

CONCORD Cotonou Working Group Briefing paper

The 11th European Development Fund (2014-2020)

CONTEXT

The European Development Fund (EDF) is the financial mechanism for the EU cooperation with the Group of African, Caribbean and Pacific (ACP) countries and the EU's Overseas Countries and Territories (OCTs). Created in 1958, it is the EU's oldest and largest development instrument and it follows the principles of ACP-EU cooperation enshrined in the "Cotonou Partnership Agreement" (CPA), namely equality of partners and ownership; participation from different stakeholders; dialogue and the fulfilment of mutual obligations and accountability; differentiation and regionalisation.

The EDF is not part of the EU general budget, as it is subject to an intergovernmental process among EU Member States and managed by the European Commission. As such, the European Parliament has no official scrutiny over this budget. Given the different nature of the EDF, the EU and ACP Parliaments have been involved through:

- Participation in the programming process: the EP and the ACP Parliamentarians can ask to be consulted on the EDF strategy and different programmes (the EP has a voluntary strategic dialogue)
- Scrutinized implementation: for instance the EP Budgetary control committee can report on EDF spending
- Dialogue on the EDF at the ACP-EU Joint Parliamentary Assembly (JPA): created by the Cotonou Agreement, the JPA brings together the elected representatives of the European Community and the ACP States to debate and exchange information on ACP EU relations, including the EDF.

Even though, the Commission's first proposal for the 11th EDF was published along with the external spending instruments, its negotiating process is inherently different. For the first time, the 11th EDF has been aligned to the seven-year Multiannual Financial Framework cycle (MFF 2014-2020), which coincides with the expiration of the Cotonou Partnership Agreement. Taking into account the delay in the negotiations of the EDF and its programming, the 11th EDF is expected to be disbursed the earlier at the end of 2015. A mid term review is also expected at the end of 2016/ beginning of 2017 and will allow a review of the financial envelopes and the sectorial priorities.

The revision process of the Cotonou Agreement and the potential integration of the EDF under the next MFF starting in 2021 is in negotiation.

ISSUES AT STAKE

1/ The breakdown of the 11th EDF financial envelope

The total allocation of the 11th EDF is €30.5 billion. This amount represents a 13% increase in absolute terms compared to the previous EDF (from €26.9 billion in 2011 prices). However, as the 11th EDF will run for 7 years instead of 6, the increase will only cover inflation of the coming years. In other words, the total budget of the EDF is stagnating from the 10th to the 11th spending period. Moreover, the EU enlargements will allow the most important donors to diminish their core contributions. Similarly to the previous EDF, it will consist of:

- Geographic programmes: 80% of those €30.5 billion (ie €24.4 billion) will fund:
 - National indicative programmes: in line with the 2011 "Agenda for Change" the EU has applied differentiation criteria to define the financial envelope for each country. This takes into consideration economic capacity, as initially proposed by the Commission, and includes also political, environmental and social vulnerability criteria's.
 - Regional indicative programmes: aiming to promote regional integration, regional funds are negotiated and managed by regional organisations and entities.
- Intra-ACP cooperation: €3.6 billion have been earmarked to finance thematic projects. When programmes at national and regional levels prove to be less effective, and in line with the principles of subsidiarity, complementarity and visibility, projects under the intra-ACP cooperation are carried out to address shared challenges: international health threats and poverty-related diseases, climate change and peace-building activities.
Intra-ACP funds have been evolving over time: the growing share of the Intra-ACP envelope has increased under the 9th and 10th EDF. Previously allocated on an *ad hoc* basis, this envelope was subject to a multiannual strategy for the first time under the 10th EDF. As the programming for the intra ACP is involving fewer actors and consultation with local stakeholders, this trend has raised concerns about the joint programming nature of the EDF and country ownership of the projects. The intra ACP programming of the EDF has just started and should be agreed in 2015.
- "Investment Facility": €1.1 billion managed by the European Investment Bank (EIB)
- Support expenditure: approximately € 1.1 billion are expected to be allocated to the European Commission as administrative support to programming and implementation.

2/ Concentration within the EDF and priority sectors. In light of the 'Agenda for Change', to ensure that EU funds are targeted where they can have the most impact, national governments have been asked to choose three priority sectors, except for special cases such as conflict, post conflict situation or fragile states where a 4th priority sector can be chosen.

The sectors could be chosen between:

- Human rights, democracy and other key elements of good governance: Democracy, human rights and the rule of law; Gender equality and the empowerment of women; Public sector management; Tax policy and administration; Corruption; Civil society and local authorities; Natural resources; and Development-security nexus.
- Inclusive and sustainable growth for human development: Social protection, health, education and jobs; Business environment, regional integration and world markets; and sustainable agriculture and energy.
- Other areas of significance for policy coherence for development: Climate change and environment; Migration and asylum; and Transition from humanitarian aid and crisis response to long-term development cooperation.

These priorities are to be discussed in a joint process, where CSOs can be consulted. But often civil society is included merely for information sessions, rather than exchange of views, and guidelines provided by the EC remain important. Priorities might also be decided taking into account joint programming, hence implying further complementarity efforts.

While the choice of priority sectors in geographic programmes are to be defined by the country itself, the EU institutions has committed to prioritize key areas of cooperation for poverty reduction and sustainable development through earmarking or mainstreaming of specific sectors. :

- The [European Parliament resolution](#)¹ on the preparation of the 11th EDF recommended to earmark 20 % of the budget "for the provision of basic social services, particularly health care and basic education."
- The Cotonou Agreement contains clear commitments to human rights, gender equality and women's empowerment (art. 9 and 31, respectively).
- Through the [MFF 2014-2020](#)², the EU has also committed to allocate 20% of funding through all instruments to climate actions.

While not all ACP countries have signed their respective indicative programmes, available information indicates that agriculture, energy and governance related sectors are strongly featured in agreed country plans. How EU commitments will be reflected in the multiannual programming documents as well as translated in annual plans is yet to be seen.

3/ Official Development Assistance (ODA) eligibility.

The European Council has committed to reach 90% ODA-eligibility for all EU external assistance in order to fulfil the commitment to dedicate 0.7% of GNI to ODA. Given this engagement, it is crucial that the EDF guarantees a 100% ODA-eligibility for its national and regional programmes and at least 95% ODA-eligibility for the intra ACP funds. Before 2011, all loans and EU trust funds managed by the EIB were excluded from the ODA eligibility. This has changed and the new shift to include EIB loans as part of ODA from the EU institutions would inflate the dacability of the EDF.

RECOMMENDATIONS

For the Members of the European Parliament and the Members of Parliament of ACP countries

- Actively participate in the programming of the EDF:

- Ask for clarification on the reviews processes for the 10th EDF to identify the best practices and lessons learnt
- Call for and participate in a comprehensive consultation on intra ACP funds with civil society organisations and other stakeholders, so that this envelop can be subject to a transparent programming process and fulfil its complementary role under the EDF

- Ensure an effective and full implementation of the 11th EDF through

- Scrutiny of commitments and spending of the EU:
 - ✓ Earmark 20% of the budget to basic social services including health and education
 - ✓ Allocate 20% of funding to climate actions
- Push for a 100% ODA-eligibility for national and regional funds and at least 95% ODA-eligibility for the intra ACP funds
- Promote further scrutiny from the ACP and European Parliamentarians of the EDF through, for example, a yearly report that would be drafted and voted by the ACP-EU JPA - Commission/Council being able to respond - and include consultative processes from stakeholders, including CSOs
- Monitor the consistency between the EDF and other instruments, namely the Pan-African programme, and ensure that funds are not used to make up for potential negative consequences of the Economic Partnership Agreements' (EPAs) implementation

- Encourage and participate in an inclusive reflection and negotiation process on the future of the EDF. Ensure that, inclusive mechanisms of discussion and consultation are in place at the EU-ACP level and so the principles of the Cotonou Agreement on equality, participation and dialogue are guaranteed.

For further information, please visit <http://www.concordeurope.org/> or Tel +32 2 743 87 99

¹ European Parliament resolution of 12 March 2013 on the preparation of the multiannual financial framework regarding the financing of EU cooperation for African, Caribbean and Pacific States and Overseas Countries and Territories for the 2014–2020 period (11th European Development Fund) (2012/2222(INI))

² European Council conclusions – Multiannual Financial Framework