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Background note

The 10th European Development Fund : where do we stand?¹

1. Amount of the 10th EDF

The amount of the 10th EDF for the 2008-2013 period has been agreed by ACP (African, Caribbean and Pacific) countries and the European Community (EC) at the ACP-EC Council in Papua New Guinea in June 2006². The overall multi-annual framework for the 2008-2013 period for ACP countries will be of €23.966 Billion with a €2 Billion EIB contribution and €21.966 Billion representing the final envelope of the 10th EDF available for ACP countries only³. This varies from the €22.682 Billion agreed upon at the December 2005 European Council, which is the total amount of the 10th EDF, the difference comprising OCTs (Overseas Countries and Territories) costs and the European Commission administrative expenses.

The final amount of the 10th EDF represents 95,92% of €24,621 Billion originally tabled by the European Commission, about €2 Billion less in absolute terms⁴. According to the EC, this initial proposal would have allowed for the current level of development funding for ACP countries, i.e. 0.031% of EU Gross National Income (GNI) to be maintained as promised by the EU during the revision of the Cotonou agreement. However, the vague formulation used by the EC during the revision of the Cotonou Partnership Agreement left some uncertainty and margin for manoeuvre during the negotiations since there were various possible interpretations of what the “current level of funding” represented⁵. Nevertheless, **seen against the EC’s own calculations, this represents a relative decrease in the GNI proportion of development financing for ACP countries.** This is both due to the fact that the EDF funding discussion was linked to the wider discussions of the EU financial perspectives for 2007-2013 and disagreements among EU Member States on the amount of their contribution.

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2 For a more complete background paper on this topic, see Frederiksen J. The 10th European Development Fund. Negotiations, next steps and key issues. January 2006 on www.ecdpm.org

3 See ACP-CE 2111/06. Decision of the ACP-EC Council of Ministers of 2 June 2006 specifying the multi-annual financial framework for the period 2008-2013 and modifying the revised ACP-EC Partnership Agreement. 30 June 2006.

<http://register.consilium.europa.eu/pdf/en/06/st02/st02111.en06.pdf>

4 COM(2004) 838

5 Article 2 of annex 1 bis of the revised Cotonou Partnership Agreement (CPA) mentioned that “the European Union will maintain its aid effort to ACP Countries at least at the same level as that of the 9th EDF, not including balances; to this should be added, based on Community estimates, the effects of inflation, growth within the European Union, and enlargement to 10 new Member States in 2004”.

This relative decrease also raises the question of how the EU will respect its ODA commitments made in 2005 in order to achieve the 0.7% of EU GNI in 2015. It appears clearly that in order to deliver on its commitments made in 2005, EU ODA increase will have to come from bilateral and/or innovative financing mechanisms since ODA managed by the EC until 2013 has not increased⁶.

2. Breakdown of the 10th EDF and main issues

As compared to the 9th EDF, **the breakdown of the 10th EDF** (as indicated below) **reflects the increasing importance of the regional cooperation and intra-ACP levels**. Indeed, respectively 8% and 12,3% of the 10th EDF have been earmarked for regional cooperation (cooperation with the Regional Economic Communities – RECs - through regional indicative programmes) and intra-ACP and inter-regional cooperation programmes whereas both envelopes only represented 9,6% of the 9th EDF initial breakdown. This illustrates quite well the increasing attention given by the European Commission to regional integration processes in relation to the EPA (Economic Partnership Agreement) negotiation agenda, € 1,4bn having been earmarked for the initial support to the regional indicative programmes.

The amount of the intra-ACP and inter-regional cooperation envelope is a reflection of the exponential increase of this envelope during the 9th EDF implementation period due to the fact that it can be used in a flexible manner by the EC and the ACP group to flag new political priorities. Indeed, the intra-ACP envelope is not subject to 'rolling programming' unlike national and regional envelopes, which leaves more flexibility for financing decisions. Some points can be raised regarding the way the intra-ACP envelope is being managed: one could consider that there is no specific justification for the intra-ACP envelope not to be programmed or the allocation of intra-ACP funds to answer to some pre-defined criteria besides the need for greater flexibility. Part of the 9th EDF intra-ACP envelope has been channeled through global funds, which also raises the question of the ACP Group ownership of those funds and of the European Commission added value in that context.

The multi-annual financial framework for ACP countries for the period 2008-2013

The multi-annual financial framework for the period 2008-2013 in the framework of the Cotonou Partnership Agreement has been approved at the last ACP-EC summit and is composed as follows (in €bn):

- Total 10th EDF for ACP countries⁷:	21,966
o NIP/RIP:	17.766
o Intra-ACP and inter-regional cooperation	2.7
o Investment Facility	1.5
- EIB resources (loans)	2.0
Total multi-annual framework	23.966

⁶ For further information on this topic, see Frederiksen, J. EU commitments to the developing world: will EU Member States be able to deliver? January 2006 on www.ecdpm.org

⁷ As mentioned before, the 10th EDF also comprises an allocation of €286 million for OCTs (Overseas countries and territories) and of €430 million for support expenditure incurred by the European Commission in the programming and implementation of the EDF.

Two key political issues have been flagged during the discussion leading to the decision upon the final amount of the 10th EDF:

- The inclusion of a **Pan-African envelope**, that would allow for the elaboration of a Pan-African indicative programme in a similar fashion than the Regional Indicative Programmes done with the RECs, was the first question. This would have been a logical follow-up to the EU Strategy towards Africa approved in December 2005 and would be the sign of an even more structured cooperation between the European Union and the African Union. However, other ACP regions were not in favor of this approach and the contribution of the EC European New Neighborhood Instrument (ENPI), which Northern African countries would benefit from, to such a Pan-African envelope has not been clarified, although it would be technically possible. The lack of a Pan-African envelope concretely means that future support to the African Union under the 10th EDF will be drawn from the intra-ACP envelope in competition with other priorities. The fact that the envelope does not need to be programmed and can be mobilized quite quickly could also be of advantage to both the European Commission and the African Union. It will be essential for both the African Union and the ACP Secretariat to be involved in that discussion.
- No provisions have been made so far to commit additional funds for economic and social adjustments that will be needed by the ACP economies to absorb the negative effects of EPAs although this was an explicit demand formulated at the early June ACP-EU Ministerial meeting in Papua New Guinea in liaison with the final discussion over the 10th EDF. This is still the subject of intense discussions between ACP countries and the European Union. In case no additional funding is made available, **specific support to EPA implementation** will thus be drawn from the 10th EDF. The first source would be national and regional indicative programmes if EPA implementation is considered to be a priority by ACP countries. The 10th EDF programming guidelines indicated that national indicative programmes should include support to the implementation of EPAs and other multilateral trade reforms with a specific focus on the elimination of supply side constraints. Regional indicative programmes are meant to have as a component support to regional integration and trade opening. Within the 10th EDF, another possibility is also for ACP countries and the EC to use part of the intra-ACP envelope to address EPAs related needs. The question of the uncommitted funds of the 9th EDF at the end of 2007 is also still pending. A Community Declaration at the joint ACP-EC Council of Ministers in June 2006 has left the door open for a potential transfer of these funds into the reserves of the 10th EDF which would require a decision by unanimity⁸. Additional resources needed to finance adjustment costs will have to come from EU Member States bilateral ODA, other donors or capital markets. This could especially take place in the context of EU

⁸ Declarations concerning the multiannual financial framework for the period 2008-2013 agreed at the 31st ACP-EC Council of Ministers Port Moresby, Papua New Guinea 1 and 2 June 2006

http://eur-lex.europa.eu/LexUriServ/site/en/oj/2006/l_247/l_24720060909en00220025.pdf

donors various international commitments in terms of financing for development and the Aid for Trade initiative.

3. Next steps

- The financial protocol will now have to be ratified by all 25 EU Member States and at least two thirds of ACP States. If delays remain the same than last time, 10th EDF funds will only be available in 2009 and disbursement will not come before 2010 at the earliest. The ratification process might even last longer than for the 9th EDF since the EU is now composed of 25 Member States instead of 15 and all of them have to comply with their own national ratification process. This is a real concern for ACP countries: **what will happen if it takes more than three years to ratify the financial protocol?** It would have serious consequences on the speed of the implementation of the 10th EDF and would raise the question of its appropriateness in terms of support to the implementation of EPAs for instance.
- **The financial regulation applicable to the 10th EDF** should be discussed in 2007 for it to enter into force at the beginning of 2008. It will have to be approved jointly by ACP countries and the European Community. The financial regulation as well as the handbooks on contractual procedures, which will be revised as a follow up to the financial regulation, **will have a crucial impact on the implementation of the 10th EDF**, in terms of delays, flexibility and efficiency. **It is key for ACP countries to get involved** and especially to engage the end users such as National Authorising Officers and EC delegations into that discussion.
- **The programming process of the 10th EDF national and regional envelopes** is taking place and the consultation phase should be finalized by October 2006 for CSPs/RSP to be signed in 2007 and their implementation to start at the beginning of 2008. Although concerns have been raised regarding short delays not allowing for appropriate consultations, ACP countries have here the chance to ensure EC development support is properly aligned with their priorities. Following the commitments to the Paris agenda both sides should of course be doing their utmost to ensure such alignment occurs. The speed with which the EC is seeking to conduct the programming of the 10th EDF has a number of disadvantages in the way **it will certainly make it more difficult to promote joint programming with EU Member States and possibly work against alignment.** Moreover, given the fact that the EDF Protocol may take up to three years to ratify, one can be forgiven for asking whether this haste is really necessary.

This brief analysis focused on the amount and breakdown of the 10th EDF. However, the implementation of the 10th EDF will now be very much linked to more qualitative issues, which are as – if not more – important than the actual amount of available funding : how can the quality of EC's external assistance delivered through the 10th EDF be improved? The discussion around the 10th EDF financial regulation will be a key moment for ACP countries to address some of these limitations.