

ACP-EC COTONOU AGREEMENT

**AFRICAN, CARIBBEAN AND
PACIFIC GROUP OF STATES**

**COUNCIL OF
THE EUROPEAN UNION**

Brussels, 11 November 2009

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COVER NOTE

from : Centre for the Development of Enterprise
on : 10 November 2009
to : ACP-EC Committee of Ambassadors

Subject : CDE - Centre for the Development of Enterprise
- Update on restructuring

Delegations will find attached a report from the Centre for the Development of Enterprise (CDE) providing an update on the restructuring of the Centre. This report was a condition put by the EU side to the adoption of the CDE programme and budget for 2009¹.

¹ See doc. 17218/08 of 15 December 2008 , Annex I, paragraph 3.



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The Chairman
of the ACP-EC Committee
of Ambassadors
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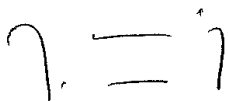
Dear Chairman,

CDE – Update on restructuring

We are pleased to forward herewith the document providing an update on the restructuring of the CDE as at 1 October 2009.

This update formed the basis of a presentation by the Directorate to the Executive Board at its meeting in October 2009, on which the Board gave its agreement.

Please accept, Chairman, the assurance of our highest consideration.


Mabouso Thiam
Director

An institution of the ACP Groupe of States (Africa, Caribbean and Pacific) and the European Union, in the framework of the Cotonou Agreement.

Une institution du Groupe des États ACP (Afrique, Caraïbe et Pacifique) et l'Union Européenne, dans le cadre de l'accord de Cotonou.



SECRETARIAT DU CONSEIL DE L'UNION EUROPÉENNE SGE9/09859 REÇU: 10. 11. 2009 DEST. PRINC: DEST. COP:

CDE

Update on restructuring

The purpose of this note is to provide an update as at 1 October 2009 on the restructuring of the CDE. It follows on from the presentation by the Directorate to the CDE's Executive Board at its meeting in July 2009.

1. Rationalisation of internal structures

- a. Fusion of the two operational departments: The CDE's operations were divided between two departments: one in charge of sectors and programmes, the other of geographical follow-up. This division of work was no longer appropriate in practice, given the decision by the CDE's supervisory bodies to move to decentralisation of operations. Hence the fusion of the two departments on 1 July 2009 into one "Operations" department.
- b. Creation of a unit dedicated to Private Sector Development Programmes (PSDPs): PSDPs are one of the mainstays of the reform of the CDE. Once the decision to undertake these programmes had been validated, the Directorate decided to create a specific unit to provide the requisite support for this approach. The unit is dedicated to developing these activities and will rapidly have to make the contacts necessary for formulating and implementing these programmes, for which the CDE aims to become the natural executing agency. The unit has been operational since 1 July 2009.

- c. Setting in place a knowledge management unit: The CDE's greatest added value lies in the expertise acquired over time in its various sectors of activity, both transversal and horizontal. While most of the information is available, it is not sufficiently compact to be visible and operational, particularly for the regional offices. The unit that has been created will enable the information to be standardised and to be accessible internally as well as vis-à-vis the CDE's partners. This unit has been operational since 1 July 2009.

2. Management improvements

- a. Process optimisation: For almost one year the CDE has had a restructured and effective information and management system, although it has sometimes been under-utilised due to failures in the past and a reluctance to change. Improvements were made in May 2009, especially in terms of training, and the Directorate can now monitor, in real time, all operations, programmes, commitments and payments, for each staff member if necessary. This optimisation has been implemented since 1 June 2009. As a result, there has been a substantial reduction in the time taken to handle some activities and improved professionalism internally. This has also contributed to improving the Centre's image vis-à-vis its partners and suppliers.
- b. Setting in place a risk management procedure: This recommendation stems from the audit of the four pillars requested by the Commission. A manual of risks has been finalised in October 2009 setting out the various risk factors, both internal and external, which will need to be closely monitored, particularly in the framework of a management control unit. Risk factors will be subject to regular appraisal so that all the parties involved contribute to bringing about improvements in the aspects pertaining to each of them.

- c. Revision of the manual of operational, accounting and financial procedures: At the end of a process in which the regional offices have been closely involved, the manual of procedures has been completely revised in order to take account of the Centre's recent developments, starting with decentralisation. All the procedures have been reviewed and tested and are being implemented gradually. By 15 October 2009, all the CDE's operations will be undertaken in accordance with this new manual.
- d. Design of a new accounting system to conform to IPSAS: This accounting system is also one of the prerequisites for obtaining certification of the four pillars. The new system has been fully finalised and has started to be applied gradually. The opening of the CDE's accounts on 1 January 2010 will be in conformity with this new IPSAS accounting system.
- e. Procurement unit: A procurement unit has been created in September 2009 to alleviate the administrative tasks of the regional offices. On the basis of the requests it receives from head office and the regional offices, together with the relevant terms of reference or technical specifications, this administrative function will be responsible for the whole procurement process and for delivering the expected services or supplies.
- f. Setting in place a management control and an internal control: As far as management control is concerned, the unit has been set in place in October 2009 and the officer in charge has been appointed. The unit is a functional one and will advise the Directorate on internal control and, if necessary, the follow-up of evaluation activities and the control of risks. A priori, and given the CDE's small size, the possibility of outsourcing the internal control will have to be considered.
- g. Setting in place analytical budgeting and accounting: The aim is to be able to allocate expenses, particularly in the case of the regional offices, not according to their type but according to their purpose. This will allow the monitoring of operations to be refined (which is one of the counterparts of decentralisation). The heads of regional offices will have more responsibility in terms of rationalising expenses. It will also be easier to monitor the leverage effects of operating costs. Analytical budgeting and accounting will be operational from 1 January 2010.

3. Decentralisation

- a. In the context of the reforms, and more particularly the manual of procedures and the manual of risks, sustained attention has been given to the process of decentralisation which has been the subject of a very precise codification. There is a clear division of work between head office, which is in charge of all the finance/accounting and strategic functions, and the regional offices, which manage operations both administratively and financially.
- b. Pre-selection of the heads of regional offices: Although the Directorate may designate the heads of regional offices, it has been decided, subject to budget availability, to open the posts internally to begin with, on a competitive basis. If necessary, the procedure will be opened to external candidates.
- c. Training of staff: Once the new manuals (risks and procedures) were completed, the Directorate immediately ensured that arrangements were made for staff from head office and the regional offices to be trained, in order for decentralisation to be effective from 15 October 2009. This training took place in September 2009.

4. Opening towards other institutions or partners

- a. Strengthening the European Institutional Network (EIN): The EIN's annual meeting took place in Florence in October. In addition to the informal contacts, the meeting provided the opportunity to listen to enterprises and professional organisations from the European private sector, particularly concerning their needs vis-à-vis the ACP countries. It also fostered a better understanding of the innovative movements that exist in Europe and called for a real response on the part of the European party, which has instruments, including the CDE among others, that have an important role to play.

- b. The meeting highlighted the need to create an ACP network which will probably have to be less institutional in order to be able to encompass the most effective actors and especially those who are waiting for specific replies, particularly on questions of transfer of technology on the part of the European private sector.
- c. Other discussions are under way with financial partners. If, for obvious reasons of conflict of interest, it is not possible to envisage an integration of private sector support services and financing, it remains essential for there to be a link between these services and access to finance, in order for the upgrading to be credible.
- d. The CDE is also strengthening its relationship with the European private sector, particularly the innovative European enterprises that need to find interlocutors in the private sector in the ACP countries, in order to ensure the conditions for their expansion through internationalisation. There is a lot of demand and this innovative private sector, particularly through its “poles de compétitivité”, is asking for the CDE’s support. In a context where the European private sector, faced with new competition (China, India, the Gulf States, South-East Asia and even Brazil), is continuing to lose its share of the market, it is the full range of support for the private sector that needs to be rethought and adapted to these new requirements.
- e. The CDE will continue its contacts with the European Member States and the ACP States in order to be able to improve its position as an actor in the search for partnership.

5. Restructuring of staff

- a. A standard organisation chart has been adopted for the regional offices comprising a head of office, a regional expert, an administrative and financial assistant, as well as a staff member in charge of logistics. The regional experts are being recruited with very specific terms of reference so as to enable the CDE to find the best candidates.

- b. As regards head office, the Directorate decided to recruit a highly reputed agency specialised in human resources to assist in the process. The terms of reference were drawn up (June 2009), the market consultation launched (June 2009), the agency selected (July 2009) and the contract signed (August 2009). The profiling will be completed by 30 October and the report will be received during the following week. Decisions on restructuring, based on hypotheses validated by the supervisory bodies, will be taken by 30 November at the latest and implemented immediately. A priori, this restructuring will not require an amendment to the Staff Regulations and it is hoped that it will be possible to do it at a more economical cost than the one budgeted (4 million euros).

6. Some tangible results

- a. The creation in July of a unit specialised in developing PSDPs is starting to show results. Two PSDPs are operational (Gabon and DRC) and two others should be signed before the end of the year (Côte d'Ivoire without a doubt and UEMOA most probably). In addition, more than ten PSDPs are currently being formulated and should be operational from 2010. The CDE is the executing agency for each PSDP, which is a major step forward in redefining the CDE's services.
- b. With regard to access to finance, an agreement is being negotiated with BIO (Belgian Cooperation) and should be signed formally before the end of November 2009 at the latest. This agreement will allow the CDE to improve its position in the development of the "access to finance" sector which remains a major concern of SMEs in the ACP countries.
- c. Thanks to process optimisation it has been possible to reduce substantially the time taken to handle operations, particularly payments. This progress is very important in improving the value of the CDE's signature and, concomitantly, in being able to attract the best professional skills.
- d. As from 15 October 2009, the whole system set in place in the context of decentralisation will be implemented. In other words, decentralisation will be operational, as requested by the supervisory bodies.

- e. The rapprochement to the European private sector has enabled the CDE to have a more finely-tuned perception of the needs for support in the direction of the ACP countries. Hence, as from 2010, the CDE should be able to develop appropriate programmes based on listening and, therefore, on real demand.
- f. All the requirements set by the European Commission as regards certification of the four pillars have been completed. The CDE has informed the Commission accordingly and is awaiting the validation audit. This certification will facilitate the CDE's positioning as an executing agency on EDF resources. It is certainly not a definite agreement in principle, but simply a prerequisite for the CDE to develop PSDPs even more.

7. Main areas of focus in 2010

- a. Governance: This topic has frequently been evoked, but there has been no significant progress for some months. Although the CDE Directorate has not been approached on this issue, in its opinion there has to be a radical change as regards governance. It is certainly not envisaged to reinvent new models but rather:
 - i. To avoid a cumbersome and contradictory chain of command that is sometimes a source of taking away responsibility.
 - ii. To strengthen the prerogatives of the Executive Board.
 - iii. To allow the Directorate to have the attributes necessary for the smooth running of the Centre.
 - iv. To avoid submitting requests to structures that do not have the competence required for the subjects under discussion.
 - v. To streamline the procedure for approving the annual budgets and work programmes.

- vi. To prevent subjects of secondary importance from taking precedence over the essential projection towards the future.

The Directorate's proposals are as follows:

1. The Committee of Ambassadors is responsible for general orientation and fixing the multiannual budget envelope.
2. The Executive Board, which reports to the supervisory authorities and is composed of EU and ACP professionals from the private sector, is responsible for the Centre's overall strategy (means of intervention, sectors and programmes, organisation and reporting), for approval of the annual budget, for approval of the accounts to be submitted to the joint Committee of Ambassadors and, finally, for the Staff Regulations, including appointment of the Director and Deputy Director. It should be noted that the question of the observer status of the Commission and ACP Secretariat is a recurrent one. For some, in order to avoid one chain of command that is apparent but without the power of final decision and another that is more informal but real, these two institutions should each have a seat on the Executive Board. This would in no way disrupt the balance in terms of parity and would foster a greater harmony in terms of strategy, management and expectations. As well as being a means of good governance, this proposal is also a means of transparency in the decision process.
3. In the framework thus established by the Executive Board, the Directorate is responsible for implementation, for which it will require the necessary authority, including recruitment and dismissal.

- b. Revision of staff rules and regulations: In their current form, these texts are not at all suited to the requirements of private sector support, which is, even by definition, constantly evolving and changing. Such support needs a continuous capacity to reassess and innovate. This implies the regular introduction of new skills bringing with them the best practices in the relevant fields. It is imperative, therefore, to rethink the Staff Regulations so as to avoid the wish to pursue a career ending up by becoming a brake on the necessary evolution of the CDE. They must remain attractive, however, in order to bring in the best skills and so allow the CDE to be an institution of reference. Furthermore, the present Staff Regulations are sometimes the source of ambiguities, whereby the Centre runs a considerable legal risk in the event of litigation with staff.
- c. Conclusion of current multi-annual programmes: The CDE has nine programmes that were launched several years ago. While some retain all their pertinence, others have aged and should be reconsidered. Given their current stage of progress, however, it seems advisable to recommend that they be continued in 2010, so that they may attain all their objectives.
- d. Setting up a large European technical network: The European Union is rich in skills, experience and know-how which ask only to be outsourced to the ACP countries. The CDE should surround itself with a network, comprising not only companies offering markets to ACP enterprises, but also technical centres, research and training centres, and “pôles de compétitivité”, which can form partnerships that allow ACP partners to maintain or improve their position in the face of emerging countries.
- e. Launching of a new generation of programmes (oriented towards markets generated by local production of innovative technologies): Based entirely on the joint demand from EU and ACP enterprises and not on what the CDE offers, the aim of these programmes should be to strengthen the CDE’s role in providing support for innovative European SMEs that are searching for partners for their internationalisation. These programmes should also be based on best practices in Europe and enable the transposition of successful experiences in regional development.

- f. Finally, and quite naturally, the CDE should take advantage of its restructuring to bring in new skills with the ability to implement this new generation of programmes.

Mabouso Thiam

Christian Claudon
