



CONCORD Cotonou Working group
Briefing paper

INTRA-ACP FUNDS

Background

There has been no evaluation into the way in which the 9th EDF as a whole was implemented or as to how it has contributed to achieving the EU's development policy objectives. Nonetheless, it would be useful to analyse certain trends that have developed over the last five years. One of these trends is the constant increase of the financial envelope allocated to the Intra-ACP activities, culminating in the last decision of the ACP-EC Council of Ministers in May 2007 to transfer all remaining non-committed 9th EDF funds to it¹.

In total all Intra-ACP funds represents more than €3 billion or around 22% of the 9th EDF².

In the 9th EDF, the two main sources of funding for facilities and Intra-ACP cooperation were the 'conditional billion' and the 'reserve for long-term development' that also included funds from previous EDFs. For allocation of the reserve for long-term development a co-decision by the ACP-EC Council of ministers is necessary³. The release of the conditional billion depended on a decision from the EU Council of ministers and was conditional on improved performance of the EDF. However, once the money had been released the decision on its allocation was taken jointly by the ACP-EC Council.

The 9th EDF conditional billion was supposed to provide additional funding for the National indicative programmes of the countries that performed well but in the end was used to finance Intra-ACP programmes as follows:

Water facility (€500 m), Energy facility (€220 m), Timor Leste NIP (€18 m), Commodity risk facility (€25 m), Support for adapting to EU sanitary and phytosanitary rules (€30 m), African-Union pan-African mandate (€50m), Fast Track initiative on Education (€63 m), Global fund for Health (€62 m), Budget of the CDE and the CTA (€32 m).

Many more Intra-ACP activities were supported with funds originating from the reserve for long-term development such as:

Peace Facility (€ 400m), initial input in the Infrastructure Trust Fund (€70 m) and in the Global Energy Efficiency and Renewable Energy Fund, GEEREF (€50 m), ACP Business climate facility (€20 m), Sugar research project (€13 m), EDU-Link (€14 m), Migration facility (€25 m), Multilateral environment agreements (€33 m), Debt reduction (HPIC) (€460 m), Agriculture commodities and Cotton (€45 m),...

In the **10th EDF breakdown**, 2700 million are earmarked for Intra-ACP cooperation. It includes 330 million for diverse institutions and 705 million in reserve (including 300 million for the Peace Facility after 2010).

It leaves 1665 million for other Intra-ACP programmes (300 million already earmarked for the Peace Facility 2008-2010).

On the contrary to what happened with the 9th EDF, the 10th EDF intra-ACP envelope will be programmed and it should be possible to have an overview on the way it will be implemented from the start. Such programme is not available yet but we already know that a significant part of the funds will be used to finance part of the 8 EU-Africa partnerships to be established in the plan of action of the new EU-Africa joint strategy. It is almost certain that the partnerships on energy and on climate change and the peace facility (as part of the partnership on peace and security) will be partly financed by Intra-ACP funds. In addition to that it was already foreseen in the EC communication on the already started Infrastructure Partnership that 600 million from the Intra-ACP envelope would be allocated to it.

Main concerns regarding the Intra-ACP funds

► The growing share of the Intra-ACP envelope in the 9th EDF reflects a clear shift from a joint management of country and regional envelopes to a classical donor-recipient relation where funds are managed and contracts are administered by the donor with limited interference from the recipient side.

¹ See official document: Decision No 1/2007 of the ACP-EC Council of Ministers of 25 May 2007 on reassigning part of the reserve of the 9th European Development Fund (EDF) envelope for long-term development to the allocation for intra-ACP cooperation in the 9th EDF envelope for regional cooperation and integration

² We use here the initial figure for the 9th EDF, €13.5 billion.

³ ACP-EC Council decisions n° 2/2003, 3/2003, 1/2004, 4/2005, 6/2005, 7/2005, 2/2006 and 1/2007.

Intra-ACP envelope is a way for the EC to commit money more rapidly and easily in lines with its own priorities but this does not necessarily coincide with the recipient countries priorities and strategies and doesn't contribute to enhancing recipient countries capacities and procedures as recommended by the Paris aid effectiveness declaration.

► Some argue, for example, that the Water Facility has distracted donors and recipients from the urgent need to increase conventional sources of funding for W&S. Challenge funds do not allocate money in a strategic manner, and may even undermine national policies and structures. Allocations are not correlated with MDG requirements and there is not a real sense of ownership of the Water Facility by African Governments.

► In many cases Intra-ACP funding reflected new priorities of the EC in line with the EU-Africa strategy (infrastructure trust fund, Peace facility), or new EU policy initiatives and are in some cases directly related to internal EU policies (GEEREF, FLEGT, migration facility, sugar research project, Erasmus Mundus, etc.).

► Intra-ACP funds represent a flexible pocket of money where the EC and MS can easily find the means they need to support new political initiatives and generous aid commitments at international level without having to debate the relevance, effectiveness and accountability of their decisions with any representative body of European tax payers.

► This is particularly true for the Peace Facility that represents a transfer of official development assistance (ODA) to peacekeeping military expenditures in line with the objective of security and stability that is at the core of the EU-Africa strategy. Member States continue to report 100% of their contribution to the EDF as ODA while part of it (almost €400 million from the 9th EDF and €600 million planned for the 10th EDF) is used to support non-ODA eligible expenditures.

► The Intra-ACP funds are not subject to 'rolling' programming and there are no pre-defined criteria for their allocation. There should be a programming of Intra-ACP funds in the 10th EDF but no information is yet available regarding this process. Intra-ACP funds are allocated and managed in a completely ad hoc way and do not represent a predictable source of funding despite the fact that they represented one fifth of the 9th EDF.

► The ad hoc management and thematic focus of Intra-ACP funding is in total contradiction with the general efforts towards the limitation of thematic funding and central role of country programming as main principles of the new EU development assistance instruments in the context of the Financial Perspectives 2007-2013. According to that principle, any thematic funding should be subsidiary to the country strategy. This principle doesn't seem to have governed any Intra-ACP programme so far.

► Intra-ACP funds support a lot of technical assistance with a generalised recourse to European consultancies and little involvement of and support to ACP human resources and capacities.

► Intra-ACP funds are often managed by specialised bodies that represent an additional administrative layer and cost compared to the main programmable aid envelope (NIPs and the RIPs).

► The participation of civil society organisations in the design and implementation of Intra-ACP programmes is very limited. The only possibility for civil society actors to take part in these programmes was through the calls for proposals for the Water Facility, the Energy Facility and the Microfinance Facility. Of course, these facilities were perceived as a good opportunity for CSOs to access EDF funds that are usually out of their reach. We must recognise however that International agencies and international NGOs are over-represented in allocations while ACP civil society is almost absent except in the form of N-S partnerships.

Recommendations

- 1) Apply the principle of complementarity with and subsidiarity to the Country Strategy papers to the Intra-ACP funds in the same way as for the thematic programmes of the DCI and limit Intra-ACP programmes to activities taking place at a supra-national/regional level and for the real benefit of all ACP countries.
- 2) Involve ACP countries in the decision-making process for allocation of Intra-ACP funds on an equal footing and use the Intra-ACP funds in full respect of the Cotonou agreement's objectives and principles and in accordance with the ODA eligibility criteria.
- 3) Establish a transparent process of programming and management of the Intra-ACP funds in full respect of the role of the ACP countries in the management of EDF while taking account of the scrutiny role of the European Parliament and the Joint Parliamentary Assembly and involving civil society actors whenever relevant.
- 4) Do not increase Intra-ACP funds at the expense of national and regional indicative programmes and put in place conditions that will allow for the full absorption of the programmable envelope of the 10th EDF without having to transfer those funds to the Intra-ACP envelope as happened with the 9th EDF conditional billion and end of term review.