EUROPEAN CENTRE FOR DEVELOPMENT POLICY MANAGEMENT
CENTRE EUROPÉEN DE GESTION DES POLITIQUES DE DÉVELOPPEMENT

Cotonou Infokit

The Instruments

Past Lomé Conventions were characterised by a panoply of cooperation instruments. This made it difficult to ensure an effective and coherent use of available resources. The Cotonou Agreement simplifies things by channelling all aid through two instruments.

Lomé Instruments

Under Lomé IV, funds were made available through no less than 10 cooperation instruments that could be grouped in three main categories:

Programmable aid: Resources allocated on a geographical basis to an ACP country or region (through national or regional indicative programmes - NIPs and RIPs);

Non-programmable aid: Resources allocated not on a geographical basis, but for specific purposes such as emergency aid, STABEX and SYSMIN or for structural adjustment support;

Loan finance: Resources administered by the European Investment Bank (EIB) in support of enterprise development.

Each of these instruments had its own logic, programming methods and procedures. This fragmentation resulted in a situation where EU aid to a given ACP country was often more guided by instruments than by a coherent strategy that properly integrated the different cooperation aspects (politics, trade, aid).

During the negotiation process, the EU was keen to drastically reduce the number of instruments and to put in place a new programming system that would make it possible to use available resources in a much more flexible and coherent manner. The Cotonou Agreement has endorsed these changes. From now on, there will be only two cooperation instruments.

Grant Facility

This facility is a single envelope for the provision of grants to ACP countries and regions. The resources from the grant facility will be allocated on the basis of needs and performance. It will be possible to use these resources to finance a wide range of operations such as macro-economic support, sector policies, additional assistance in case of shortfall in export earnings, decentralised cooperation, debt relief, as well as traditional projects and programmes.

This means that the distinction between 'programmable aid' and 'non-programmable aid' is abandoned. It also means that STABEX and SYSMIN no longer exist as separate instruments, with specific budgets It will still be possible to help vulnerable ACP countries address fluctuations in export earnings, but this will be done through the overall programming process.

The basic objectives behind the rationalisation of cooperation instruments are to simplify management and to ensure a much more strategic and coherent use of available resources. This reform reflects a change in the nature of EC aid from fragmented project assistance towards the provision of budgetary assistance and the concentration of aid on a limited number of sector programmes.

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— intro —

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Cotonou Agreement

Financial resources for 2000-2007 (in billion euro)

Overall amount = 25

9th EDF = 13.5

Long-term envelope (1)	= 10
Regional envelope	= 1.3
Investment facility	= 2.2

Remaining balance from previous EDF = 9.9

EIB individual resources = 1.7

(1) including
CDE = 90 million euro
CTA = 70 million euro
Joint Parliamentary Assembly = 4 million euro

In addition to the 25 billion euro allocated to ACP countries, the sum of 175 million euro has been earmarked for the OCTs.

In this new logic, the programming process - the consultation between the EU and each ACP government where the use of aid is planned - takes on far more importance.

The Cotonou Agreement introduces a new system of programming, based on the following principles:

There will a single Country Support Strategy (CSS) for each ACP State that covers the implementation of all operations financed from the grant envelope. Based on an indicative resource allocation covering a period of five years, the CSS will be translated into Indicative Programmes that are gradually rolled forward.

Programming will be based on the partner country's own development strategies, plans and priorities (so as to promote ownership and sustainability);

Greater efficiency and impact will be sought by increasing the scale and concentration of operations;

The programming will take into account what other donors are doing (especially EU Member states). New forms of 'complementarity' will be developed (e.g. co-financing of operations in sectors where another donor has the overall responsibility for policy dialogue and implementation);

A flexible and regular review mechanism will make it possible to continuously update the CSS and the volume of resources allocated in response to evolving needs and performances (the so-called system of 'rolling programming'). This review process will be decentralised, thus ensuring that it becomes an integral part of programming and dialogue between the EC and the recipient country;

EC Delegations will be the focal point of the programming process (rather than Brussels);

Non-state actors and local governments will be invited to participate in the programming process.

The Investment Facility

The Investment Facility will replace the Lomé IV risk capital and interest-rate subsidy facilities. One major departure vis-à-vis past operations is that it will function as a revolving fund, offering ACP countries a degree of security regarding the size of the envelope available for private sector development in the short, medium and long terms.

The Facility will focus on fields of intervention and operations that cannot be financed sufficiently from private capital or by local financial institutions.

It aims to:

Stimulate regional and international investment, particularly to strengthen the capacity of local financial institutions;

Help the development of the ACP private sector by financing projects and/or commercially viable enterprises and companies;

Provide risk capital and loans on concessional terms.