



Cotonou Infokit

Innovations in the Cotonou Agreement

Does the new Cotonou Agreement mark a break with past Lomé cooperation? In what way has ACP-EU cooperation been updated and modified to better cope with the challenges of globalisation, poverty reduction and sustainable development? What will change in the partnership relation?

From Lomé to Cotonou is more than a change of names. The new Partnership Agreement builds on the 'acquis' of 25 years of ACP-EU cooperation. However, in many ways, it is also quite different from the Lomé Conventions. Major changes can be noted in the strengthening of the political dimensions of the partnership, the extension of the partnership to new actors, the preparation of a new WTO compatible trade policy, and more rationalised and performance based aid management.

Stronger Political Foundation

The first major innovation in the new agreement is the stronger political foundation given to the ACP-EU partnership. Political dialogue is at the core of the new agreement. The dialogue will be deeper and wider than at present. It will cover a broad range of political issues that fall outside traditional development cooperation (e.g. peace and security, the arms trade, migration). It is the intention of both parties that the joint ACP-EU institutions will play a more effective role in addressing these issues.

The EU had wanted good governance to be included as an 'essential element', whose violation could lead to a

suspension of EU aid. After lengthy discussions, good governance was accepted as a 'fundamental element', meaning that in itself it would not constitute a ground for suspension. However, both sides did agree that serious cases of corruption, including acts of bribery, could trigger a consultation process, possibly leading to a suspension of aid (as a measure of last resort)

Extending the Partnership to New Actors

A second major new feature relates to the participation of non-state actors and local authorities. A new chapter on the actors of partnership recognises their complementary role to central governments.

ACP governments will continue to be responsible for determining the development strategy for ACP countries. Yet non-state actors (civil society, private sector, trade unions, etc.) and local authorities will be involved in consultations and planning of national development strategies, provided with access to financial resources, and involved in the implementation of programmes. They will also receive capacity building support.

Among the new actors, most attention is given to the private sector. Its role as engine for development is explicitly recognised. A comprehensive programme of action to support the private sector at different levels is outlined. For the first time the private sector will have access to funding via the European Investment Bank (EIB) without requiring a State guarantee. A new Investment Facility aims to stimulate regional and international investment, while strengthening the capacity of local financial institutions

Trade Cooperation

The third and probably the most radical change is the area of trade cooperation. For the last 25 years, under the Lomé Convention, the EU has granted non-reciprocal trade preferences to ACP States. This preferential regime will most likely be split into several trade and economic cooperation agreements, where different ACP countries and regions receive different treatment from the EU.

Under the Cotonou Agreement, the current all-ACP non-reciprocal tariff preferences will be maintained until 31 December 2007. Starting from 2008, a set of reciprocal Economic Partnership Agreements (EPAs) will normally replace them, following negotiations that will begin in September 2002. These free trade agreements would be WTO-compatible - i.e. covering 'essentially all trade' and implemented within 10 to 12 years - and will include provisions for cooperation and support in areas other than trade (structural adjustment, etc.). ACP countries are invited to sign as groups or individually, building on their own regional integration schemes.

Not all ACP countries will have to open their markets to EU products after 2008. The least developed countries (LDCs) are entitled to 'keep Lomé', or even a slightly improved version of it, without having to reciprocate. By contrast, non-LDCs who would decide they are not in a position to enter into EPAs could be transferred into the EU's Generalised System of Preferences (GSP), a non-reciprocal set of preferences less generous than Lomé, or they could benefit from alternative WTO-compatible arrangements.

Programming

A fourth innovative element is related to performance based aid management, the simplification of instruments and rolling programming.

The Cotonou Agreement marks the end of the 'aid entitlements' (i.e. fixed allocations regardless of performance). From now on, EU can use the resources for the ACP in a more selective and flexible way. Aid allocations will be based on an assessment of each country's needs and performance with the possibility to regularly adjust financial resources in the light of this assessment, through a system of rolling programming. In practice, it means that more money can be channelled to 'good performers' and that the share of 'bad performers' can be reduced.

All this means that programming of aid resources becomes a strategic management tool, aimed at ensuring that the EU support to a given country or region is deployed in a much more effective and coherent manner.

The Challenge of Implementation

On paper, the Cotonou Agreement provides a comprehensive framework for new forms of international cooperation between the EU and the ACP. However, it is also an ambitious arrangement, both in terms of its objectives and management innovations.

Hence, effective implementation will be the real test. The factors that have hampered past Lomé cooperation will not disappear with the signing of a new text. There is no shortage of implementation challenges that need urgently to be tackled (see Box)

The Challenges of Implementing the Cotonou Agreement

Putting into practice the grand objectives of ACP-EU cooperation will not be an easy thing to achieve. Consider the following implementation challenges :

Appropriate knowledge and capacity may not be readily available in relatively new policy areas (such as conflict prevention) and instruments (e.g. budgetary support, rolling programming);

The Cotonou Agreement remains fairly vague on how to involve non-state actors and local authorities in future ACP-EU cooperation.

In the trade area, both parties will need a dramatic rise in their capacity if they are to negotiate and implement such complex arrangements while also handling trade negotiations in regional and multilateral fora. Technical and political issues related to each country's decision to sign EPA's (or not) may put a strain on the relations among ACP states.

The EC has to implement the Cotonou Agreement while it is engaged in a major reform of its overall management system. It may prove difficult to combine such a difficult internal reform process with an efficient and innovative policy in ACP countries.