

# InfoCotonou

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## Making the African Union work

**The Maputo Summit of African Heads of State in July 2003 should lead to the election of a brand new Commission for the African Union (AU). In many ways, this is both a historic event and a major opportunity.**

The establishment of the AU reflects the search for a 'new-style' pan-African level of governance to meet Africa's development challenges in a changed world. The idea is not just to give a new label to the former 'Organisation of African Unity (OAU), but to make a radical break with the past. The AU wants to be an institution with a democratic foundation, that can deliver a concrete added-value and help improving the living conditions of African citizens. Achieving a Union of 53 countries is a tall order, and one that will require time, political leadership and institutional innovation.

### Potential

As conceived, an effective AU holds important development potential. Greater integration is a precondition for enhancing Africa's overall political and economic clout in a globalised world. The AU provides a political framework for African-led responses to continental challenges. It could further develop its comparative advantage in certain areas (e.g. peace and security). It could act as a crucial 'change agent' by setting standards for governance and by monitoring the effective implementation of agreed policies. Furthermore, the AU clearly wants to be more than just a political body. It also sees a major role for itself in promoting social and economic development across the continent and in international fora.

### Difficult transition

In practice, however, the road towards a strong and effective AU will inevitably be bumpy. The transition process may be hampered by Member states that are reluctant to grant sufficient autonomy to the Commission. There is a genuine risk of a mismatch between the huge ambitions (formulated in the AU's Constitutive Act) and the (limited) resource base. The AU may initially need to concentrate on its 'core business' if it wants to deliver and gain credibility. One should also not underestimate the complexity of the changes that are required within the system.

### A critical role for the EU

Whether the AU will be able to seize these opportunities also depends on the support it receives from the donor community. Attitudes towards the AU tend to diverge widely at present, ranging from scepticism ('The AU will be no different than the OAU'); wait-and-see approaches ('Let's first see what the AU can actually achieve in practice.') and confusion ('Should we support NEPAD and/or the AU?') to cautious engagement ('We need to do something, but we must keep our eyes open at the same time.') and pro-active support ('This is a fundamental political process that needs our support.').

The European Union is perceived as the AU's 'natural partner'. The African Commission is particularly keen to build a strong political partnership with the EU, amongst others through an improved political dialogue. The EC recently agreed to provide an initial EURO 12 million in support (for peace and security as well as for institutional development). In the years to come, the EU seem well-advised to gradually extend this strategic partnership, based on a long-term political vision and calculated risks. As other regions in a globalised world, Africa badly needs a solid and effective apex organisation.

## New beginning

*After winter, the spring brings rejuvenation, colour and a new beginning; so too with the ECDPM publications. InfoCotonou is the new name for the Cotonou Newsletter. We have updated the image and the presentation. However the focus of InfoCotonou remains on providing the reader with accurate and timeous information about the processes, events and activities related to the Cotonou Partnership Agreement. InfoCotonou encourages readers to interact with the ECDPM ([info@ecdpm.org](mailto:info@ecdpm.org)) by providing additional resources.*

# Why the EDF should be included in the EU budget

Dieter Frisch, *former European Commission Director-General for Development*

**Whenever the European treaties are revised or a major financial deadline looms, the thorny issue of the inclusion of the EDF<sup>1</sup> in the Community budget resurfaces. This issue arose during the talks on the Convention on the Future of Europe and again when preparations recently started for the financial perspectives for the period beyond 2006.**

So what's the problem? Primarily for historical reasons, the EDF has always been managed as a separate fund outside the Community budget. Renewed every five years, it continues to be funded by national contributions from Member States under a formula negotiated on an ad-hoc basis, as opposed to the budget itself, which is resourced in a more or less systematic fashion.

In what clearly amounts to an anomaly, the EDF remains the only fund outside the budget. All other Community funds, including the cooperation funds for other regions of the world (i.e. the Mediterranean, Asia, Latin America, the Balkans, etc.), which are much larger than the EDF, are now part of the budget.

## 'Privileged position' for ACP states

Since 1973 and Lomé I, however, countless proposals have been made for including the EDF in the budget. The European Parliament, with its budgetary powers, has always been a keen advocate of its incorporation in the budget. The Commission, too, has traditionally favoured the idea, perhaps more from a desire to support the Parliament's position than from a real conviction of its own. The Member States, on the other hand, have presented a less united front. Some wished to maintain the status quo of this 'privileged position' for ACP states. Others favoured the current situation because the formula has enabled them to keep their contribution in line with their own national interests. Others still have supported the fund's incorporation in the budget, but have been forced

to conclude that the ceiling imposed on budgetary resources (under the 'financial perspectives') precluded the inclusion of a fund the size of the EDF. As for the ACP countries themselves, they have chosen to remain on the periphery of the debate, regarding the issue as an internal matter for Europe.

In fact, up until 1990 (Lomé IV), there were actually a number of good reasons for keeping the EDF outside the budget. These

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included the 'contractual' nature of the financial commitment, the flexibility of the Fund's management, and most importantly, the increases in the size of the Fund (20-25% in real terms). These have been obtained thanks to the ad-hoc negotiations, and would have been unattainable had the Fund formed part of the budget. This is why the Commission, despite supporting the Fund's incorporation in the budget in principle, has never truly put its full weight behind the move.

## Equal footing

Since then, however, the world has changed. Europe's external relations have become increasingly politicised, and new priorities have emerged (Eastern Europe and the EU's 'proximity policy' in particular). EDF allocations in 1995 and 2000 have remained at a stable level. The numerous crises which continue to beset the ACP countries have caused a degree of disenchantment among Europeans.

Under these circumstances, the non-budgetary status previously regarded as an ACP privilege has now become an element of marginalisation. With over half of them figuring among the 49 least developed coun-

tries (LDCs), the ACP states effectively risk being regarded as 'poor relations' supported by an EDF that is perceived merely as a solidarity fund or even a charity. In political terms, therefore, it is in their interests to become normalised by joining the others, rather than allowing themselves to be cocooned in a sort of budgetary apartheid.

At a time when, at the very highest level, the European Council is seeking to strike a balance between the long-term budgets for regions including the Mediterranean, the Balkans, Asia and Latin America, it is in the interests of the ACP countries that their case be looked at on an equal footing.

It is also in their interests that, when the next financial perspectives are adopted (i.e. for the period from 2007 to 2011 or 2013), their finan-

cial requirements are taken into account along with those of the other regions. In the current climate of budgetary constraints and demands, postponing separate negotiations to a later date would entail incalculable risks for the ACP countries.

Whereas, in the past, the process of fixing the key used for resourcing the EDF may have offered certain advantages (apart from creating the impression of intra-European horse-trading), the prospect of the same formula being negotiated by 25 or more Member States is somewhat nightmarish.

Moreover, it is basically because of the current funding method that any agreements still have to be ratified by all of the Member States. The Cotonou Partnership Agreement, for example, had to wait for almost three years before being ratified by the then 15 Member States (it was signed in June 2000, but did not enter into force until April 2003). How long might the process take with 25 Member States? This situation contrasts starkly with the situation applying to the other regions, where funds are made available under a straightforward budgetary allocation once the parties have signed up and the European Parliament has given its assent.

### No profound changes

Admittedly, the inclusion of the EDF in the budget would have certain drawbacks, too. EDF allocations would no longer be backed by the same contractual commitment as in the past. The size of the Fund would, at the end of the day, be determined by the EU and be in line with the financial perspectives. But has the size of the Fund ever been the subject of genuine negotiation with the ACP states? We must honestly acknowledge - as I can personally testify - that negotiations on the size of the Fund have always taken place first and foremost within the Community, with the Europeans bargaining with each other over several days, and with the Commission - and occasionally one or other Member State - acting as the advocate of the ACP countries. Once agreement on a substantial financial offer had been reached, subsequent negotiations with the ACP countries could achieve nothing more than minor adjustments.

In practical terms, therefore, the incorporation of the EDF in the budget would not lead to any profound changes. However, from a political perspective, it might admittedly be perceived as being a departure from the spirit of 'partnership'. Nevertheless, nothing, in my opinion, would prevent the overall budgeted value of the EDF from being set within an indicative contractual framework. Such a solution would at least meet some of the concerns likely to be felt by the ACP countries.

In other respects, the management of the EDF should conform to budgetary principles and procedures. While there would be a slight loss of flexibility (for example, financing agreements would have to be concluded in the year following that in which the budgetary commitment is made, and implementation contracts signed no later than three years after the date of the budgetary commitment), I see nothing unhealthy or unacceptable about that. On

the contrary, it could even speed up implementation. Moreover, the countries of the other regions are coping well with these rules. The new 2002 financial regulation also strikes me as sufficiently flexible, as it has introduced special rules for 'external actions', particularly on the decentralisation of operational aspects.

### Further exploration

Certain technical and legal aspects are undoubtedly worthy of further exploration, but the political reality strikes me as indisputable. Where the EDF's incorporation in the Community budget is concerned, the pros now greatly outweigh the cons.

<sup>1</sup> The EDF (European Development Fund) is the financial instrument of the Yaoundé, Lomé and Cotonou agreements.

*Articles which carry an author's name do not necessarily reflect the view of the ECDPM.*

## Preparing for the mid-term review

Preparations are already under way for the mid-term review (MTR) of the progress that has been made in implementing the Country Strategy Papers (CSPs) in ACP countries and in the disbursement of 9th EDF funds. The Review, due to take place in 2004, is

particularly important because it can affect the amount of funds available to ACP states. Countries that are found to be performing well will be eligible for increased allocations from the 9th EDF, whilst those who have performed relatively poorly may see their allocations cut.

In the next few months, it will be important to clarify the operational modalities that will be used to conduct these performance reviews in a balanced and transparent way.

### Sector-wide approaches and decentralisation

*In recent years, donor and partner countries have increasingly focused on decentralisation and on sector reform programmes, many of which have been implemented with the aid of 'sector-wide approaches' (SWAPs). The EU has actively supported this change and has become a major contributor to sector programmes in recent years. While support for these reforms has been a key innovation in development cooperation, little attention has been paid thus far to the impact of sector support (at a macro-economic level) on the decentralisation process itself.*

*This issue was addressed at a recent seminar organised by the ECDPM in Maastricht, the Netherlands. A wide range of ACP-EU participants from different walks of life reviewed the complex interrelationship between sector programmes and decentralisation in different regional settings. Five country case studies (i.e. on Benin, Burkina Faso, Tanzania, Uganda and Bolivia) provided useful background material. Policy recommendations were formulated to foster greater coherence and complementarity in the design of both types of programme. Particular attention was given to aspects of participation and local governance, which tend to be neglected in the context of service delivery-oriented macro reforms, but which are vital if the decentralisation process is to be rooted in society (for more information, see [www.ecdpm.org](http://www.ecdpm.org), actors).*

### Assessing performance

There is no shortage of thorny questions that will need to be addressed: What criteria will be used to judge performance? Will qualitative criteria carry as much weight as quantitative ones? And, crucially, will the MTR adhere to the Cotonou principle of partnership and really be a joint ACP-EU exercise or will it be largely imposed and driven by the European Commission? To what extent will national parliaments in the ACP as well as non-state actors be involved? Will EC performance, for instance on EDF disbursements, also be taken into account?

### Meeting National Authorising Officers

In the light of all this, the ACP Secretariat has put the issue of preparing for the MTR at the centre of the meeting of National Authorising Officers in Brussels held last May.

## EVENTS

### Annual reviews

The annual reviews of the National Indicative Programmes for ACP countries are under way and should be completed in June 2003. The reviews envisaged by the Cotonou Partnership Agreement are intended to examine, among other things, the progress made to date, the use of resources for non-state actors, and the extent to which the timetable for payments has been respected. See <http://acp-eu.euforic.org/civsoc/en/programming.htm>

### 28 April-1 May: Caribbean Trade Experts Meeting, Barbados

The aim of the meeting was to consider the outcomes of the Phase I EPA Negotiations and the associated work plan and to discuss a Caribbean ACP strategy for the remainder of the all-ACP negotiations. The meeting also addressed issues to be covered in Phase II Caribbean ACP Regional EPA Negotiations and the associated work plan. For further information, please contact Junior Lodge or the Caribbean Regional Negotiating Machinery at [lodge.caribnm@skynet.be](mailto:lodge.caribnm@skynet.be)

### 22-28 May: COMESA/SADC Trade Experts and Trade Ministers Meeting (Nairobi, Kenya)

The aim of the meeting was to consider the outcomes of the Phase I EPA Negotiations and the associated work plan and to discuss an Eastern/Southern African ACP strategy for the remainder of the all-ACP negotiations. The meeting also addressed issues to be covered in Phase II ESA Regional EPA Negotiations and the associated work plan. For further information, please contact Mark Pearson at the COMESA Secretariat (phone/fax 260-1-221009) (D) or visit COMESA's website at [www.comesa.int](http://www.comesa.int).

### 1-4 July: Pacific Trade Experts Meeting of the Pacific Trade Experts, Pacific Forum, ACP officials and Trade Ministers (Nadi, Fiji)

The meeting will consider the outcomes of the Phase I EPA Negotiations and the associated work plan and discuss a Pacific ACP strategy for the remainder of the all-ACP negotiations. The meeting also addressed

issues to be covered in Phase II Pacific ACP Regional EPA Negotiations and the associated work plan. For further information, please contact Paulina Elago or the Commonwealth Secretariat at [ELAGOP@commonwealth.int](mailto:ELAGOP@commonwealth.int).

### 20 June: 1st Meeting of ACP Ministers of Culture, Dakar, Senegal

The two main themes addressed during this three-day ministerial meeting will be how to define an ACP-wide cultural policy, and how to promote the cultural industries in the ACP countries. Two workshops will be held in the run-up to the ministerial meeting. The first will be geared towards professional stakeholders in the cultural sector, and will focus on how national and regional cultural projects could access funds under the 9th EDF. The second workshop examined the creation of an ACP Cultural Foundation as mandated by the 3rd Summit of ACP Heads of State and Government.

## READINGS

There is a new *European Commission DG Development* website at [http://europa.eu.int/comm/development/index\\_en.cfm](http://europa.eu.int/comm/development/index_en.cfm)

*PROINVEST* now has its own website, where its programme, activities and diary dates are presented. Visit [www.proinvest-eu.org](http://www.proinvest-eu.org) or [www.cde.int/proinvest](http://www.cde.int/proinvest).

The *European Investment Bank* has set up a dedicated website for its financing activities in ACP countries: [www.eib.org/lending/acp](http://www.eib.org/lending/acp)

A new *European Commission* website sets out the deconcentration status country by country: [http://www.europa.eu.int/comm/europe-aid/decentr/indexpays\\_en.htm](http://www.europa.eu.int/comm/europe-aid/decentr/indexpays_en.htm)

The *Financial Regulation* for the 9th EDF was adopted by the EU Council on 27 March. [http://europa.eu.int/eur-lex/en/dat/2003/l\\_o83/l\\_o8320030401en00010031.pdf](http://europa.eu.int/eur-lex/en/dat/2003/l_o83/l_o8320030401en00010031.pdf)

### Joined forces

Civil-society organisations from countries from the African, Caribbean and Pacific (ACP) region and the EU have joined forces in an Internet-based information and communication project. The information-sharing project is intended to improve the flow of information on ACP-EU cooperation. <http://acp-eu.euforic.org/civsoc> and [www.euforic.org](http://www.euforic.org)

## User's Guide to facilitate participation of Non State Actors

*A User's Guide for Non State Actors is being produced to explain ways and opportunities for them to participate in implementing the Cotonou Agreement. While central governments of ACP countries remain the EU's main partners in development cooperation, the Agreement states that NSAs should be consulted on policies, involved in implementation of programmes and receive financial and capacity building support. These new roles and responsibilities of NSAs, and the different forms of support they can receive, will be delved into in detail in the Guide.*

*Produced on the initiative of the ACP Secretariat, the User's Guide will cover both basic information on the Cotonou Agreement and detailed information on the provisions in it for NSAs. It draws on existing frameworks and guidelines as well as practical experiences and suggestions gathered through country consultations in the six ACP regions (one country per region), and via an interactive website and email list facilitated by the ECDPM. The consultation process for the Guide will run from June to September 2003. The Guide will be distributed by the ACP Secretariat this autumn. It will also be accessible via ECDPM's website: [www.ecdpm.org](http://www.ecdpm.org)*

'InfoCotonou' highlights key debates, activities and events related to the implementation of the Cotonou Partnership Agreement, an agreement between the African, Caribbean and Pacific (ACP) countries on the one hand, and the European Union (EU) on the other. ACP-EU actors are encouraged to share their opinions, reports and other resources on ACP-EU cooperation. The ECDPM is a non-partisan organisation that seeks to facilitate international cooperation between the ACP and the EU. Information may be reproduced as long as the source is quoted.

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