

The European Development Fund: towards integration in the Community budget?

The main financial instrument of cooperation between the European Union and the African, Caribbean and Pacific (ACP) group of states, as well as with the overseas countries and territories (OCTs), the European Development Fund (EDF), is at the moment the subject of discussion concerning its integration into the general budget of the EU. If such a decision is taken, this "legendary" instrument of the ACP-EU partnership will be allocated and managed under different conditions. Why such a change? What are the real advantages of budgetisation in terms of operational efficiency for a cooperation focused on poverty alleviation? What are the possible disadvantages?

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Set up in 1958, the EDF constitutes the principal source of funding for EU cooperation with the ACP countries and the OCTs. Its particular nature lies in the fact that it has evolved independently of the EU's general budget, and is managed by the European Commission with the European Parliament granting the discharge. The EDF is also different in that it has operated all these years under a separate financial regulation and its own implementation arrangements, distinct from mechanisms used for external aid financed from the general budget. In particular, the EDF funds originate from ad hoc contributions by the EU member states every five years, with a different cost-sharing formula from that applying to the general budget. It is implemented jointly with the beneficiary countries via specific co-management mechanisms. Although it has financed many development programmes and projects in ACP countries, the EDF has come under fire on a number of occasions, with the harshest criticism directed at the sums involved, the slowness of procedures and disbursements and the build-up of unused balances. Supporters of budgetisation believe that the advantages of having a fund separate from the general budget have constantly been eroded with each successive convention, making it increasingly less able to meet the ever-changing needs and objectives of cooperation and development. Although there is more talk of budgetisation on the part of Europe than the ACP countries, this is primarily because such a measure is closely related to the institutional operation of the EU and the political changes currently underway within the EU.

Why the EU wants to budgetise the EDF

A recurring theme for several years, the idea of budgetising the EDF has been the subject of frequent discussion within the EU. Several member states and a very high majority of members of the European Parliament (MEPs) have persistently argued in favour of integrating this financial instrument into the Community budget. In recent years, positions have gradually converged within the EU on this issue. In the light of recent developments, and of the European Commission's position, it would seem that we are very probably heading in that direction. Indeed, the Commission has just reaffirmed its wish to

take such a step in its Communication to the Council and the European Parliament of 8 October 2003 entitled "Towards the full integration of co-operation with ACP countries in the EU budget". This document contains several political and institutional reasons in support of this change, backed by technical considerations to the effect that it would improve efficiency.

The EU is currently in the process of institutional reform and of adapting the treaty to establish a constitution for Europe so as to pave the way for enlargement with the 10 new member states due to join in 2004. The European Convention – charged with proposing ways of adapting and renovating Europe's institutional and political framework – recommended the budgetisation of EU-ACP cooperation. This concerns, above all, harmonising procedures, simplifying the work of Commission staff and ensuring better budgetary discipline. However, the EU also wished to update and consolidate its relations with the ACP countries by integrating them in the general framework of its external relations. This would constitute, in the view of the Commission, a move towards standardisation and bring this partnership into line with the requirements of the common external and security policy. According to the Commission, by integrating the resources allocated to the ACP countries into the EU's annual budget, the advantages granted to them by the EU would in no way be undermined, but actually enhanced. Maintaining cooperation with so many countries outside of the increasingly unified European constitutional and political framework carries the risk of increased marginalisation. The document maintains that budgetisation will bring this cooperation more to the frontline and enhance its legitimacy through greater involvement of the European Parliament and through the role that would be played by the ACP-EU Joint Parliamentary Assembly. A budget which evolves outside all parliamentary control is more and more viewed as an anomaly in a democratic system. ACP development aid could therefore follow a coherent political co-decision procedure involving the Council, European Parliament and the Commission and would allow decision-makers to make transparent decisions in terms of cooperation management and strategy. This is an advantage not offered by the current system, which is complex and fragmented.

The European Development Fund (EDF) is the main instrument for Community aid for development cooperation in the ACP countries and the OCTs. Articles 131 and 136 of the 1957 Treaty of Rome provided for its creation with a view to granting technical and financial assistance to African countries with which certain EU member states had historical links. The EDF does not come under the general Community budget.

From a practical viewpoint, the Commission also believes that budgetisation will put an end to the system of successive EDFs which cannot be implemented until after an onerous, lengthy ratification procedure (lasting about two years). At the same time it will avoid the “ad hoc” negotiations to determine the value of the financial envelope, especially with the perspective of an EU enlarged to 25 member states. As far as the EU is concerned, funds will be available more rapidly and will be more quickly committed and disbursed. Unlike the EDF, the EU budget is annual. In the Commission’s view, this should in no way affect the predictability of actions, more or less guaranteed under the EDF’s financial protocols, which are fixed for five years. The annuality rule includes a multi-annual dimension ensuring that aid is planned more efficiently. In the Commission’s view, the fact that funds are assessed and approved by the relevant authorities on a yearly basis will further contribute to efficiency, in particular due to the regularity of commitments. In its Communication, the Commission also puts forward other potential gains in efficiency that could result from budgetisation, in terms of synergy and consistency between geographical and thematic programmes as well as between beneficiary regions.

Fear of change

However, it seems that not everyone has faith in the proposed budgetisation of cooperation with ACP countries. A few member states have expressed reservations and asked for clarification in a number of areas. There is most concern among ACP countries. Some of them find the move towards a new system of financing and managing the aid granted to them very worrying indeed. According to some, it could undermine the EU’s political commitment to them; the fact of having benefited from a special partnership and a series of preferential advantages for over forty years reassured them that they are a priority for the EU. Diluting this cooperation by incorporating it into the overall EU development policy could make them think otherwise.

Some have expressed fears that the EU’s financial commitment could be affected, resulting in a considerable reduction in the overall value of its aid. For other ACP countries, the best thing about EU cooperation has been that it allows balances to accumulate. It remains to be seen how such a situation would be managed in a system in which expenditure is authorised for one-year periods only and unspent funds expire at the end of the financial year. In particular, how would the case of “crisis” countries be managed and how would the funds be reallocated? Furthermore, the Cotonou Agreement reaffirmed and indeed reinforced the idea of ownership of aid by the beneficiary countries through co-management mechanisms. What will become of this concept once the EDF is integrated into the general budget, which is implemented according to the EU’s institutional system and on its own legal bases determined jointly by the Council and the European Parliament? Will the procedures applicable to the general budget truly be less onerous and more easily assimilated by the ACP countries that will, at the end of the day, have to comply with them? The general budget is, however, not totally unknown to ACP countries, as they have benefited from certain budget lines like food security. The reform of the EU’s external aid, and the devolution of management to the delegations on the ground, which includes support to the national authorising officers, should facilitate this transition. The ACP Secretariat has sponsored a study on this subject, in order to look into the issues involved.

In terms of timetable, there is every indication that there will be no 10th EDF negotiated between 25 member states. The current EDF expires at the end of 2007 and the Commission is proposing that the 2007/2008 budgets should be the start of budgetised ACP financing. The integration of cooperation with ACP states in the EU’s general budget will necessitate political, legal and technical reconciliation of the Cotonou Agreement, signed for 20 years, with the EU’s vision. Can this be achieved without undermining such an important agreement? ■