

## THE 11TH EUROPEAN DEVELOPMENT FUND

The negotiations on the future EU multiannual financial framework and development cooperation instruments for 2014-2020 started about 2 years ago, in a context of a reform of the EU development policy with the adoption of the “Agenda for Change” and a new institutional setting with the establishment of the External Action service.

Although the Agenda for Change is not supposed to replace the EU “*Consensus on Development*”, it tends to become the main guiding policy document for the future development cooperation instruments of the EU, including for the 11th EDF and its programming.

### CSOs’ vision for the 11th EDF and the future of ACP-EU development cooperation

For European CSOs members of the CONCORD Cotonou working group and their ACP CSOs partners, the 11th EDF should be designed as a transition tool to reduce aid dependency. It should move from a needs-based approach to a rights-based approach and its priorities should focus on: governance (criteria defined and monitored in a participative and democratic way), fair and sustainable management of natural resources, support to local private sector and to sustainable agriculture especially at small-scale level, mobilisation of domestic resources for social and human development including through strengthening of national tax systems, capacity building and empowerment of CSOs and promotion of citizenship in the full respect of human rights. Lessons learnt from the previous EDFs must be taken into account, which means improving transparency, democratic ownership, civil society participation, involvement of national parliaments, etc.

### 11th EDF, the last EDF before budgetisation?

Integration of the EDF in the next general EU budget 2014-2020 is not considered by the EU. Budgetisation is rather seen as an option for 2020, the same year as the Cotonou Partnership Agreement (CPA) expires. If it would happen now, not only would there possibly be a sharp decrease in EU development budget in general, but also necessary safeguards and conditions raised by CSOs would not be met. Nevertheless maximum consistency is already pursued by aligning the EDF with the other external action instruments, in particular the Development Cooperation Instrument (DCI).

Although the EC proposed an increase of the 11th EDF budget (34. 276 billion Euros compared to 23. 970 billion Euros for the 10th EDF, nevertheless, it covers 7 years instead of the current 6 year period), the Member States finally agreed for the 29.089 billion Euros in 2011 prices (an 11% decrease compared to the EC proposal) which represents a very small (0.2%) increase compared to the 10<sup>th</sup> EDF when the difference of duration and inflation are taken into account.

As civil society organisations working closely with partners in the ACP countries, we regret the current Member States Agreement as we had hoped for a more ambitious EU development budget for the 7 years to come.

### Process and timeline

The agreement of the Member States is only one step in the process of approving the next EDF. A more detailed financial protocol was adopted in May by the Member States and will be endorsed by the ACP-EU Council of Ministers in June 2013 for its inclusion in the Cotonou Agreement. The Implementing and financial regulation, which will entail provisions on aid programming and implementation, should also come out in June 2013. In the meantime programming guidelines, common to the DCI and the EDF were sent to EU delegations in May-June 2012 to launch the first phase of the programming and the identification of 3 or maximum 4 priority sectors per country.. These proposals were discussed with EC headquarters before starting the second phase of consultations to take place in the second half of 2013 and leading to the adoption of the National Indicative Programmes<sup>1</sup>.

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<sup>1</sup> See CCWG briefing paper on EDF budgetisation

## What is at stake? Challenges and opportunities

The new trends of EU development policy will be strongly reflected in the design and priorities of the 11th EDF. One of the main challenges is therefore that the CPA and its values and essential elements remain the framework for the new EDF. The implementation of any revised policy orientation adopted with the Agenda for Change (AfC) should not only be fully consistent with the letter of the CPA, but also with its spirit.

- The obligation of **Policy Coherence for Development (PCD)**, which is enshrined in the CPA and in the Lisbon Treaty in article 208, should be at the core of policy making
- Given the MFF Council Conclusions' minimum requirement of 90% ODA-eligibility for all EU external assistance, it is crucial that especially the development cooperation instrument's ODA-eligibility is guaranteed to a maximum extent, with a requirement of 100% ODA-eligibility for geographic programmes.
- The EU will increase the use of **blending of loans and grants** (mix of EU grants with loans or risk-sharing mechanisms, investment facilities, etc.), with the aim of generating a substantial financial leverage of EDF resources to support public and private investments in the ACP countries. However, impact assessments of the current EU blending facilities have not been thoroughly conducted especially with regard to their impact on poverty eradication, on the environment and on the debt level of partner countries. The EC hasn't proposed any clear criteria and guidelines so far to ensure that this funding modality will truly contribute to the eradication of poverty in ACP countries. Moreover, some European Investment Bank and other DFIs activities are controversial regarding transparency and democratic ownership<sup>2</sup>.
- In the name of **division of labour and concentration**, the EU will target its resources to a small set of sectors, to be complemented by the action of other donors. Agriculture and energy will get a prominent focus in the future development framework of the EC. How will the complementarity of donors' contributions be determined? A number of ACP countries still suffer from the lack of financing in key development. By prioritising certain sectors as suggested in the AfC, this could lead to the creation of orphan sectors and the lack of progress towards the MDGs, due to insufficient resources. By focusing too much on some sectors the EU risks losing not only visibility but more importantly expertise in certain areas of human development. Concentration should not be a goal in itself, the broader development needs should be central in the first place. The quality of the allocations should be key, financing large programs in order to have lower transactions costs and a swifter spending should not be the only criteria. In the results, needs and impact should gear the process. More coordination of EC and Member States cooperation programmes and actions is certainly welcome and should be seen as an opportunity to better align with partner countries priorities and to support the process of synergies.
- **Support to economic growth and to the private sector** will also be prominent, which may result in more investments in big infrastructures for example. Will this support be targeted to the local private sector (which should include small-holder farmers) and to real inclusive growth (through support to social protection, health, education, etc.)? Will the EU act to improve corporate social responsibility of transnational companies in ACP countries?
- **The EC and the EU member states recently reaffirmed their commitments** (EC communication and Council Conclusions) **to support human development, social services and the design of social protection systems in partner countries**. This must be reflected in the 11th EDF priorities, in particular if the EU is serious about promoting inclusive growth.
- Although more **flexibility** in use of the EDF is needed, a governance-centred incentive-based approach for allocation of funds contains the risk of double standards, especially if the allocation process is not transparent.
- Civil society must be fully involved as an actor in its own rights in both political and policy processes and in the monitoring of the implementation of aid. Investment in local CSOs' capacity building to ensure a substantive participation in stakeholder discussions toward the programming definition and implementation is key. The EU development actions should provide an enabling environment for civil society participation and action as well as to build CSOs' capacity to participate in policy formulation and monitoring of the implementation **The programming process therefore should be participative and transparent during its different stages**. Ensuring a qualitative dialogue with all stakeholders (CSOs, national parliaments, partner countries, etc.) as basis of programming is crucial. CSOs consultations were organised in some countries during the first phase but the quality of these consultations highly differs according to the countries.

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<sup>2</sup> See CCWG briefing paper on blending loans and grants

## **Recommendations**

### **To all JPA ACP-EU members we ask to:**

- Focus on a country-specific, tailor-made and right-based approach with a stronger interest for the poorest and marginalized people, this to have a greater impact on poverty eradication.
- Demand to be fully involved in the programming process of the 11th EDF and to have access to the relevant documents to discuss them publicly through national and regional parliaments. Moreover, it is crucial to ensure a meaningful and qualitative participation of CSOs all through the programming process.
- Demand for flexible procedures for the programming and disbursement of aid in crisis situations and maintain a higher portion of funds and efforts on preventing crisis.
- Demand that support to local private sector concentrates on small and medium enterprises including support to small-holder farmers) and to real inclusive growth through support to social protection education and human resources as well as fighting inequalities etc.)
- Demand for clear guidelines and criteria on the principles that should guide the blending of loans and grants project in their design and implementation. These guidelines should recognize poverty eradication as selection criterion, as well as environmental, gender and social standards, the principles of untied aid, and transparency and accountability to the citizens, local authorities and CSOs.

### **To MEPs:**

- Ask the EC to launch thorough and independent impact assessments of the existing blending Facilities including at project level. Such assessments should consider in particular the impact on poverty reduction, environment and on the debt level of partner countries. Ask the EC to set clear criteria and guidelines for the use of this modality and demand that the EP take part in these discussions.
- Ask the EC to clarify its strategy regarding the private sector

### **To ACP parliamentarians:**

- Stress the need for better cooperation, synergy and complementarity amongst the EU donors and effective Division of Labour. To enhance effectiveness donors should work with national systems and with national programs and plans, to maximize democratic ownership.