Identification and definition of indicators – proposal for the operational arrangements of the Competitiveness Observatory in the context of the EPA between the European Union and West Africa

Final Report

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<th>Acronym</th>
<th>Full Form</th>
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<tr>
<td>ACP-EU</td>
<td>African, Caribbean and Pacific states/European Union</td>
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<td>AD</td>
<td>Action document</td>
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<td>ADB</td>
<td>African Development Bank</td>
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<td>CDP</td>
<td>Community Development Programme</td>
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<td>CET</td>
<td>Common External Tariff</td>
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<td>DEU</td>
<td>Delegation of the European Union</td>
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<td>DSS</td>
<td>Decision Support System</td>
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<td>EC</td>
<td>European Commission</td>
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<td>ECOWAS</td>
<td>Economic Community of West African States</td>
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<td>EIB</td>
<td>European Investment Bank</td>
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<td>EPA</td>
<td>Economic Partnership Agreement</td>
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<td>EPADP</td>
<td>EPA Development Programme</td>
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<td>EU</td>
<td>European Union</td>
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<td>HS</td>
<td>Harmonised System</td>
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<td>NIP</td>
<td>National Indicative Programme</td>
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<td>OECD</td>
<td>Organisation for Economic Cooperation and Development</td>
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<td>OPA</td>
<td>Observatory on Abnormal Practices, <em>Observatoire des pratiques anormales</em></td>
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<td>PEST</td>
<td>Political, economic, social and technological</td>
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<td>PME</td>
<td>Planning, monitoring and evaluation</td>
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<td>REP</td>
<td>Regional Economic Programme</td>
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<td>RIP</td>
<td>Regional Indicative Programme</td>
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<td>RoW</td>
<td>Rest of World</td>
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<td>SIA</td>
<td>Sustainability Impact Assessment</td>
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<td>SME</td>
<td>Small and medium enterprises</td>
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<td>SSATP</td>
<td>Sub-Saharan Africa Transport Programme</td>
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<td>TFP</td>
<td>Technical and financial partners</td>
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<td>ToR</td>
<td>Terms of Reference</td>
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<td>UEMOA</td>
<td>West African Economic and Monetary Union</td>
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<td>WA</td>
<td>West Africa</td>
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<td>WCO</td>
<td>World Customs Organisation</td>
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<td>WTO</td>
<td>World Trade Organisation</td>
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1. Introduction

1.1. Mission context
The Lomé Conventions between the ACP group of countries and the EU defined the framework of the privileged trading relationship between Europe and West Africa (WA) in 1975-2000. The negotiation of the Cotonou Agreement in 2000 saw the parties agree on and establish the concept of a radical reform for EU-ACP economic and trade cooperation, with the aim to achieve a new approach to development for a more effective and harmonious integration of ACP countries in the global economy.

This radical redesign of trade relations is the result of the unsatisfactory track record of the trade relations between the ACP countries and Europe, and especially of intra-ACP trade. This assessment brought with it a challenge to the development model, and specifically the trade regime, that had been applied under previous agreements – agreements which, for more than 30 years, had granted the ACP countries a system of asymmetrical and non-reciprocal preferences in their trade with the EU. It had become obvious that this model was not bringing the expected results: ACP states today continue to produce and export mainly raw materials, with no real tendency towards diversification or transformation. Moreover, being protected from international competition, ACP countries have no incentive to improve competitiveness, and have become importers of finished products made elsewhere from raw materials extracted on their own territories. While other countries in Asia and Latin America improve their competitiveness and gain market share, the importance of Africa in international trade is declining.

By signing the Cotonou Agreement, which provides for a new Economic Partnership Agreement (EPA), the governments of WA signalled their recognition of the need for a radical reform of economic and trade-related cooperation with Europe. WA countries cannot afford to maintain a trade regime based on preferences which do not induce real development and do not make a significant contribution to the reduction of poverty – there is no time to waste as research, innovation and competitiveness gains initiated by international competition give other developing countries, and Asian and Latin American blocs in particular, a boost in market share and create wealth and employment for the benefit of their people.

The originality and challenge of the EPA are to be found in its nature as a process and a development model to be implemented in partnership between the EU and WA, leading – in the terms used by the Cotonou Agreement – to a progressive and harmonious integration of ACP countries into the world economy. In other words, it calls for an adaptation of EU-ACP trade relations to WTO rules, as well as to international competition. To achieve this, the EPA aims to deploy an integrated approach to trade and development, which, in addition to tariff issues, will look at all subjects related to trade and development so as to facilitate and shape the integration of economies in a context of international competition. This requires a gradual but necessary restructuring of economies which are currently operating within a global dynamic characterised by preference erosion.

1.2. The WA-EU regional EPA
The negotiations on the WA-EU regional EPA were concluded with the initialling of a consensus text by the chief negotiators of West Africa and the EU on 30 June 2014. In July 2014, the heads of state and government of ECOWAS gave their final approval to the Agreement and subsequently opened it for signature by the member states. All EU member states have already signed the Agreement, while 13 of the 16 states that make up the West African EPA configuration had signed the Agreement by August 2016. Two states – Ghana and the Ivory Coast – which had entered into interim EPAs with the EU are currently making arrangements for their implementation pending the entry into force of the regional EPA.
In Part III of the EPA, ‘Cooperation for implementation of development and achievement of the objectives of the Agreement’, the parties agreed to make arrangements for the implementation of the EPA Development Programme in order to strengthen intra-regional trade and take advantage of the opening of the European market. The European side has made a commitment to provide its West African counterparts with technical and financial support to help them achieve this goal. In the framework of the implementation of these provisions, the parties agreed in Article 61 to establish a Competitiveness Observatory that would be part of the monitoring and evaluation system for the implementation of the Agreement.

1.3. Mission objectives

The overall objective of this mission, the final report for which is presented here, is to provide WA and the EU with the necessary elements for the establishment of the Competitiveness Observatory provided for by the EPA (Articles 2 and 61) between the two parties. These elements must be in accordance with the provisions of the Agreement, which assumes a scope that would allow the Competitiveness Observatory to fully play its role as an instrument for the monitoring and evaluation of the implementation of the EPA at economic, social and environmental levels.

The specific objectives of the mission are to identify and define suitable indicators that would allow both parties to fulfil their obligations in terms of the monitoring and evaluation of the EPA. Moreover, the terms of reference require that the study propose operational and practical implementation arrangements for the Competitiveness Observatory in WA both institutionally and in terms of the conditions that would guarantee its transparency and independence. At the same time, the end result should not be simply a machinery for producing statistics. The preferred approach should be first and foremost to use the existing reliable and jointly accepted data and statistics to carry out analyses that will keep the monitoring and implementation bodies of the EPA and all stakeholders informed. The mission should clearly identify the indicators of effect and impact while prioritising them in a way that meets the needs of stakeholders and other actors (i.e. the EU, WA, West African and European parliaments, private sector, civil society, etc.). More detailed lines of inquiry can then be put forward for the realisation of specific analyses based on the identified needs. In this context, the study should provide simple and viable answers (the formulation of a relatively small list of operational indicators) for the EU and WA.

The steps for the identification and definition of indicators and the proposal for the operational arrangements for the Competitiveness Observatory in the context of the EPA between the EU and WA were organised within three areas:

1. The formulation of the objectives of the interventions and the obligations that arise from them under the provisions of the WA-EU EPA – arrangements necessary for the selection and identification of indicators.
2. The indicator development process; it had been decided from the outset that the Observatory should base its work on a shortlist of priority operational indicators. This list of indicators can be expanded gradually in the coming years.
3. The determination of the conditions for the sustainability of the monitoring system and mechanisms to ensure continuity in the production, validation and use of indicators.

It goes without saying that the success of the future Competitiveness Observatory and its sustainability will require ownership of the process by the various partners and stakeholders. The Observatory will thus base its work on a number of basic principles: independence; transparency; use of overall indicators, especially those specific to the EPA; and practicability. In addition, its design and operation will have to be based on a participatory and inclusive process.

The second section of this report provides a selective series of indicators for the implementation and monitoring/impact of the EPA. This list is relatively long; a smaller number of indicators will be selected on a consensual basis following consultation with stakeholders in WA and the EU. During this
undertaking, it will be important to prioritise objectives that are sufficiently tied to the aims of the EPA and which leave little room for subjectivity. In addition, there will be a preference for sources that have already undergone a validation process for which it is possible and relatively easy to get the necessary data. The third section highlights a proposed institutional framework for the Competitiveness Observatory. And the recommendations and preliminary conclusions of the study are then discussed in the fourth section. A series of annexes, including one that explains the indicators and their sources, will constitute the final part of the report.
2. **EPA implementation, monitoring and impact indicators**

2.1. **Management and monitoring of EPA commitments**

The EPA document contains 114 articles and six annexes. It provides the main benchmark for the monitoring and evaluation of compliance by the parties with the obligations stated in the Agreement. The fulfilment of commitments will have to be monitored at the level both of the EU and WA, and a system will be established for the monitoring and evaluation of compliance. On this basis, the compliance with the provisions of the Agreement by the parties will allow the effects and impact of the EPA to be highlighted.

Initially, compliance with the commitments of the Agreement will be monitored in terms of basic legislative and regulatory reforms as required by the implementation of the EPA. The starting point will be the signature and ratification of the EPA.

2.1.1. **Preparation for the implementation of the EPA**

The implementation of the EPA will require that each country and regional integration organisation carry out an analysis of the laws and regulations in place to determine their compatibility with the EPA and thereby identify fields in which it will be necessary to undertake legal reforms and/or formulate new administrative procedures in accordance with the provisions of the EPA. This will require the deployment of legal experts, whose main mission will be to help national authorities complete a matrix of actions that will need to be carried out in the domain of legal and administrative reforms, immediately and for the short to medium term. This review should allow the preparation of a list of measures that will need to be passed at a national level to ensure that the national legislative and administrative body of laws conforms to the provisions of the EPA.

**Indicators:**

EN1 List of EPA provisions requiring an adjustment of a legal or administrative type; implementation status of these provisions.

EN2 Existence of a roadmap/strategy for the implementation of the EPA at a regional and national level, and compliance with its stipulations.

EN3 Existence and operability of an EPA implementation unit at a regional and national level.

EN4 Existence and operability of a plan for information and awareness-building on the EPA among stakeholders.

2.1.2. **Institutional supervision mechanism for the EPA**

The establishment of an institutional implementation and supervision framework for the EPA, including representatives of both parties, is specified and organised by Articles 91 to 98 of the Agreement. It is in fact seen as necessary that the parties be able regularly to review all important issues and/or practical difficulties encountered in implementing the Agreement – whether bilateral, multilateral or international – that are related to the economic partnership and trade between the parties. Several bodies will be established, including:

- A Joint Council of the WA-EU EPA,
- A Joint Agreement Implementation Committee;
- A Special Committee on Customs and Trade Facilitation;
- A Joint WA-EU Parliamentary Committee;
- A Joint WA-EU Consultative Committee.
Given the importance of the institutional arrangement in the supervision of the implementation of the EPA, the indicator proposed below is meant to educate the actors on the establishment and operationalisation of the relevant bodies.

Indicators:
EN5 Existence and operability of bodies specified by the Agreement, including those listed in Article 91 relating to EPA institutional arrangements. Number of meetings held in accordance with the stipulations of the Agreement and their operating rules. Rate at which decisions are implemented and at which formulated recommendations are taken into consideration.

2.2. Trade liberalisation
The asymmetrical and reciprocal liberalisation of trade in the WA-EU EPA is based on a tariff dismantling schedule covering a period of 20 years. Compliance with the market opening commitments under the EPA should be assessed product by product according to the adopted dismantling schedule. The preferences will (with the exception of a list of products excluded from the process) be granted in the form of customs duties (at ad valorem rates). Monitoring compliance with the commitments will ensure that the applied preferential rates effectively comply with the Agreement (sections I and II of Annex C).

The challenge faced by this process stems from the changes in the WCO’s nomenclature which generally take place every five years. These changes to the definition of commodity groups – designated by universal six-digit codes under the Harmonised System (HS) – involve code deletions, new designations, and disaggregation or merging of commodity groups. This situation is further complicated by the fact that access to the EPA market for WA has been defined at ten-digit codes level.

The objective of monitoring commitments is to provide an update that verifies compliance as soon as a change occurs in applied tariff rates or in a definition in the nomenclature system (product code and description).

Much trade in WA is informal. To ensure the best possible overview of the situation, indicators should keep this dimension in mind. However, it is important to recognise that there are no reliable, regular data for this type of trade. While it is true that some countries have attempted to measure the informal sector, the solutions remain patchy. Given these circumstances, and until the informal sector estimation programme currently underway in ECOWAS bears fruit, there is no real added value to overly systematic consideration of the informal sector.

Indicators (Annex 1):
S1 Application by parties of the preferential rate for import duties. Number of irregularities in the implementation of duties and taxes compared to the commitments of the EPA.
S2 Transposition of the Harmonised System (HS) codes.
S3 Identification of arbitrage issues arising from the basic changes in the HS.
S6 Establishment and operationalisation of a free movement system.
S7 Number of trade defence measures taken by WA states and the EU.
S8 Number of companies and products that have benefited from the regulations in Annex IIA, and of accumulations and derogations in the rules of origin.

2.2.1. Use of preferences
The benefit of a preferential arrangement is conditional on a number of administrative constraints (EUR1 certificates, registration rules, translations, approvals, etc.) and the observation of provisions on
rules of origin. The transaction cost related to compliance with these rules may be high and even become greater than the preferential margin (i.e. MFN customs duty – preferential duty). This is why an indicator of how often the preferences stipulated by the EPA are used should be considered for EU imports of products from WA and WA imports originating in the EU. The monitoring of this indicator by product and by country should reveal potential obstacles to the smooth operation of the Agreement (training and information for operators, procedural delays, cost of compliance, etc.) and the difficulties inherent in complying with rules of origin.

**Indicators (Annex 1):**

S9 Rate of use of EPA preferential rates by WA.
S10 Rate of use of EPA preferential rates by the EU.

These indicators also allow the introduction of other considerations related to trade facilitation and sustainable development, particularly if one considers the use of trade preferences by size of flow. Such an approach can reveal the most important constraints linked to the use of the EPA preference in some sectors or according to the importance of imports (size effect).

### 2.3. The development dimension and realisation of the objectives of the Agreement

The title of Part I of the EPA (‘Economic and Trade Partnership for Sustainable Development’) illustrates that the EPA is not a typical free-trade partnership. Indeed, the objectives of the Agreement, formulated in the first article, clearly indicate a double trade and development dimension. They are as follows:

- to establish an economic and trade partnership to achieve rapid and sustained economic growth that creates employment, to reduce and then eradicate poverty, to raise living standards, to achieve full employment, to diversify economies and raise real income and output in a way that is compatible with the needs of the West African region while taking account of the Parties’ different levels of economic development;
- to promote regional integration, economic cooperation and good economic governance in the West African region;
- to increase intra-regional trade and encourage the formation of a unified and efficient regional market;
- to contribute to the harmonious and progressive integration of the West African region into the world economy, in accordance with its political choices, its priorities and its development strategies;
- to strengthen economic and trade relations between the Parties on a basis of solidarity and mutual interest in accordance with WTO obligations, in a way that takes account of the significant difference in competitiveness between the two regions.

In principle, trade liberalisation and the increase in trade it induces are considered powerful means to reduce poverty and raise standards of living. In Article 52 of the Agreement, the parties recognise that ‘improving access to the market of the European Union is not a sufficient condition for bringing about the profitable insertion of the West African region into world trade.’ An entire protocol entitled ‘The EPA Development Programme (EPADP)’ was therefore included in the EPA. The Agreement contains numerous commitments and items (i.e. Articles 52-61) relating to the development objective of the

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EPA, the EU's commitment to support WA in the implementation of an EPA focused on development, etc. Article 53 of the EPA states that ‘The new trade system […] and the commitments made with regard to development cooperation shall complement one another and both together contribute to the development aspect of this Agreement.’

The protocol relating to EPADP is divided into five chapters and 10 articles. It defines the general framework of EPADP and indicates specific modalities of implementation and financing, as well as an institutional framework and monitoring & evaluation mechanisms. Articles 4 to 7 of the Protocol specify the financing modalities. The sources of funding are to be found both in the EU and WA, and each bring their own contributions and may seek additional funding by soliciting other donors.

EPADP is the main support framework in the various areas covered in several sections of the text of the Agreement, such as those that focus on enhancing cooperation in customs matters, SPS standards, tax reforms, and monitoring & evaluation of the implementation of the EPA. Article 58 of the EPA states that:

- EPADP shall be implemented through a matrix of activities combined with a financial assessment, a schedule and indicators for monitoring implementation.
- The matrix of activities shall be covered by a financial commitment by the European Union and its member states.

The European Council conclusions of 17 March 2014 included a commitment of €6.5 billion for activities related to EPADP in West Africa during 2015-2020. This support will be provided and implemented within the framework of the Cotonou Agreement, including regional and national indicative programs under the 11th EDF, as well as the relevant instruments financed by the general budget of the EU and the support mechanisms of EIB and member states who wish to support EPADP.

Indicators:

| PD1 | Amounts of resources committed by the EU, its member states, EIB and other technical and financial partners within the framework of the implementation of the development dimension of EPA. |
| PD2 | Rate of contracting on projects corresponding to EPADP, broken down by broad category. |
| PD3 | Concrete and pragmatic criteria on the use of funds: the number of countries that have experienced an improvement in the business environment; the amount of EU resources committed and disbursed as part of projects to support trade facilitation; the number of countries that have improved their trade performance. |
| PD4 | Dialogue framework on EPADP in place and operational. |

2.3.1. Agriculture, fisheries and food security

It was important for the West African parties that there be provisions in the EPA specifically regarding agriculture, fisheries and food security. This is given their strategic significance and their importance in terms of contribution to development. Thus, the first paragraph of Article 46 states that ‘in the West African region, the agriculture, including livestock farming, and fisheries sectors account for a significant proportion of GDP, play a key role in the fight against food insecurity and provide an income and employment for most of the working population.’

Paragraph 5 of Article 48 goes on to say that: ‘Each Party shall ensure transparency in its domestic support policies and measures. The European Union shall therefore send, by any appropriate means, regular reports to WA on such measures, including, in particular, the legal basis, the forms of measures and the associated sums. The Parties may exchange information concerning any agricultural policy measure at the request of either of the Parties.’ Paragraph 6 continues by stating
that: ‘The European Union Party undertakes to refrain from the use of export subsidies for agricultural products exported to West Africa.’ (It should be noted that there are no more export refunds for EU exports to West Africa. Articles 48-49 identify some 30 objectives for WA-EU cooperation in the field of agriculture and fisheries.

Indicators:

AG1 Periodic reports (frequency to be determined) on domestic support policies and measures prepared by the EU to inform WA, also covering the commitment of the EU not to use export subsidies for agricultural products exported to markets in WA.

AG2 Number of cooperation initiatives implemented to promote agricultural development and food security in WA.

AG3 EU support given to WA for the establishment of an effective assessment and monitoring system for fisheries.

AG4 Evolution of the number of actions and sanitary measures by country: number of rejections following health checks, proposals for training courses on health controls, resolution of health problems, number of awareness-raising measures regarding SPS standards.

AG5 An operational framework for dialogue on agriculture and fisheries issues.

2.4. Effects and impact of the EPA

2.4.1. Trade flows

The WA and EU parties expect that one of the effects of the EPA on growth will come from an expansion of their trade opportunities (export, market share). Given the asymmetrical features of the EPA and the tariff dismantling schedule, the WA export component must be kept in mind. However, there is reason to temper the view that only the expansion of opportunities fosters development through its nominal importance – the structure of exports (both geographical and productive) should also be considered. Thus, an increase in exports of processed products from WA would be more promising for sustainable development in terms of added value and workforce skills than an equal boost to exports of basic commodities. Similarly, diversified trade is more positive than export based on a small number of products. These considerations in terms of the diversification of production and a higher value added of output are among the economic effects hoped for and expected by the EPA. The indicators of diversification and transformation that are considered in this section in terms of the commercial impact of the EPA are also the indicators at the heart of sustainable economic development (see below, Section 4.1).

In the same way, the growth in market opportunities in WA for products originating in the EU can have a variety of effects depending on the nature and composition of the goods imported into WA. There is a possible effect of improving the well-being of consumers, for instance. Imports of intermediate goods (machinery, technology, etc.) can also contribute to improving productivity in WA. At the same time, European consumer goods can compete with local substitute production and lead to adjustment costs (in food production or employment, for instance). The trading range will be considered in relation to the reference baseline defined before the entry into force of the EPA.

Trade indicators (Annex 1):

IM1 Change in WA imports from the EU.

IM2 Change in WA imports of liberalised products from the EU.

IM3 Change in EU imports from WA.

IM4 Change in WA imports from the rest of the world (excluding the EU).

IM5 Change in WA imports from the rest of the world (excluding the EU) of products in Annex C.
Indicators of the change in trade flows by sector:

- **IM6**: Indicator of impact on trade with the outermost regions of the EU.
- **IM7**: Change in WA exports by major category (Annex 1).
- **IM8**: Change in WA imports by major category.
  
  The sectors are:
  - milk
  - poultry
  - onions
  - tomatoes
  - tropical fruit
  - seafood
  - textiles
  - oilseeds, etc.

2.4.2. The fiscal impact of the EPA

The question of taxes is an important element in what is expected from the EPA. This was the subject of an ex ante analysis in the framework of a computable general equilibrium approach to the net fiscal impact. Nevertheless, economic reality is often capricious with regard to the theory or the way the latter is understood by economists. Effective tax collection indicators are important to shaping an approach that rests on tax efficiency and reforms (on exemptions or even fraud).

Article 60 of the EPA states that:

1. The Parties recognise the challenges that the elimination or substantial reduction of customs duties provided for in this Agreement can pose for the West African region and they agree to establish dialogue and cooperation in this field.
2. In view of the tariff dismantling schedule adopted by the Parties as part of this Agreement, the Parties agree to establish in-depth dialogue on fiscal adjustment reforms and measures in order to reduce the budget deficit and ultimately ensure a balanced budget for the countries of the West African region.
3. West Africa undertakes to establish tax reforms as part of the change in tax collection resulting from liberalisation. The European Union undertakes to help West Africa to implement these reforms. In view of these reforms, the European Union undertakes to provide funding to cover the fiscal impact agreed by the Parties for the period of tariff dismantling.

The loss of tax revenue caused by the EPA should thus be offset by new revenue sources. To do this, it will be necessary to improve the management of public revenue and expenditure in order to compensate for temporary losses of tax revenue. This will include, among other things, ensuring the necessary fiscal transition, including enhancing the domestic tax take (with a substantial reduction in

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3 N.B. There are currently nine outermost regions: five French overseas départements (Martinique, Mayotte, Guadeloupe, French Guiana and Réunion), one French overseas collectivity (Saint-Martin, since 2009), two Portuguese autonomous regions (Madeira and the Azores), and one Spanish autonomous community (the Canary Islands).
exemptions), optimising the collection system, and fighting against customs and port fraud. It will also be necessary to strengthen the monitoring of public revenue and expenditure. The urgent need to rationalise the management of public funds in connection with the implementation of the EPA should encourage the states in the region to identify and implement relevant and necessary reforms for a progressive and sustainable integration in the global economy.

The methodology for calculating the EPA net fiscal impact will be the topic of a specific project as this is beyond the scope of this study. However, the Observatory will provide data to be used in this calculation.

**Indicators:**

- **RF1** EU financial support to required reforms and to cover the net fiscal impact and the time it takes to make the support available.
- **RF2** Tax reforms undertaken by WA.
- **RF3** Proportion of customs duties in total tax revenue.
- **RF4** Change in the effective collection of customs duties on products in Annex C
- **RF5** Yield from customs duties (ratio of received taxes and hoped-for amounts on products in Annex C).

### 2.4.3. Regional integration

Regional integration is a priority for development in WA. In as much as it materialises in the free movement of goods, services and people, it influences, among other things, products & services accessible to consumers & producers, the diversity of supply on the markets, and the fluidity of the movement of persons between countries, including for reasons related to trade, leisure & work or opportunities to create, expand or eliminate companies. Regional integration involves the establishment of arrangements, in the field of transport, energy and telecommunications, to facilitate the cross-border transit of goods, to strengthen the links among an increasing number of individuals in the region, and to enable people to cross borders freely and capital & goods to transit and multiply beyond the limits of national territories.

According to its Article 1, the objectives of the EPA include promoting regional integration, economic cooperation and good economic governance in the West African region, as well as increasing intra-regional trade and fostering the development of a unified and efficient regional market in WA.

Several other articles of the Agreement make an implicit or explicit reference to regional integration (Articles 3, 4, 11, 32, 42, 52 and 56). The process of negotiating the Agreement has also contributed to the progress of the regional integration agenda, to the extent that the various rounds of negotiations brought the countries of the region and the two regional integration organisations together to make a concerted effort to define common positions in WA. These positions constitute important steps toward a regional common market and improved effectiveness of the common external tariff. Various provisions of the Agreement include a number of mechanisms of support for the regional integration process: for instance, the EPA refers to a regional preference. In addition, the different articles concerning standards, technical barriers to trade, trade facilitation and improvement of the business environment are likely to contribute to the removal of obstacles to regional integration in West Africa.

There is also the commitment of the EU party to continue providing technical and financial support for regional integration in West Africa. On several occasions the EC recalled that the EPA is an important part of its development strategy for the WA region.

The indicators of regional integration are expected to facilitate the measurement and evaluation of progress realised in connection with the implementation of the EPA, and Articles 1-4 of Part I of the Agreement make an explicit reference to objectives of support to economic and trade integration in WA. Measuring the level of regional integration in WA will allow changes in the real state of the integration process to be evaluated. The level of integration has shown itself to be an important means
of highlighting existing gaps and of facilitating the identification and implementation of the adjustments necessary to take the following steps.

**Indicators related to trade integration:**

- **IR1** Level of customs duties and taxes applied to intra-regional trade.
- **IR2** Share of intra-regional exports of products as percentage of GDP.
- **IR3** Share of intra-regional imports of products as a percentage of GDP.
- **IR4** Intra-regional trade ratio.
- **IR5** Intra-regional trade ratio for products in Annex C.
- **IR6** Share of intra-regional exports by degree of product processing.
- **IR7** Share of intra-regional imports by degree of product processing.

Given the fact that regional integration is a key element of the EPA as well as the customs union’s agenda, it can be tackled using indicators on improved facilitation of intra-regional trade.

**Indicators related to facilitating intra-regional trade:**

- **IR8** Change in the number of complaints by economic operators, by type of complaint, regarding the free circulation of products originating in ECOWAS.
- **IR9** Change in the cost of red tape and the number of roadblocks on the roads.

### 2.4.4. Impact of the EPA on investments and businesses

According to paragraph 3 f) of Article 56 of the EPA, EPADP will contribute to: ‘promoting investment in WA, partnership between the private sectors of the EU and WA and improving the business environment in WA.

A harmonised business framework and a clear, reliable & applied legal & institutional environment is a key component in the success of the EPA. This will require good economic governance, improved competitiveness and improved attractiveness to capital. Institutional reforms and practices to be implemented should encourage private sector development, so that companies can operate in an effective and transparent economic and legal environment.

**Indicators:**

- **IV1** Change in investment in the countries in WA in volume and sectoral distribution.
- **IV2** Change in FDI of European origin in the countries in WA.
- **IV3** Change in FDI from the rest of the world in the countries in WA.
- **IV4** Number of jobs created.
- **IV5** Change in companies’ turnover (domestic market, regional market, EU and RoW).
- **IV6** Ratio between the number of companies created and the number of companies dismantled in a given period.

### 2.5. Sustainable development and human rights

Since the Earth Summits in Rio in 1992 and Johannesburg in 2002, it has been generally accepted that economic growth is a fundamental but not sufficient condition for development and that trade has important social and environmental dimensions. Agenda 21, produced during the Rio Conference, stated that: ‘Indicators of sustainable development need to be developed to […] contribute to a self-regulating sustainability of integrated environment and development systems.’ However, it has been difficult until now to develop simple and easy-to-understand steps which do not compromise the
underlying complexity of sustainable development. The fact that countries do not have the same vision on sustainable development is a further complicating factor. This complexity is all the more challenging when sustainable development objectives need to be inserted in trade agreements.

To this end, the European Commission (DG Trade) set up several instruments (sustainability impact assessments or SIAs)\(^4\) to consider the effects of trade on sustainable development in the context of trade negotiations. The analyses of the effects of the WA-EU EPAs on sustainable development were conducted in 2003 and 2004 (consultation workshop and report)\(^5\) and were followed by a report dedicated specifically to agribusiness in 2005.\(^6\) The Agreement having been signed in 2014, the factual aspects of these impact studies need to be reconsidered in some ways. Even so, the general principles remain valid, and their recommendations have fuelled arguments during the negotiation.

The three pillars of trade SIAs are economic development, social development and environmental protection. Since 2012, the SIAs also include an analysis of the potential effects of trade agreements on human rights and the new generation of SIAs follow the objectives of the 2030 United Nations Agenda for Sustainable Development.\(^7\)

\section*{2.5.1. EPA and economic growth favourable to sustainable development}

The EPA has set itself the challenge to steer economic development on a sustainable path that fosters the diversification of activities and supports the objective of more intense transformation of commodities (i.e. producing chocolate instead of raw cocoa or textiles instead of raw cotton).

The SIAs highlighted the low level of WA’s trade diversification. Trade oriented towards commodities is fragile and sensitive to price fluctuations (oil and cocoa are prime examples; SIA, 2003, 2004). There is a need to direct economic activity towards higher added value (SIA, 2004). The United Nations, AfDB and the African Union have reached the same conclusion for West Africa and propose, as an objective for sustainable development, to increase by one third the share of manufacturing in GDP by 2030. UNCTAD also stresses the importance of this point to achieving the objectives of poverty reduction and the Millennium Development Goals. Economic indicators identified for this purpose among the effects of the EPA are at the heart of economic considerations linked to sustainable development.

\section*{Indicators of changes in the level of diversification (Annex 1):}

\begin{itemize}
  \item DD1 Diversification of WA exports to the EU and the RoW.
  \item DD2 Diversification of WA exports to the RoW.
  \item DD3 \textit{Export concentration}.
\end{itemize}

\section*{Indicator of the degree of processing for export (Annex 1):}

\begin{itemize}
  \item DD4 Degree of processing of WA exports to the EU.
  \item DD5 Degree of processing of WA exports to the RoW.
  \item DD6 Degree of processing of WA imports from the EU.
  \item DD7 Degree of processing of WA imports from the EU (EPA).
\end{itemize}

\(^4\) See \url{http://ec.europa.eu/trade/policy/policy-making/analysis/sustainability-impact-assessments/}

\(^5\) « Étude de l’impact sur le développement durable des Accords de partenariat économique ACP-UE (SIA ACP-UE), séminaire de consultation de la société civile, du secteur privé et des collectivités locales d’Afrique de l’Ouest », PricewaterhouseCoopers, Institut de Prospective Africaine, 30 p., 11 and 12 November 2003, Dakar


\(^7\) Handbook for Trade Subsustainability Impact Assessments, 2\textsuperscript{nd} edition, 2016
2.5.2. Sustainable development and norms & standards, including environmental standards

Norms and standards are emerging as preferred instruments for market development and internationalisation, as they foster innovation and optimal matching of supply and demand. They are also powerful agents for the structuring of markets or sectors. Voluntary norms and standards are incorporating more and more requirements in terms of sustainable development, traceability, compliance with labour law and respect for the environment. The presence or absence of norms and standards which include objectives for sustainable development is in itself an indicator of the deliberate management of these objectives by market operators/producers. Private norms and standards are also important conditions for entering certain markets (specifications for procurement agencies, distributors, processors, etc.).

Indicators linked to norms and standards: (Annex 1 and example from Annex 2):
DD14 Norms and standards, including private standards (fair trade, organic farming, etc.).

Monitoring of these norms and standards against sustainability criteria with regard to a baseline (2015-2020) could also feed into forward thinking on competitiveness. These indicators can easily be articulated with the commercial domain of the EPA given that norms and standards are identified by country and by sector (SH4). An example is given in Annex 2.

2.5.2.1. Environment

There are links between changes in economic specialisation and environmental costs (water, wood, energy, pollution, etc.). For instance, the links between agricultural specialisation and environmental damage can occur in several forms (pesticides in cotton cultivation, soil degradation, diverted water for fruits and vegetables, or deforestation for major cash crops such as coffee, cocoa, palm oil, etc.).

According to the AfDB (2015), the environmental objectives for sustainable development by 2030 are: to maintain the CO₂ emission rate and other air pollution at 2015 levels, to slow down the loss of biodiversity, to achieve a significant reduction in the loss rate, and to halve the deforestation and degradation of forests.

Indicators (Annex 1):
DD15 CO₂ emission rates by sector and country.
DD16 Change in of biodiversity by country.
DD17 Deforestation/desertification rate by country.
DD18 Environmental norms and standards.
2.5.2.2. Social development favourable to sustainable development

The context of social development plays an important role in promoting sustainable development. This context cannot be understood independently of the economic or demographic situation of a country, as shown by the social development indicators that are marshalled in the literature in relation to sustainable development (SIAs, AfDB, UNDP, OECD, etc.). GDP per capita, for instance, depends on the demographic context and the dependency ratio. The main indicators proposed here allow the identification of a social development context that can complement the analysis of the effects of the EPA, even though the direct link with the EPA is less explicit.

Indicators (Annex 2):
DD19 GDP, GDP/person and annual GDP growth rate by country.
DD20 Human Development Index (HDI).
DD21 Human Poverty Index (HPI).
DD22 Gender Development Index (GDI).
DD23 Resilience/food security index.
DD24 Ease of Doing Business ranking.

2.5.2.3. Employment and labour market

The Key Indicators of the Labour Market (KILM) in ILOSTAT, the consolidated database of the International Labour Office, are a major reference. Sustainable development targets relating to employment and the labour market are based on a cross-referencing of the various KILMs (http://www.ilo.org/empelm/pubs/WCMS_114060/lang--en/index.htm).

Some of these indicators are also accessible from the World Bank: http://databank.banquemondiale.org/data/reports.aspx?source=Indicateurs%20du%20d%20d%20c%20a%209%20developpement%20dans%20le%2020%20monde%

Indicators (Annex 1):
DD25 Employment-to-population ratio.
DD26 Total estimated unemployment by country and gender.
DD27 Total estimated youth unemployment by country and by gender for people aged 15 to 24.

2.5.2.4. Labour law

NORMLEX is a new database in the field of labour rights which gathers information on international labour standards (such as information on ratifications, the obligation to report, the comments of ILO supervisory bodies, etc.) as well as national labour legislation and social security. (http://www.ilo.org/dyn/normlex/fr/?p=1000:12000:0::NQ::)

Indicators (Annex 1):
DD28 Respect for core labour conventions

\[8\] The (demographic) dependency ratio is defined as the share of the population that is of working age compared to the share of the population that is too young or too old to work. In the first decade of the 21st century, the dependency ratio in West Africa was very high (96%). By 2050 the United Nations predicts that demographic change will have caused the dependency ratio to fall to 46%. This situation will necessarily lead to an increase in GDP per inhabitant, which represents an opportunity for development. United Nations. 1998. World Population Prospects, The 1998 Revision, Department for Economic and Social Information and Policy Analysis, New York: United Nations.
Key identified conventions:
  C029 – Forced Labour Convention (nr 29), 1930
  P029 – Protocol of 2014 to the Forced Labour Convention, 1930
  C087 – Freedom of Association and Protection of the Right to Organise Convention (nr 87), 1948
  C098 – Right to Organise and Collective Bargaining Convention (nr 98), 1949
  C100 – Equal Remuneration Convention (nr 100), 1951
  C105 – Abolition of Forced Labour Convention (nr 105), 1957
  C111 – Discrimination (Employment and Occupation) Convention (nr 111), 1958
  C138 – Minimum Age Convention (nr 138), 1973
  C182 – Worst Forms of Child Labour Convention (nr 182), 1999


2.5.2.5. Human rights

Recent literature on sustainable development introduced human rights as an important condition for the sustainability of development. As we pointed out in the introduction, since 2012 SIAs have included an analysis of the potential effects of trade agreements on human rights, and the new generation of SIAs follows the objectives of the 2030 United Nations Agenda for Sustainable Development.

We propose the introduction of an indicator to monitor compliance with the commitments made by countries in terms of human rights, with reference to the ten major international treaties on human rights. Each of these treaties established a committee of experts to monitor the implementation of its provisions by state parties. Some of the treaties are supplemented by optional protocols related to specific concerns.

Indicators (Annex 1):

DD29 State of affairs regarding the signing/ratification of major international conventions and treaties.

Monitoring of reports and ratifications by country:

- Human Rights Committee (OHCHR)
- Committee on Economic, Social and Cultural Rights (CESCR)
- Committee on the Elimination of Racial Discrimination (CERD)
- Committee on the Elimination of Discrimination Against Women (CEDAW)
- Committee against Torture (CAT)
- Subcommittee for Prevention of Torture (SPT)
- Committee on the Rights of the Child (CRC)
- Committee on Migrant Workers (CMW)
- Committee on the Rights of Persons with Disabilities (CRPD)
- Committee on Enforced Disappearances (CED)
3. Proposal for an institutional and anchoring framework for the Competitiveness Observatory

In addition to the formulation of indicators discussed in the previous chapter, this study was required to make proposals for the establishment of the WA Competitiveness Observatory.

The main role of the Competitiveness Observatory will be to facilitate the monitoring and evaluation of the implementation of the WA-EU EPA. The work of the Observatory should include helping the bodies appointed with monitoring and supervising the EPA to ensure compliance with the commitments made by the parties and formulate the adjustments necessary to ensure that the EPA is truly a trade agreement that fosters economic and social development in WA, leading to long-term competitiveness and therefore growth and well-being.

The Observatory will thus position itself as a tool for information, documentation, observation, analysis of changes in the competitive position of WA, and proposals for necessary adjustments.

The main tasks of the Competitiveness Observatory will be:

- The collection, analysis and comparison of existing information relating to compliance with EPA commitments and to the impact of the Agreement on the economic competitiveness of WA.
- The targeted dissemination of selected and processed information that will be useful in the implementation of the EPA.
- The realisation and/or commissioning of studies and research on the results of the EPA and competitiveness & its determinants in WA.

The Observatory’s activities will focus on: updating data collection tools/guides, collecting data; setting up databases, including regional legal information for all laws related to the implementation of the EPA; producing updated reports according to the chosen support; training and expert use of assessment tools; developing, validating & disseminating monitoring reports; conducting in-depth studies to identify the causes of observed trends, etc.

The indicators related to the monitoring of the EPA should be agreed upon by the WA and EU parties to form the basis on which a baseline of observations will be estimated. The establishment of this baseline will allow the EPA Joint Agreement Implementation Committee and EPA Joint Council to benefit from a regular periodic warning system regarding the effects of the EPA.

A number of constraints will have to be respected:

- The independence and scientific quality of the Competitiveness Observatory must be guaranteed and the work of the Observatory conducted by recognised experts (including in statistics) approved by both parties.
- The Observatory will seek to ensure that its work is rigorous and based on credible & recognised sources. Its analysts will be autonomous and adopt scientific methodologies as well as a perspective based on critical analysis in order to enable stakeholders to access substantiated, accessible and deciphered information.
- This technical work can be entrusted to academics, research institutions or statistical institutes from either of the two regions under the close supervision of both parties.
- The work of the Competitiveness Observatory will be subject to rules of transparency, particularly vis-à-vis civil society, which should contribute to the monitoring and evaluation of the Agreement. In general, a strong involvement of non-state actors is expected, and their participation will contribute to paying attention consideration to the needs of the private sector, workers & communities, good governance of the EPA & its local ownership, dissemination of the results, and an effective transfer of benefits to consumers. There are already several operational platforms in the regions, including the Federation of West African Chambers of
Commerce & Industry (FEWACCI), the Regional Consular Chamber of UEMOA (Chambre consulaire régionale, CCR-UEMOA), etc. Representatives of trade unions, non-governmental organisations and academia will also be involved to ensure a sustainable implementation of the EPA. Furthermore, there is a taskforce on trade liberalisation set up by ECOWAS whose mission is to facilitate the implementation of the trade liberalisation scheme. This structure, which brings together civil society actors, should be involved in the activities of the Observatory.

- The competitiveness Observatory will be steered by both parties, which will provide it with guidance and validate the results in accordance with the provisions of the Agreement.
- The Competitiveness Observatory should ensure that funds are not wasted.

For the purposes of the operationalisation of the Observatory, an option would be to select a consortium composed of a European institution and institutions from the WA region working in partnership. Their mission would be to make estimates and analyse the indicators that were jointly and formally approved by the EU and WA parties, and produce an annual report monitoring the implementation and impact of the EPA for the EPA Joint Agreement implementation Committee. Other reports on specific issues could also be produced when needed. Annex 6 provides a summary of the typical type of annual report that could be produced. Reporting would be expected at both regional and national levels. In the latter case, the reports produced should reflect the national priorities of the countries concerned.

The selected applicants could be mobilised following a call for tenders or a call for proposals for annual short-term missions – four to six weeks, initially.

At this stage we identified some institutions that could contribute to the functioning of the EPA Observatory:

- CRES, Senegal
- BNETD, Ivory Coast
- CIRAD-IRD, Burkina Faso
- African Centre for Economic Transformation (ACET), Ghana
- IMANI Centre for Policy & Education, Ghana
- Fondation pour les études et recherches sur le développement international (FERDI)
- ITC
- UNCTAD
- Department of Economics, University of Ibadan, Nigeria
- Centre for African Shared development, Nigeria
- Nigerian Institute of Social and Economic Research (NISER) Ibadan, Nigeria
- Afristat

A cloud platform (website) could be set up to enable real-time access to the indicators and reports of the Observatory. The task of the database of the Observatory will be to collect, process and analyse information quickly regardless of its source (website data, internal reporting tools, etc.). This information, or part of the information generated, will be made available to the public through queries or through the publications.

The Observatory database will be set up through several steps that can be summarised as follows:

- Identification of data needs;
- Choice of the model and system for database management;
• Type of hosting and infrastructure;
• Monitoring of the data platform.

Given the choice not to make the Observatory a heavy and wasteful structure, it makes sense to outsource the management of the database. A service provision contract could therefore be concluded with a suitable structure for the management of the database and the hosting of its website.

The architecture of the Observatory and its governance would be that of a flexible structure with three levels.

The first level is the steering committee, which will be provided by the Joint Agreement Implementation Committee of the EPA. It will provide guidance and validate the produced indicators, results and reports.

The second level would concern the experts responsible for the daily management and monitoring of activities, including one expert in trade & regional integration and one expert statistician. They could also be responsible for other activities related to the implementation of the EPA. The two experts, who should be citizens of WA and/or the EU, would be recruited through an open call. Their mission would be as follows:

• Manage the activities of the Observatory;
• Collect required information;
• Develop training programmes for actors;
• Facilitate the identification and selection of research institutes to contract;
• Prepare terms of reference for studies and monitor their completion;
• Follow up on decisions of the steering committee and the work of the consortium & any other expert;
• Represent the Observatory;
• Perform any other task entrusted to them by the Joint Agreement Implementation Committee of the EPA.

At the third level, there will be the focal points in member states and within regional organisations (EC, UEMOA and ECOWAS Commissions) and the consortium of institutions and/or independent researchers/academic experts. The focal points can be statistical institutes or national research institutes.

The main task of the consortium would be to make estimates and analyse the indicators adopted jointly by both parties. This will ensure that the work of the consortium contributes to the positioning of the Observatory as a tool for fine-tuning the implementation of the EPA and for monitoring the parties’ compliance with their obligations.

Regarding the institutional anchoring of the Observatory, it is important to remember that the ECOWAS Commission established within it a Regional Support Unit for the EPA. A regional office of this unit was also set up at the UEMOA Commission. The responsibilities of the unit include: the planning, execution and management of tasks relative to the implementation of the EPA; the technical coordination of stakeholder activities; the secretariat functions of the technical bodies and committees within the institutional mechanism of the Agreement; and contributing to the establishment and operation of the Competitiveness Observatory. Given the responsibilities of the Regional Support Unit for the EPA, experts from the Observatory could be placed within the EPA Regional Unit. This option would be justified since the EPA Regional Unit is supposed to help ensure proper operation of the entire institutional mechanism both at the level of the West African parties and with regard to the European party.

The budget of the observatory would be financed through the financing agreement of the future support project for the WA-EU EPA. This project would correspond to the EU’s commitment within the
EPA text to support the region in the implementation of the Agreement, including the functioning of its institutional arrangements. Specifically, the project programming approach was in fact built around the following three specific objectives: (i) Supporting the implementation and monitoring of the EPA through the establishment and functioning of the institutional system and operationalisation of the Competitiveness Observatory; (ii) Supporting the implementation of commitments made by WA in the EPA; and (iii) Supporting negotiations for a deepening of the WA-EU EPA.
4. Conclusion and recommendations

The expansion of trade and the reconciliation of economic growth with sustainable development are among the main objectives of the EPA. The Agreement is a rather ambitious initiative insofar as it closely links trade liberalisation and sustainable socioeconomic development. Its implementation thus involves many measures whose aim is to promote an ambitious new WA-EU partnership. Due to its scope, the EPA includes or concerns or a wide range of sectors, stakeholders and economic, social, environmental and political variables. This suggests a wide range of topics which cannot always easily be isolated completely given the close interactions between sectors and stakeholders. Apart from the level of tariffs, trade flows can be influenced by several variables such as currency fluctuations, the level of relative growth of the relevant countries, the state of the international economy and the aggregate supply & demand of products. In addition to this, it is necessary to recognise that the use of excessively general indicators (e.g. aggregate FDI flows, poverty rates, the Ease of Doing Business ranking, etc.) could produce little information that is directly relevant and closely related to the field of the EPA.

Given the context described above, measuring the effects of the EPA may potentially turn out to be a very complex project. This study was conducted using a pragmatic approach based on a manageable number of indicators defined in order to contribute to the operationalisation of the Competitiveness Observatory as the main platform for monitoring and evaluating the effects that will result from the implementation of the Agreement. The report proposes a long list of indicators out of which a priority shortlist can be selected by the WA and EU parties through a consensual process. To facilitate this decision, we propose a priority list of indicators in Annex 7. In addition, an optimal assessment of the effects of the EPA will in some cases require in-depth studies designed to interpret the trends provided by the indicators. Given the crucial importance of the availability and quality of the required data and statistics, it is essential that special emphasis be placed early in the process on training the actors in charge of collecting and analysing data. Wherever possible, the Observatory should capitalise on the databases and monitoring & evaluation systems that already exist at national, regional and international levels. To accomplish this, functional links should be established between the platform of the Observatory and these databases and systems. The latter include: the ECOWAS and UEMOA trade monitoring systems; observatories of abnormal practices and transport; Eurostat; ITC’s Trade Map (www.trademap.org); the World Bank’s World Integrated Trade System (wits.worldbank.org); databases of national statistical institutes and offices; etc.

Throughout the mission, the study was guided by its stated objective, namely the establishment of a monitoring and evaluation system able to answer these key questions:

- To what extent do the parties to the Agreement comply with the provisions of the WA-EU EPA?
- Based on the data available, which are the measurable effects and consequences of the EPA for the development of trade and sustainable socioeconomic development?
- Which analyses and lessons have become clear and can contribute to improving the implementation of the EPA and strengthening its impact?

By answering the questions above, the observatory will help stakeholders to establish to what extent an atypical trade agreement such as the EPA can be more than a binding list of legal obligations. In other words, it will be up to the Observatory to help answer the questions regarding the ability of the EPA to send an important signal, making it clear to businesses, entrepreneurs and other stakeholders that each of the parties to the Agreement is open to sustainable trade development.
The following main stages are proposed for the operational establishment of the Observatory:

- Agreement by both WA and EU parties on priority areas in which the Observatory will be active, based on a priority list of indicators for the monitoring of the implementation and impact of the EPA. This should reflect national priority areas;
- Identification of technical options for the establishment of the database of the Observatory and the databases of the various M&E systems that exist at regional and national levels;
- Ensuring that quality statistics and data are available in a timely fashion in order to meet monitoring and evaluation needs. This means that it will be necessary to provide technical and financial support at a national and regional level;
- Supporting the EPA units at the regional and national levels (with human resources and technical & financial assistance) to enable them to play their assigned role in the operation of the Observatory;
- Identification and recruitment of two experts who will be in charge of providing impetus to the Observatory;
- Preparation of a dossier related to calls for proposals for recruiting consortia;
- Launch of the dossiers of calls for proposals;
- Selection of consortia following a call for proposals;
- Organisation of the work of the chosen consortia;
- Preparation and submission of the first reports.

In practice, it seems to us necessary to proceed with an inception phase during the operational establishment of the Observatory, as this will help a more detailed outline of the Observatory to be confirmed and tested. This initial phase will allow the operational methodology of the Observatory to be finalised. Planning for the implementation of this phase should take into account the time it will take to sign the financing agreement for the EPA support project, from which the budget of the Observatory will be provided.