIP Monitoring Mechanism | 6,0 | unsatisfactory |
| 9 ACP ROC 09 | Appui à l'intégration régionale et aux négociations de l'Accord de Partenariat Économique entre la CE et la région de l'Afrique de l'Ouest (Support for Regional Integration and the Economic Partnership Agreement between the EC and the West Africa Region) | 7,0 | unable to assess |
| 9 ACP ROC 08 | Appui technique à la CEDEAO pour la facilitation des transports en Afrique de l'Ouest (Technical Support for ECOWAS Transport Facilitation in West Africa) | 2,0 | partially satisfactory |
| 9 ACP ROC 01 | Appui au programme de formation de l'ASECNA (Support for the ASECNA Training Programme) | 14,2 | unable to assess |
| 8 ACP ROC 44 | ECOWAS Statistical Development Programme | 2,0 | partially satisfactory |
| 8 ACP ROC 33 | ECOWAS Capacity Building Programme for Regional Integration | 1,9 | unable to assess |
| 8 ACP ROC 31 | PARI II — Secteur privé (PARI II — private sector) | 15,0 | partially satisfactory |
| 8 ACP ROC 21 | PARI II | 65,0 | partially satisfactory |
| | TOTAL WEST AFRICA | 281,9 | |
| GRAND TOTAL | | 449,1 | |

¹ Financing/Contribution Agreement + Riders. In million euro.

REPLY OF THE COMMISSION

EXECUTIVE SUMMARY

I.

The Commission has been a staunch and reliable supporter of the regional integration process in Africa for more than 20 years. Putting regional integration into practice is a long-term strategic choice, with significant challenges. The EU itself, with more favourable circumstances in all respects, is still in the making as an integrated single market (for instance for services) after more than 50 years of history.

II.

The Commission wishes to draw the attention to the fact that beyond economic integration, its support for regional integration includes strong political components such as governance, peace building and conflict prevention, as well as support to gradually building regional policies, strategies and institutions in areas of sustainable development. These components make an important, albeit indirect contribution to regional economic integration.

III.

The Commission agrees that moving from agreed political objectives to a practical reality for regional economic actors is the key challenge of the next years.

IV.

Regional economic integration has achieved significant progress over the last years. This could not have been achieved without EC support, of a financial, political or technical nature.

REPLY OF THE COMMISSION

As a result of the EU contribution, tangible progress has been accomplished in liberalising and harmonising the trade regime, trade facilitation, standards and quality systems, facilitating transport, harmonising monetary policy and other areas of the regional economic integration agenda. Regional organisations have acquired a leading role in these areas and in the coordination of the participation of their member states in the negotiations of free trade agreements with the EU (EPAs).

While difficulties and some setbacks have been experienced, they have to be put in the perspective of the particularly complex institutional setting and low administrative capacities rightly emphasised by the Court's report.

V.

The Commission acknowledges that complementarity between regional and national strategies is a key issue. The work done by the Commission and its Delegations in the 10th EDF was already a significant improvement over the 9th EDF programming.

However, the Commission agrees that further improvements are still possible. Complementarity will be a key element in the mid-term reviews of the 10th EDF national strategies that will take place in 2010, in which special attention will be given to ensuring that the regional integration objectives supported by the Regional Indicative Programmes (RIP) will be integrated in the analysis of the National Indicative Programmes (NIP).

VI.

The Commission is aware of the need to provide up-to-date and more articulate guidance to the staff in Delegations. Initiatives have already been taken in order to produce guidelines on trade and private sector development, which include a section on regional integration, as well as tailored regional training workshops which are delivered in three to five regions per year.

Coordination has also clearly improved at the level of regional organisations, with a much better coordination through the IRCC in East Africa, and in the common strategy for the PAPED (Programme APE Pour le Développement) in West Africa. These have to be seen as first steps towards the goal of a much better regional integration.

The Commission acknowledges the need for adequate monitoring systems in the regional organisations and is taking the necessary steps to address this issue.

VIII. First indent

The Commission recognises the challenges of the institutional complexity for effective regional integration. This complexity is the result of history and political compromises between African nations. This issue is directly addressed in the context of the Joint EU–Africa Strategy.

Rather than imposing conditions for the EU support, the Commission believes that the convergence of regional organisations is best supported through political and policy dialogue and assistance for the convergence of regionally-led policies.

REPLY OF THE COMMISSION

VIII. Second indent

Specific efforts are being undertaken, in particular through regional seminars, to improve coherence between NIPs and RIPs, such as the recent Lusaka meeting and the West Africa Regional Seminar in Abuja (15–16/10/2009).

The mid-term reviews of the Country Strategy Papers (CSPs) and Regional Strategy Papers (RSPs) will indeed aim to further reinforce the interaction between both levels. The national mid-term review (MTR) guidelines already foresee this aspect.

VIII. Third indent

The increased funding is closely related to the recognised need of significant financial resources for the development dimension of the Economic Partnership Agreements (EPAs).

Progress made in implementing the regional programmes and the regional allocation is routinely examined under the mid-term review in the light of current needs and performance. Considering the short period of time during which the 10th EDF regional programmes have been implemented, it is too early to draw conclusions on the resources.

There is a need to concentrate on strengthening the absorption capacity of the regional organisations, rather than to already envisaging the revision of the volume of resources of the regional programmes.

VIII. Fourth indent

The Commission agrees that the Delegations' capacities to manage regional programmes should be improved and their responsibilities better defined. In addition to regular regional seminars, a more formal co-operation mechanism between the regional Delegations has already been introduced since January 2009. Improved coordination modalities have been agreed which will include two meetings per year at Heads of Delegations level.

INTRODUCTION

2.

Regional integration is a major priority of the Development Cooperation policy, as reflected in the European Consensus on Development. The need to deepen and accelerate regional integration processes in the ACP is detailed in the various Commission communications including COM(2008) 604 on regional integration for development in ACP countries but also in communications dating back to 1995, 2000, 2007. Development assistance is underpinning the trade and development strategy, including the considerable challenge of the negotiations and implementation of the Economic Partnership Agreements.

The regional programmes are the main vehicle to deliver on the commitments to provide specific trade-related assistance, support to trade-related infrastructures, building-up of productive capacities and trade-related adjustment measures.

REPLY OF THE COMMISSION

4.

The four areas of intervention mentioned by Court: strengthening regional institutions, building regional integrated markets, supporting business development and connecting regional infrastructure networks are those directly related to regional economic integration. Yet the Commission 2008 Communication also identified a fifth, non-economic, policy area: 'developing regional policies for sustainable development'.

5.

The financial envelope for the 10th EDF reflects the importance of Regional Integration and Trade in the political agendas of both the European Union and the African States.

8.

The RSP/RIP for the West Africa region takes into account the institutional structure of the region (UEMOA and ECOWAS) and the specific mandate of each organisation.

The RSP/RIP for the ESA–IO region also takes into account the different mandates and geographical scope of the four regional organisations, with COMESA and EAC focused more on economic and political integration in their respective geographical areas, and IGAD and IOC on functional cooperation.

10.

The overlapping memberships in East Africa has been addressed by the Tripartite Summit in Kampala in October 2008, where the direction was set towards a merger of the three regional organisations COMESA, EAC and SADC, thus paving the way for a Free Trade Area and a subsequent Customs Union. With this new regional structure the issue of overlapping membership should disappear in the medium term. The Commission will closely monitor and support where possible this ambitious but complex and lengthy process. The Regional meeting (September 2009 — Lusaka) has focused on showcasing and supporting the Tripartite efforts. The Commission has made demarches to IGAD to encourage them to streamline their Minimum Integration Plan into the regional FTA and CU plans of the Tripartite (points raised especially during the IGAD–EC Troika Ministerial meeting).

11.

The IRCC mechanism is intended to address some of the problems posed by the issue of overlapping membership, which was further highlighted and discussed at the Lusaka meeting where a series of steps to deal effectively with the issues of alignment, convergence and coordination were agreed. Ultimately, the completion of the Tri-partite process should effectively deal with the issue of overlapping memberships.

REPLY OF THE COMMISSION

OBSERVATIONS

13.

The complexity of the process leading to a gradual convergence of the two regional organisations in West Africa poses serious challenges in terms of coordination and management. The progress achieved should be acknowledged. In particular, the regional organisations have been encouraged to work on a common programme for the development of the region and their efforts for economic integration have resulted in the PAPED (Programme APE Pour le Développement) on the basis of which the first focal area of the 10th EDF RIP (support to regional integration) will be developed.

The Commission has requested and discussed with ROs in West Africa to develop a roadmap for regional integration (as stated in the 10th EDF regional strategy paper) on the basis of genuine regional ownership (regional organisations and member states) and the region's own agenda for regional integration in the wider sense. The roadmap would also take into consideration member states' own efforts as well as donors' interventions. Project selection will be made based on the roadmap.

19.

The share of the regional envelope within the overall 10th EDF envelope is solidly grounded. The regional envelope has been increased to reflect its prominent role in EU Development policy, as stated in the European Consensus on Development. Development assistance is underpinning EU trade and development strategy, including the considerable challenge of the negotiations and implementation of the Economic Partnership Agreements. In addition, the regional organisations' agenda has been extended to conflict prevention, good governance, migrations, promotion of human rights and sustainable development.

The amount for the 10th EDF is for six years instead of five years under the 9th EDF. However, the Commission is aware that the absorptive capacity of the regional organisations needs to be increased. One of the aims of the programmes is to increase absorption capacity.

See also reply to paragraph 2.

REPLY OF THE COMMISSION

21.

The Commission notes the positive assessment of the Court on the approach of institution building support to the regional organisations in order to increase their capacity to develop regional policies and enforce their implementation. The RSP is a document jointly agreed with the regional organisations (ROs) who in turn solicit and receive the agreement of their respective constituents. The Lusaka meeting agreed that national and regional authorising officers will enhance coordination on the design and implementation of programmes funded under the national and regional indicative programmes of the 10th EDF. In this context, capacity building, both at national and regional levels, will be crucial. The Commission wishes to stress that the regional indicative programmes are designed as programming documents that leave room for further needs assessment in the subsequent phases of the project cycle. Roadmaps reflecting the regions' joint integration priorities are being drawn up by regional organisations as a basis for joint EU–region identification of individual projects.

22.

The April 2009 Tri-partite pilot North-South Corridor (NSC) Donor Conference in Lusaka is a case in point. This meeting resulted in substantial donor pledges as well as commitments to alignment and harmonisation of donor support and policies in the transport sector. The Commission will provide substantial support to the NSC from the 10th EDF NIPs and RIP.

Transport is also an important component in the RSP/RIP in WA. As a direct result of EC support to the regional road sector, the UEMOA member states adopted in April 2009 a regional Ministerial declaration on axle load control.

23.

The process of linking national and regional programmes must be led by the countries and regional organisations (ownership). Still, the work done by the Commission in the programming of the 10th EDF resulted in a significant improvement compared to that of the 9th EDF. In West Africa, 12 out of 16 national indicative programmes foresee support for the implementation of regional policies: two as a focal sector (Nigeria and Senegal) and 10 as non-focal sector activities.

However, the Commission agrees that further improvements are still possible. These must result from discussions with all concerned partners. Notably in the context of the mid-term review special attention will be given to ensure that the regional integration objectives supported by the RIP will be integrated in the analysis and, where appropriate, in the review of the NIPs, to assess the impact of the regional programmes at national level and to ensure overall complementarity between the NIPs and the RIPs (and other EC and other donor instruments).

25.

The Commission confirms the increased emphasis on regional interconnectivity in the 10th EDF national programmes.

26.

The Commission wishes to stress that NIPs are programming documents that leave room for further needs assessment in the subsequent phases of the project cycle (identification and formulation).

REPLY OF THE COMMISSION

30.

Substantial discussions are under way with the region regarding widening the scope of RISM, e.g. to include the wider economic and social cost of adjustment.

A first call for proposals was launched in 2008 by the COMESA Secretariat and disbursements have been made (September 2009), for Rwanda 10 million euro and for Burundi 4,4 million euro COMESA is preparing the launching of a second call for interest, which is expected to result in four to six countries manifesting interest to benefit from the RISM facility.

31.

The Commission agrees that more attention needs to be paid to follow-up actions at national level and is taking the steps described below.

Box 1 — Insufficient link between regional and national activities

Both the Commission and the regional organisations are aware of the need to ensure a better articulation between the regional and the national components of interventions. This issue will lie at the heart of a detailed roadmap for the implementation of the 10th EDF and will be systematically addressed during project identification and formulation process.

The need to reinforce support to national ECOWAS focal point has been duly acknowledged and could be addressed in a new project to be approved early 2010: 'Support to monitoring of the regional integration process' (20 million euro).

34. (a)

The regional Delegations are directly involved in the RSP preparations and all the other Delegations have been consulted throughout the programming process of the 10th EDF RSP.

The need for guidelines on how to coordinate and share responsibility for programming is a concern that the regional Delegations have raised. It is acknowledged that the division of responsibilities and information between the different Delegations involved needs to be strengthened. The Commission is in the process of preparing these guidelines.

34. (b)

The Delegations established in the headquarters of the different regional organisations have, by their physical proximity, the mandate and the coordinating responsibility for the regional programmes.

34. (c)

Coordination structures between the regionalised Delegations and the Delegations in the regions can and must still be improved: staff increases and mission budgets are indispensable to improve the situation. The internal audit report has led to intensive consultations among Delegations and related services in headquarters.

A seminar on the Management of the Regional Programmes took place in February 2009, with active participation of Delegations with regional responsibilities. This has led to conclusions for improvements in the flow of information.

REPLY OF THE COMMISSION

35.

The 10th EDF programming guidelines specifically address the issue of subsidiarity and consistency between regional and national programming in section 2.4. Annex 2 of the document includes a paragraph '3. *Preparation of draft Country Strategy Paper/Regional Strategy Paper*' which defines the responsibilities between the Regional Authorising Officers, Heads of Delegations and Commission headquarters.

Strategies and interventions at national and regional level have been designed, to the extent possible to ensure close interaction and subsidiarity between the two levels. Both the establishment of the regional integration roadmaps and the ongoing mid-term review of the 10th EDF national programmes will be used to improve the complementarity between the national and regional programmes.

In addition specific efforts are ongoing to improve coherence between NIPs and RIPs. Regional seminars were held in 2009 for NAO and RAO to improve coherence between national and regional strategies, such as the East Africa (Lusaka, September 2009) and the West Africa Regional (Abuja, October 2009) seminars.

36.

The Commission agrees that reporting should be improved with more coordinated reviews by the Delegations concerned of projects in implementation. A more formal cooperation mechanism between the regional Delegations has been introduced since January 2009. Improved coordination modalities have been agreed which will include two meetings per year at Heads of Delegation level.

Box 2 — Inadequate reporting and monitoring by the Commission

Up until the EAMR of January 2009, reporting on regional activities figured within the respective national reports. As of July 2009 a consolidated report for the regional programmes is established by the regional Delegations. In the same way, headquarters now produce a consolidated reply encompassing all regional activities, which is sent to all Delegations in the region. This will contribute to an enhanced awareness of the regional activities by the EC Delegations in the region.

37.

Besides the total amount of the new programming, other elements play also an important role in the Delegations' workload, such as the share among the different means of aid implementation, the size and number of actions and financial operations (commitments, payments), number of focal sectors, etc.

The RELEX Commissioners decided in 2008 to serve better the political/policy dialogue and the regional integration and trade. This was achieved through redeployment and reinforcement measures, which are currently being implemented. The situation of scarcity is due to evolve as new resources will be made available. Close attention will be given to improving the capacity of Delegations to handle regional integration and trade issues. The Delegation in Nigeria will be reinforced by a deputy head of Delegation with specific responsibility for regional issues. In addition the office in Djibouti has been upgraded to a full Delegation to reinforce the political and development cooperation ties with the regional organisation (IGAD).

REPLY OF THE COMMISSION

38.

To improve coordination between the Delegations, specific steps are being taken by the Commission to ensure effective national support of regional projects and programmes: regional Delegations support contacts between regional authorising officers and national authorising officers; regional projects and programmes documents are circulated between Delegations of a region at preparatory stage and during implementation; regional meetings are organized (if possible by videoconference) by clusters of projects to bring together the Delegation 'chef de file' and focal points in other Delegations. The annual regional seminars of DG Development are also intended to foster cooperation.

40.

While IRCC may have shortcomings, its very existence embodies the coordination that takes place within the region during the programming and implementation of the RSP/RIP. It has proved an effective tool for programming by encouraging the regional organisations to plan together.

41.

The Commission has duly acknowledged constraints resulting from limited human resources capacity, limited authority and lack of staff. They illustrate the difficulty of the institutional context of regional cooperation in West Africa.

A new programme under the 10th EDF is currently in formulation that will incorporate lessons learned, e.g. extension of the project to all ECOWAS/UEMOA monitoring capacities, rather than EDF projects and to provide for a more rigorous logical framework aiming to further develop and enhance the coordination between the ROAs.

42.

Several major programmes started towards the end of the 9th EDF cycle. This relatively late start is mainly due to the late signature of the 9th EDF RIP, the complexity of the subject (economic integration) and the number of stakeholders and countries involved. Also, creating ownership among the regional organisations for the proposed implementation mechanisms and procedures takes time.

As for the mid-term review of the 9th EDF projects in West Africa, their late start is due to the late signature of the 9th EDF RIP, the complexity of the subject (economic integration) and general delays in implementation have led to postponement of the mid-term review. The Commission will pay specific attention to ensure that these evaluations are timely and to ensure compliance with reporting requirements.

43.

The Commission has recognised reporting weaknesses and has raised it with the IRCC. As a result the IRCC and the regional organisations are in the process of developing comprehensive M+E systems. For West Africa the Commission is addressing the issue with the formulation of a new project to be approved early 2010.

45.

The formulation of objectives is often the expression of the political ambition rather than reflecting implementation capacity of the ROs. Therefore Delegations have reviewed projects often downwards to produce a better match between objectives and RO capacities. The varied absorption capacities of the ROs are indeed an important reason for the extension of the implementation period of programmes. Therefore the Commission puts a high emphasis to RO's capacity building in most of its 10th EDF projects.

REPLY OF THE COMMISSION

Box 3 — Regional project complex and slow

Contribution agreements are a new instrument used by the Commission to channel support to Regional Organisation. These were the first such agreements signed with ECOWAS and UEMOA, both after institutional audits of each organisation.

In the implementation of the Economic and Trade project, delays were partly due to the insufficient understanding of the contribution agreement by ECOWAS services. Specific measures have been taken to avoid the loss of funds as well as to improve implementation modalities. Recruitments in ECOWAS services and TA support have improved appropriation and implementation. The rate of absorption of the contribution agreements is now 33 % and is expected to reach 48 % by the end of 2009.

46.

Following the audit conducted by the Internal Audit Service, a specific working group has been established and a seminar organised by the Commission and attended by the Heads of Delegations took place. An action plan has been developed to address the IAS findings and, as a consequence, a draft of precise guidelines for regional programmes is now being prepared.

48.

The regional organisations are going through a learning curve. Although more ground needs to be covered for it to make an efficient and smoothly running instrument, contribution agreements are considered to be the principal mode for implementing aid by the West Africa regional organisations. They serve as an important instrument in the political dialogue on regional integration and budgetary management by the regional organisations.

49.

One of the most important improvements in regional cooperation lies in the use of Contribution Agreements. It has made the Contribution Agreement eligible RO COMESA fully aware (since 2005) of its responsibility for the pace of progress in project implementation. The alignment with international standards and the related increased ownership are of overriding importance. Capacity audits and their reviews have been and are under way for all four ROs of the ESA-IO region. On regional capacity issues the follow-up four-pillar audit of EAC concluded that — in spite of some progress made — substantial further capacity strengthening is required, notably in the areas of internal audit and procurement. In response to the findings of the audit report, the Commission has taken the lead to work with EAC on a comprehensive Capacity Development Action Plan. The Commission's support will be provided as part of the RISP-programme.

51.

The formulation of objectives and expected results will specifically be targeted in the identification and formulation phase of future projects, notably through the internal Quality Support Group process in the Commission.

53.

Expenditure often accelerates at the end of the project cycle and besides the Commission may agree to extending project duration when necessary. Conclusions regarding effectiveness can only come after the finalisation of the projects.

REPLY OF THE COMMISSION

Box 5 — Project results unsatisfactory

Since the Court's visit the Commission has noticed the positive development reported in the mid-term review and information available for 2009 in several of the result areas: signing of the interim EPA, the launching of the COMESA Customs Union, the adoption by the COMESA Council of a harmonised legal framework for Sanitary and Phytosanitary Standards and the start of the regional payment and settlement scheme, progress with external trade statistics and the harmonised consumer price index.

Delays in the implementation of the transport Facility Project are mainly due to insufficient project formulation that was too general and did not pay enough attention to cross-border cooperation and policy harmonisation as well as the functional design requirements of the border posts. A great deal of time was thus needed after project approval to address these issues before physical implementation could begin.

The preliminary design of joint border posts shows a financing gap and has led to the decrease in the number of joint border posts (7 to 5) to be built. This selection is based on technical criteria to avoid political bargaining.

Tender procedures for works supervision have been launched. Preparation of works tenders is under way. The calendar established to meet the D+5 deadline is being respected and continuous attention is being paid to this project.

Box 6 — Project results partially satisfactory

Regional integration is a process and, in the West African context and given the region's own limited resources, it represents a new and quite dramatic change in policies and approaches that cannot be achieved in only 5 years time. This process will go on for years and Commission funded projects will facilitate this integration, that in the end, rests on the region and countries' own willingness and priorities.

REPLY OF THE COMMISSION

CONCLUSIONS AND RECOMMENDATIONS

56.

Putting regional integration into practice is a long-term strategic choice. The EU itself, with more favourable circumstances in all respects, is still in the making as an integrated single market (for instance for services) after more than 50 years of history. The Commission recognises the challenges but believes that predictability in the context of strategic political, financial and technical support at the national and regional levels is particularly important for the concrete advancement of regional integration.

The free movement of goods, services, capital and people in the two regions is far from total indeed, but it is a reality in some aspects at least (UEMOA's Common External Tariff, ECOWAS' passport). More importantly, it is ever progressing (adoption of the structure of the ECOWAS common external tariff in June 2009).

EDF support has been instrumental to some of the most visible achievements of regional integration in West Africa (such as the UEMOA customs union) or East Africa (such as the EAC customs union).

57.

The Commission has been a staunch and reliable supporter of the regional integration process in Africa for more than 20 years. Significant progress has been made in liberalising and harmonising the trade regime, trade facilitation, standards and quality systems, facilitating transport, harmonising monetary policy and other areas of the regional economic integration agenda.

Both in East and West Africa, agreements on harmonising structures for the regional organisations (such as the IRCC) and improvements on their performance have been achieved. Commitments for their future unification have also been obtained.

Regarding policy, the issue of the rationalisation of regional organisations has become part of the Joint Africa–EU Strategy, thereby enhancing political and policy dialogue on the issue between the African Union, regional organisations and the EU.

REPLY OF THE COMMISSION

Recommendation 1

The Commission recognises the challenges of the institutional complexity for effective regional integration. It is to be recalled that this complexity is the result of history and political compromises between African nations. This issue is directly addressed in the context of the Joint EU–Africa Strategy.

Rather than imposing conditions for the EU support, the Commission believes in continuing to work with the partner regional organisations and to enhance the political and policy dialogue with them following the letter and spirit of the Cotonou agreement.

The Commission believes that the convergence of regional organisations is best supported through political dialogue and assistance in the context of regionally-led efforts. Furthermore, the Accra Agenda for Action, point 26, also requires ‘greater predictability in the provision of aid flows to enable developing countries to effectively plan and manage their development programmes’ and that donors provide developing countries with regular and timely information on their rolling three to five year forward expenditure and/or implementation plans.

58.

Specific efforts are underway to improve coherence between NIPs and RIPs. Moreover, strategies and interventions at national and regional level have been designed, to the extent possible, to ensure close interaction and subsidiarity between the two levels. The NAOs and RAOs have been associated to the regional programming exercise.

The 10th EDF allocation reflects clear political choices and was determined on the basis of objective and specific allocation criteria.

In the specific case of regional programmes the Commission would like to underline that the increased funding is closely related to the recognised need of significant financial resources for the development dimension of the Economic Partnership Agreements (EPAs). In this context, the Commission is leading a major effort towards the establishment of regional aid-for-trade packages.

The Commission is aware that the absorptive capacity of the regional organisations needs to be increased. This is one of the main aims of the 10th EDF regional programmes.

REPLY OF THE COMMISSION

Recommendation 2

The Commission agrees and has already taken a number of steps to further improve coherence and consistency between regional strategy and national strategies, in particular through regional seminars.

The report by the Court of Auditors will be taken into account by the Commission in the mid-term review of the CSP and RSP. A more active involvement of NAOs and where possible Non-State Actors will be examined. The national mid-term review (MTR) guidelines already foresee this aspect.

Recommendation 3

The Commission routinely reviews the allocations to regional and national programmes at the time of the mid-term review.

Progress made in implementing the regional programmes and the regional allocation shall be examined under the mid-term review in the light of current needs and performance. Considering the short period of time during which the 10th EDF regional programmes have been implemented, it is too early to draw conclusions on the resources.

There is a need to first concentrate on strengthening the absorption capacity of the regional organisations, rather than to already envisaging the revision of the volume of resources of the regional programmes.

59.

The Commission is aware of the need to improve the management and coordination instruments for the regional integration and trade programmes and is taking the necessary steps in this direction (guidelines, specific seminars, focal points, etc.).

Recommendation 4 First indent

The Commission agrees and is working on this in the context of the development of practical guidelines for the management of the regional programmes by Delegations.

Recommendation 4 Second indent

The Commission agrees and is addressing this issue of coordination through regular consultations with regional Delegations and with related services in Headquarters.

Recommendation 4 Third indent

The Commission agrees. Redeployment and reinforcement measures have been decided by the Commission in 2008 in order to improve coordination and national-regional programme alignment and follow up. Close attention will be given to improving the capacity of Delegations to handle regional integration.

Recommendation 4 Fourth indent

The Commission can only partially agree with the Court's recommendation. Contribution agreements present significant advantages in terms of ownership by the region and are important instruments in the political dialogue on regional integration and budgetary management with the regional organisations. Nevertheless, special attention should be given to complement the insufficiencies with the appropriate Technical Assistance.

REPLY OF THE COMMISSION

Recommendation 5 First indent

The Commission agrees with the Court recommendation to further improve coordination between regional organisations and their member states and progress has already been made in this respect. Delegations have received guidance in this respect during the February 2009 regional seminar and in a follow-up note in July 2009. Moreover, the ESA RECs have adjusted the IRCC's mandate to ensure better coordination with national actions.

Recommendation 5 Second indent

The Commission agrees and work is ongoing with the ROs to improve M&E. This work is being supported at the Commission's HQs level with the compilation of a series of indicators in several areas, including regional integration.

60.

The Commission agrees and will pay specific attention to ensure that monitoring and evaluation of the EDF projects are timely. However, as some of these projects started in 2008, it is still too early to judge on their final results.

Recommendation 6 First indent

The Commission agrees and efforts are ongoing to improve the logical frameworks accompanying programmes/projects. The need for SMART indicators has been stressed by the Quality Support Groups (QSGs) for all projects foreseen in the AAP 2009. Continued pressure will be maintained to accompany programmes with indicators responding to the SMART criteria.

Recommendation 6 Second indent

The Commission agrees. The work on the indicators goes hand in hand with improving M&E systems. In addition, at regional level the IRCC are in the process of improving the RIP monitoring system. At COMESA level too, work is ongoing (notably for the RISP programme) to develop a more comprehensive monitoring system.

European Court of Auditors

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IN THIS REPORT, THE EUROPEAN COURT OF AUDITORS ANALYSES THE COMMISSION'S APPROACH TO REGIONAL ECONOMIC INTEGRATION IN EAST AFRICA AND WEST AFRICA, ITS MANAGEMENT OF THE SUPPORT PROVIDED AND THE RESULTS OF A SAMPLE OF PROJECTS. THE REPORT CONTAINS RECOMMENDATIONS WHICH AIM AT HELPING THE COMMISSION TO IMPROVE ITS APPROACH TO, AND MANAGEMENT OF, REGIONAL ECONOMIC INTEGRATION PROGRAMMES.



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