

CHAPTER IV

ECONOMIC AND DEVELOPMENT COOPERATION

TITLE I

General provisions

ARTICLE 35

General provisions

1. The Parties agree to address the developmental needs of the ESA States in order to promote sustained growth in the ESA region, increase production and supply capacity of the States concerned, foster structural transformation and competitiveness of their economies and their diversification and value addition and support regional integration.

2. The Parties commit themselves to cooperating in order to facilitate the implementation of this Agreement and to support regional integration and development strategies. The Parties agree that cooperation will be based on the ESA Development Cooperation Strategy and the jointly agreed Development Matrix. The matrix is attached as Annex IV to this Agreement. The ESA Development Cooperation Strategy and the Development Matrix will be regularly reviewed subject to the provisions of Chapter VI on Dispute Avoidance, Settlement, Institutional, General and Final Provisions. This cooperation will be measured against jointly agreed development benchmarks to be developed and adopted and annexed to this Agreement. The cooperation shall be in the form of financial and non-financial support to the ESA region.

3. In this regard, the financing pertaining to development cooperation between the ESA Region and the UK for the implementation of this Agreement shall be carried out within the framework for development cooperation as reaffirmed in Annex V. In this context, taking into account the new challenges deriving from enhanced regional integration and competition on the global markets, the Parties agree that supporting the implementation of the EPA shall be one of the priorities.

4. Both Parties shall cooperate to mobilise resources including from other donors, in particular Aid for Trade commitments, relating specifically to EPA support requirements and adjustment costs. The programmes/projects proposed for financing will be worked out jointly based on a detailed costed development matrix.

5. Sufficient resources should be mobilised on a predictable, timely and sustainable basis including through grants and concessional loans based on the Development Matrix. The UK shall contribute to these efforts under its international commitment on Official Development Aid. The Parties agree to monitor and coordinate the use of these resources.

6. Consistent with the Paris Declaration on Aid Effectiveness, the Parties agree to use and support as appropriate nationally and/or regionally owned delivery mechanisms, funds or facilities for channelling and coordinating resources for implementing the EPA. The Parties, in that regard, support the establishment of an EPA Fund to channel EPA related resources. In any case the UK shall support implementation of this Agreement through appropriate and effective UK funding mechanisms in consultation with ESA partners. The Parties also agree that all forms of aid delivery pertaining to their cooperation under this Agreement shall be guided by the Paris Declaration on Aid Effectiveness.

7. The Parties agree that EPA monitoring, on the basis of agreed indicators, will need to

address all aspects of the EPA, including achievements at the national level and at the level of regional integration and development strategies, as well as the effectiveness of the institutional arrangements and their achievements in meeting Aid effectiveness objectives, including ensuring predictability of the resources.

ARTICLE 36

Objectives

1. Economic and development cooperation shall aim at enhancing the competitiveness of ESA economies, building up supply capacity and enabling Signatory ESA States in implementing the EPA smoothly.
2. Economic and development cooperation shall aim at the structural transformation of ESA economies by establishing a strong, competitive and diversified economic base in the ESA States through enhancing production, distribution, transport, marketing, developing trade capacity of ESA States as well as capacity to attract investment, strengthening the ESA States' trade and investment policies and regulations and deepening regional integration.

ARTICLE 37

Scope

1. The Parties shall set out the development objectives related to the EPA that are specific to the ESA region and needed for the success of regional integration within the areas and sectors highlighted in this Article.
2. The areas that will be addressed by the cooperation are:
 - (a) regional cooperation and integration to ensure trans-regional coordination in all sectors;
 - (b) trade policy and regulations in order to assist the ESA States in participating more effectively in trade negotiations, in implementing international trade related conventions, trade related legislation and regulatory reforms amongst others;
 - (c) trade development, which covers namely business development and activities aimed at improving information management systems, partnerships, linkages, joint ventures and exchange of information and experiences, access to credit and investment finance, trade promotion and market development, institutional support as well as support to trade in services, including financial services;
 - (d) trade related infrastructure, including transport, energy and water;
 - (e) building productive capacities in relevant sectors of ESA economies;
 - (f) research and development, innovation and technology transfer;
 - (g) trade related adjustment costs, which include restructuring and social costs arising from the reduction of production by firms in import competing sectors and the loss of fiscal revenues due to the tariff reductions;
 - (h) gender mainstreaming;

- (i) empowerment of local communities, which includes social and cultural development; and
 - (j) mainstreaming of environmental issues into trade and development.
- 3. The cooperation shall, in particular, cover the following sectors:
 - (a) Private Sector Development, particularly Industrial Development, micro-enterprises, small and medium-sized enterprises (MSME), Mining and Minerals as well as Tourism.
 - (b) Infrastructure Development, namely in the Transport, Energy, Information and Communication Technology (ICT) sectors.
 - (c) Natural Resources and Environment, including Water Resources and Biodiversity.
 - (d) Agriculture.
 - (e) Fisheries.
 - (f) Services including Tourism; and
 - (g) Trade related issues, namely Investment, Competition, Intellectual Property Rights, Standards, Trade Facilitation and Statistics.

TITLE II

Private sector development

ARTICLE 38

Scope and objectives

1. The Parties recognise the importance of cooperation to develop the ESA region's private sector as the main engine of wealth creation in view to set up an appropriate enabling environment which is conducive to investment and growth. UK support and cooperation shall take account of the economic structure of the ESA States and their priorities in strengthening productive capacities and value addition, and the application of Production, Marketing, Distribution, and Transportation (PMDT) functions to improve supply capacities and competitiveness.

2. The scope of cooperation of private sector development will cover, inter alia, investment, industrial development and competitiveness enhancement, micro-enterprises, small and medium sized enterprises development, mining and minerals and tourism development as well as other productive sectors which are directly and indirectly covered by this Agreement.

ARTICLE 39

Investment

1. The Parties recognise the importance of investment. The objectives in this area are to:
 - (a) create an environment for sustainable and equitable economic development of ESA through investment, including foreign direct investment (green field or portfolio), technology transfer, capacity building and institutional support from the UK;
 - (b) provide deeper cooperation with institutions and inter- mediary organisations dealing with investment promotion in the UK and ESA through, inter alia, business dialogue, cooperation and partnership;
 - (c) support, through appropriate instruments, the promotion and encouragement of investment in the ESA region, including establishing a framework for funding and assistance to support economic development programmes in ESA;
 - (d) strengthen and build the capacity of private development institutions such as investment promotion agencies, chambers of commerce, associations and indigenous devel-opment organisations in individual ESA States and the region as a whole so as to enable the emergence of a dynamic and vibrant private sector; and
 - (e) develop a legal framework that promotes investment by both Parties, with a view to promoting and protecting investment and work towards harmonised and simplified procedures and administrative practices.

Areas of cooperation

2. Subject to the provisions of Article 35 the Parties agree to cooperate, including by facilitating support, in the following areas:
 - (a) support to policies and strategies for investment to help creating and maintaining a predictable and secure investment climate;
 - (b) support policy reforms and advocacy, human resource development, institutional capacity-building or other forms of institutional support to strengthen the capacities of the private financial and non-financial intermediaries, investment facilitation and promotion and competitiveness enhancement activities;
 - (c) encourage UK-ESA private sector partnership and joint ventures to promote investment, venture capital financing for greenfield investment and technology transfer;
 - (d) support efforts of the ESA States to attract financing, with particular emphasis on private financing, for infrastructure investments and revenue generating infrastructure critical for the private sector, including small and medium-sized enterprises (SMEs);
 - (e) support to develop regulatory capacity;
 - (f) improve access of ESA enterprises to investment finance instruments in the UK ;
 - (g) establish financial instruments adapted to SMEs of the ESA region;

- (h) ensure the increasing availability and use of risk insurance as a risk-mitigating mechanism in order to boost investor confidence in the ESA States; and
- (i) offer guarantees and assist with guarantee funds covering risks for qualified investment.

ARTICLE 40

Industrial development and competitiveness

1. The Parties recognise the importance of cooperation in industrial development and competitiveness. The objectives in this area are to:

- (a) facilitate the establishment, development, restructuring and modernisation of the Signatory ESA States' industry while fostering its competitiveness and self-sustainable and balanced growth taking into account environmental protection, sustainable development and economic empowerment; and
- (b) establish an environment favourable to the development of private enterprise in order to stimulate the growth and diversification of industrial production.

Areas of cooperation

2. Subject to the provisions of Article 35, the Parties agree to cooperate, including by facilitating support, in the following areas:

- (a) promote the development of activities in the areas of processing, marketing, distribution and transportation of products;
- (b) transfer of technology, knowledge and research and development;
- (c) support ESA States' financial institutions and the development of the capital market for the purpose of enhancing the private sector access to both short term and long-term capital;
- (d) capacity building for public and private sector;
- (e) encourage UK-ESA partnerships, linkages and joint ventures between economic operators; and
- (f) promote and strengthen innovation, diversification and value addition product development and quality.

ARTICLE 41

Micro, small and medium-sized enterprises

1. The Parties recognise the importance of cooperation in MSME. The objectives in this area are to:

- (a) promote a favourable environment for the development of MSME and for attracting investment therein; and
- (b) support MSMEs to adjust to trade liberalisation.

Areas of cooperation

2 Subject to the provisions of Article 35, the Parties agree to cooperate, including by facilitating support, in the following areas:

- (a) capacity building and institutional support;
- (b) technology development and transfer, innovation, information exchange and networks and marketing;
- (c) development of MSME databases;
- (d) access to finance;
- (e) encourage UK-ESA partnerships, linkages and joint ventures between economic operators;
- (f) trade and investment promotion;
- (g) strengthen value chains;
- (h) promote diversification and value addition.

ARTICLE 42

Mining and minerals

1. The Parties recognise the importance of cooperation in the development and management of the mining and minerals sector. The objectives in this area are to:

- (a) establish a conducive environment for attracting investment in the sector;
- (b) promote value addition and environmentally friendly technologies in the mining productive processes; and
- (c) ensure participation of local communities.

Areas of cooperation

2 Subject to the provisions of Article 35, the Parties agree to cooperate, including by facilitating support, in the following areas:

- (a) capacity building and institutional support for the exploration, exploitation and marketing of minerals;
- (b) information exchange;
- (c) encourage UK-ESA partnerships, linkages and joint ventures between economic operators;
- (d) improve health and safety standards in the mining industry;
- (e) transfer of technology, knowledge, innovation and Research and Development; and

- (f) address vulnerability of mineral export dependency.

ARTICLE 43

Tourism development

1. The Parties recognise the importance of cooperation in the development of tourism. The objectives in this area are to:

- (a) develop and strengthen a competitive tourism industry as a generator of economic growth and empowerment, employment and foreign exchange;
- (b) strengthen the linkages between tourism and other sectors of the economy; and
- (c) preserve, safeguard and promote natural, historical and cultural tourist attractions, while respecting the integrity and interests of local communities, particularly in rural areas.

Areas of cooperation

2. Subject to the provisions of Article 35, the Parties agree to cooperate, including by facilitating support, in the following areas:

- (a) establish strategic alliances involving public, private and local community interests in order to ensure the sustainable development of tourism;
- (b) promote partnerships, exchange of know-how and joint operations in areas such as development of products, markets and eco-tourism;
- (c) capacity building in human resources, improvement in service standards, and institutional structures; and
- (d) regional cooperation in tourism promotion.

TITLE III

Infrastructure

ARTICLE 44

Scope and objectives

1. The Parties recognise the importance of cooperation in the development and management of infrastructure, as a means to overcome the supply-side constraints and strengthen regional integration.

2. UK support and cooperation for infra- structural development shall take account of priority development areas as articulated in the respective ESA States' national and regional development programmes.

3. The scope of cooperation in infrastructure will cover the development of physical

infrastructure, namely transport, energy, information and communication technology.

ARTICLE 45

Transport

1. The Parties recognise the importance of cooperation in the development and management of transport. The objectives in this area are to:

- (a) Develop, restructure, rehabilitate upgrade and modernise the ESA region's transport systems on a sustainable basis.
- (b) Improve the movement of people and flow of goods and provide better access to markets through road, air, maritime, inland water and rail transport.

Areas of cooperation

2 Subject to the provisions of Article 35, the Parties agree to cooperate, including by facilitating support, in the following areas:

- (a) improve management of transport systems;
- (b) improve and develop the state of infrastructure at all levels, including the development of inter-modal infrastructure networks;
- (c) capacity building in human resources, improvement in service standards, and institutional structures;
- (d) technology development and transfer, innovation, information exchange and networks, and marketing;
- (e) encourage UK-ESA partnerships, linkages and joint ventures between economic operators;
- (f) improve safety and reliability of the transport sector, including the management of hazardous goods and emergency response; and
- (g) support to the development of regional transport policies.

ARTICLE 46

Energy

1. The Parties recognise the importance of cooperation in the energy sector as a vehicle for supporting the ESA economies' competitiveness at the regional and global levels. The objectives in this area are to:

- (a) improve the access of ESA States to modern, efficient, reliable, diversified and sustainable and renewable sources of clean energy at competitive prices;
- (b) enhance the production, distribution and management capacity of energy nationally and regionally; and

- (c) promote regional energy cooperation.

Areas of cooperation

2 Subject to the provisions of Article 35, the Parties agree to cooperate, including by facilitating support, in the following areas:

- (a) enhance the production and distribution capacity of existing energy sources, in particular hydro, petroleum and biomass;
- (b) expand and diversify the energy mix to include other potential sources of energy that are socially and environmentally acceptable and that reduce dependency on oil;
- (c) support the development of energy infrastructure, including for rural areas;
- (d) support the development of appropriate energy regulatory and policy reforms, including commercialisation and privatisation;
- (e) promote regional interconnectivity and cooperation in the production and distribution of energy;
- (f) capacity building in human resources, improvement in management, service standards, and institutional structures;
- (g) support the creation of a conducive environment for attracting investment in the sector;
- (h) technology development and transfer, research and development (R&D), innovation, information exchange, development of databases and networks;
- (i) encourage UK-ESA partnerships, linkages and joint ventures between economic operators.

ARTICLE 47

Information and Communications Technology (ICT)

1. The Parties recognise the importance of cooperation in the development of ICT as a key sector in the modern society to foster competitiveness and innovation, as well as for the smooth transition towards the information society. The objective in this area is to develop the ICT sector and promote its contribution to other socio-economic sectors.

Areas of cooperation

2 Subject to the provisions of Article 35, the Parties agree to cooperate, including by facilitating support, in the following areas:

- (a) facilitate connectivity at the national, regional and global levels;
- (b) disseminate new information and communication technologies;
- (c) support the development of the legal and regulatory frameworks on ICT;

- (d) technology development, transfer and applications, R&D, innovation, information exchange and networks, and marketing;
- (e) capacity building in human resources, improvement in service standards, and institutional structures;
- (f) encourage and facilitate UK-ESA partnerships, linkages and joint ventures between economic operators;
- (g) promote and support the development of niche markets for ICT-enabled services.

TITLE IV

Natural resources and environment

ARTICLE 48

Scope and objectives

1. The Parties recognise the importance of cooperation in the sustainable management of natural resources and environment. Cooperation in this area shall take account of differentiated and trans-boundary needs of ESA States.
2. The scope of cooperation in natural resources and environment will cover natural assets, including water resources, and environment, including biodiversity, as well as enhancing the linkages between trade and environment. It will also cover support for the implementation of international environmental agreements, conventions and treaties.

ARTICLE 49

Water resources

1. The Parties recognise the importance of cooperation in the development of water resources (including irrigation, hydropower and water supply) for the improvement of the livelihoods of the populations. The objectives in this area are:
 - (a) the sustainable development and management of water resources in the region;
 - (b) regional cooperation for the sustainable utilisation of trans- boundary water resources.

Areas of cooperation

2. Subject to the provisions of Article 35, the Parties agree to cooperate, including by facilitating support, in the following areas:
 - (a) development of infrastructure of water resources in the region;
 - (b) development of the legal and regulatory frameworks;
 - (c) promotion of integrated water management;

- (d) capacity building in human resources, improvement in service standards, water management and institutional structures;
- (e) encourage and facilitate UK-ESA partnerships, linkages, regional water partnerships and joint ventures between economic operators;
- (f) technology development, transfer and applications, R&D, innovation, information exchange and networks;
- (g) water pollution control, purification and conservation, wastewater treatment and sanitation; and
- (h) promotion of sustainable irrigation schemes.

ARTICLE 50

Environment

1. The Parties recognise the importance of cooperation in the protection and sustainable management of the environment and implementation of trade-related environmental policies. The objectives in this area are to:

- (a) protect, restore and conserve the environment and biodiversity: flora, fauna and microbial genetic resources, including their ecosystems;
- (b) develop new ESA industries related to the environment; and
- (c) reduce environmental degradation, including clean air and desertification.

Areas of cooperation

2. Subject to the provisions of Article 35, the Parties agree to cooperate, including by facilitating support, in the following areas:

- (a) support the implementation of international environmental agreements, conventions and treaties;
- (b) strengthen and promote sustainable environmental management systems;
- (c) sustainable utilisation of biodiversity, forestry and wildlife resources;
- (d) reinforcing institutional and legal frameworks and the capacity to develop, implement, administer and enforce environmental laws, regulations, standards and policies;
- (e) capacity building in human resources and institutional structures to comply with environmental and biodiversity requirements;
- (f) encourage and facilitate UK-ESA partnerships, linkages and joint ventures between economic operators;
- (g) mitigation of natural disasters, prevention of environmental disasters and the loss of biodiversity;

- (h) technology development and adaptation, transfer and applications, R&D and innovation;
- (i) protection and management of coastal and marine resources and domestic and wild indigenous biological resources;
- (j) support the development of alternative environmentally friendly activities and livelihoods;
- (k) support the production and facilitate trade of goods and services for which eco-labelling is important;
- (l) exchange of information and networking on products and their requirements in terms of production process, transport, marketing and labelling;
- (m) support the development of infrastructure facilities on environmentally-friendly products;
- (n) integration of local communities in the management of biodiversity, forestry and wildlife resources;
- (o) waste management and disposal of industrial and toxic wastes; and
- (p) sustainable management of forests and similar mechanisms.

ARTICLE 51

Financial undertakings

1. Subject to the provisions of Article 35, the UK shall support implementation of this Agreement through appropriate and effective UK funding mechanisms in consultation with ESA partners to contribute to implementing the programmes and projects to be developed under the areas of cooperation identified in this Agreement and relevant chapters and under the detailed Development Matrix.
2. The Parties agree to establish adequate joint institutional arrangements to effectively monitor the implementation of the development cooperation of this Agreement. Such arrangements shall include the establishment of a Joint Development Committee.
3. The Parties agree that the institutional arrangements shall remain flexible to adapt to the evolving national and regional needs.