

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 of the EU Council of ministers but 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, **300 million already earmarked for the Peace Facility 2008-2010** and 705 million in reserve (including 300 million for the Peace Facility after 2010).

On the contrary to what happened with the 9th EDF, **the 10th EDF intra-ACP envelope will be programmed**. Guidelines for the programming have been adopted by the ACP-EC Committee of ambassadors. They are based on the **principles of subsidiarity, complementarity and visibility** and set the framework of intra-ACP cooperation in three areas: 1) institutional expenditures for the joint institutions and the ACP secretariat, 2) supra-regional ACP initiatives benefiting the majority or all ACP countries and 3) global initiatives to which the ACP states have subscribed. An intra-ACP cooperation strategy and an indicative programme are under preparation but not publicly available yet. Quite certain is that a **large part of the funds will be used to finance the 8 EU-Africa partnerships** of the new EU-Africa joint strategy (e.g. partnerships on energy (replenishment of energy facility with 200 m€), on climate change and the peace facility). It was foreseen in the EC communication on the already started Infrastructure Partnership that 600 million of the Intra-ACP envelope would be allocated to it.

According to the guidelines, requests for the funding of measures must originate from the ACP side (ACP Council or Committee of ambassadors or regional bodies or two countries from each of the 3 regions). The African Union can also present requests indirectly. These requests will as far as possible be integrated into an annual intra-ACP action programme' to be approved by the EDF Committee. Flexibility will be maintained through a non-programmed reserve and through mid-term, ex-post or ad hoc reviews.

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.

Main concerns regarding the Intra-ACP funds

- ▶ The growing share of the Intra-ACP envelope in the 9th EDF reflected a shift from a joint management of country and regional envelopes to a more classical donor-recipient relation where funds are managed and contracts are administered by the donor. Intra-ACP envelope is a way for the EC to commit money more rapidly and easily in lines with its own priorities but it 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 or vertical 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 reflect 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 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. Under the 9th EDF it was particularly hard to find clear and comprehensive public information on expenditures at intra-ACP level. At the end of 2008, no public information is yet available on the programming of the 10th EDF intra-ACP envelope
- ▶ 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 guidelines for the programming of Intra-ACP funds in the 10th EDF don't foresee any consultation or information of ACP partners outside the ACP Committee of ambassadors or any role for the JPA. The programming is done by the Brussels based staff of the EC and ACP secretariat.
- ▶ The ad hoc management and thematic focus of Intra-ACP funding is in contradiction with the general efforts under the 2007-2013 Financial Perspectives to limit the thematic funding and with the central role of country programming. According to that principle, any thematic funding should be subsidiary to the country strategy. Many Intra-ACP programmes have escaped that principle 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. They 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 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. These facilities were perceived as a good opportunity for CSOs to access EDF funds that are usually out of reach. We must recognise however that International agencies and Northern NGOs are over-represented in allocations while ACP civil society is almost absent except in the form of NGO 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 programming and 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 implementation 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.

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