

## BUDGETISATION OF THE EUROPEAN DEVELOPMENT FUND

### 1. The future of the European Development Fund

The European Union (EU) is defining its Multi-annual Financing Framework (MFF) for the period beyond 2013. In the context of these discussions and negotiations the question as to whether the European Development Fund (EDF) should be incorporated into the EU's budget are part of the discussion. The formal process started with the publication of a Commission Communication on 29 June 2011 bringing forward proposals. In December 2011 the EU institutions released proposals for instruments for external assistance as basis for the negotiations of the member states and the European Parliament. Although the Commission has historically championed the "budgetisation" of the EDF, it feels that it is not the right time to do so. Also the EP declared now is not the time for budgetisation. However, the possibility is on table after 2020 and it is important to understand the issues involved so that in the event that proposals for incorporating the EDF within the budget are included in the discussions and negotiations these can be pursued on an informed basis, and include all relevant stakeholders. Such a discussion should not just be confined to the EU's member states, with whom the formal decision on the EDF's incorporation into the EU budget rests, but all actors involved, not least those within the ACP.

### 2. The European Development Fund and its relations with the EU Budget

The EU's development aid to countries in Africa, the Caribbean and the Pacific (ACP) largely comes from the EDF. The EDF is an inter-governmental agreement of the EU Member States, and is not part of the regular budget of the EU. Consequently the management of the EDF and its resources are not the same as that for the EU budget. Whereas the European Parliament has a co-decision role together with the Council for the EU budget, it has no decision making role over the EDF.

### 3. The implications of the Lisbon Treaty

Before the latest changes to the Treaties of the European Union there was a clause that explicitly excluded the EDF from the provisions of the Treaties. This meant that any change to the status of the EDF required the agreement and formal ratification of all EU member states amending the Treaties. The Lisbon Treaty included an amendment that enables a decision to incorporate the EDF within the EU budget to be made by a simple decision of the Council. This means that a decision to incorporate the EDF within the EU budget could be made by the Council within the context of the negotiations on the future financing framework of the EU.

### 4. Implications of budgetisation for the EDF

The issues that need to be addressed can be identified as the following:

#### 1. Procedures and regulations of EU budget

The integration of the EDF into the EU budget would mean that it would be bound by the regulations and procedures governing the budget. According to the Lisbon Treaty, the political and financial framework of the EU's budget is provided for by the Multi-annual Financial Framework (MFF) adopted at least every 5 years by the Council (unanimity required) after the consent of the European Parliament. The budget itself is established on an annual basis by the budgetary authority – the Council and the European Parliament – on the basis of a European Commission (EC) proposal and through a specific co-decision process. The annual budget is bound by the ceiling authorised for each budget heading in the multi-annual financial framework. It is not possible to transfer unused commitments or payments to the next year. However, in regard to process-oriented development cooperation this restriction might be counterproductive. There is some potential to reallocate resources between budget lines inside the main headings of the budget while transfers from one heading to another require a review of the ceilings of the multi-annual financial framework and are very difficult to obtain. (For example, it was not possible to finance the Food Facility from savings in the common agriculture policy budget).

This is different from the EDF, which is normally established for a period of 5 years (the 10<sup>th</sup> EDF is exceptionally longer as well as the proposal of the EU institutions for the 11<sup>th</sup> EDF). The level of resources for the EDF is determined through negotiations between Member States, the outcome of which identifies the level of financing that each member state will provide. The contributions from Member States are transferred on request from the EC, based on planned expenditures.

## 2. Costs of budgetisation

For Member States the financial implications of budgetisation for their own overall contributions to the EU is a significant factor in determining their position. The contribution to the EDF of each EU Member State is determined by a different distribution key and calculation than their contribution to the EU budget that is based on a percentage of GNI and VAT. This means that for some Member States the integration of the EDF into the EU budget would increase the contribution that they are required to make, while for others it would be diminished.

## 3. Flexibility

The Commission has argued that including the EDF within the regular budget would allow greater consistency in managing the funds, increasing compatibility between different budgetary sources for development financing towards ACP countries. It would also allow more flexibility in utilising the funds dedicated to the ACP. The tendency already observed to utilise EDF for global funds (Global Fund against AIDS, Tuberculosis and Malaria, Global Climate Change Alliance) or for supporting non ODA type of expenditures (Peace Facility, migration) and new political initiatives beyond the ACP geographic scope (AU) could be reinforced. In addition, re-allocation of budgeted commitments and payments designated for the ACP region to other regions (and vice-versa) and transfers between countries would be made possible.

## 4. Democratic scrutiny, accountability and the role of the European Parliament

The European Parliament is currently only involved in scrutinizing the European Commission's cooperation programmes in Asia, Latin America and neighbouring countries. With the budgetisation of the EDF, it would also gain full democratic oversight over EU aid to ACP countries. Such involvement of the Parliament would enhance the consistency and coherence of EU external policy and increase control mechanisms on the commitment and spending of the EU's assistance to ACP countries.

## **5. Budgetisation should be conditional**

The integration of the EDF in the budget does make sense, but the interests of the ACP countries must be guaranteed. Therefore budgetisation should only be considered if conditions are realised that will safeguard the development policy objectives and the central principles and essential elements contained in the Cotonou Agreement and the EDF. Such conditions include:

- A consultation of ACP partners, including civil society organisations, in recognition of the principle of partnership, ownership and participation that sets the framework for the Cotonou Agreement. This should cover the likely impact of EDF budgetisation (both positive and negative) for ACP countries, on the implementation of the Cotonou Agreement and the ACP-EU co-operation;
- Provision needs to be made to ensure that the various fora of the Cotonou Agreement, such as the ACP-EU Joint Assembly, ACP-EU Joint Council of Ministers, ACP secretariat, are able to function effectively in accordance with the Cotonou Agreement;
- Binding provisions need to be established that guarantee the resources for ACP countries will not diminish during the period covered by the Cotonou Agreement. Budgetisation should not encourage member states to diminish their contribution to European development assistance;
- Specific country and regional allocations continue to be the basis for co-operation with ACP countries and are decided on basis of transparent country allocation criteria for the whole EU development budget respecting the objectives of poverty eradication of the Treaties.
- Country strategies established in partnership with partner governments, in respect of their interests and priorities and with a real and genuine participation of civil society actors, remain the basis for multi-annual cooperation programmes with specific countries (or regions).
- Full democratic oversight by the European Parliament over the programming and implementation of country strategies in cooperation with the Joint Parliamentary Assembly and as a complement to the role of national ACP Parliaments in overseeing this programming and implementation within their own countries.
- The safeguarding, predictability and increasing of appropriations for ACP countries is ensured in the multi-annual financial framework and the annual budget cycle.