

## **AGENDA ITEM 10**

### **ACP-EU DEVELOPMENT COOPERATION AFTER 2013**

#### **State of play of preparations of the multi-annual financial framework 2014-2020**

**Presented at the ACP-EU Council of Ministers meeting,**

**14- 15 June 2012, Port Vila VANUATU**

## **EU COMMISSION**

### **State of play of preparations of the multi-annual financial framework 2014-2020**

#### *Introduction*

- Firstly, I would like to outline the proposal that the Commission has made for financing external Development activities for the period 2014-2020.
- The Commission's proposals for the future external financing instruments for 2014-2020 consists of 9 instruments representing a total amount of €96 billion in current prices.
- The reasoning behind this figure is that the proposed increase would bring the Commission's spending in line with the overall objective of reaching the ODA target of 0.7% of EU GNI by 2015. The proposed financial allocations of these 9 instruments would mean an increase by more than 17% compared to the current financial framework (comparison in 2011 prices).
- We are aiming to get agreement between the Parliament and the council in principle on the proposal by December 2012. This would enable us then to have the new legal bases of the instruments adopted by Parliament and the council in 2013 in time for their entry into force in 2014.
- I will present our Agenda for Change Communication under the next item, but it is worth noting that the key ambition to increase the impact and effectiveness of EU development policy is reflected in the European Commission proposals.

#### *State of Play and key issues*

- Generally speaking the MFF package has been well received in the Council and the European Parliament. The negotiations progress steadily, although it is inevitable that they are part of the overall budget discussion, and, as you all know, these things are never simple, and given the current economic climate, double so.
- As the ACP-EU co-chair mentioned, whether or not the "budgetise" the EDF is still an open issue in the legislative process. Other key issues include, apart from the overall funding levels, questions regarding flexibility of the instruments, horizontal issues like the use of delegated acts, and the issue of differentiation.

- I will not hide from you, as I have just mentioned, the fact that the budgetary discussions will be difficult; you all know quite how tough the economic climate is in the EU at present. Nonetheless, it is worth noting that in 2011, despite the crisis, EU development aid increased compared to 2010, and the Council of Ministers reaffirmed their determination to meet our 0.7% target for ODA. It will be tough, but one thing is for certain, the EU remains committed here, and will keep its place as the World's biggest provider of development assistance, and by a long way.

I would like to discuss with you in particular, how to apply the **principle of differentiation, a key element in the Agenda for Change.**

- In summary, differentiation means targeting more resources for the poorest countries and less to those more able to now move further ahead with more limited development assistance in simple monetary terms. Our resources should go where they are needed most and where they could have the greatest impact. A particular focus is therefore on Least Developed Countries (LDCs). This principle was set out in the Agenda for Change Communication and endorsed by the EU's Development Council in May.
- Differentiation has been applied in the Commission's proposal for Development Cooperation Instrument, covering non-ACP developing countries. It has done so by graduating 19 out of 21 Upper Middle Income Countries (UMICs) from Latin America, Asia, Central Asia and Middle East from the list of beneficiaries of bilateral development assistance. In other words, these 19 countries, which have solidly attained Upper Middle Income status, will no longer be the subject of a bilateral aid programme with the Commission.
- This does not mean that these countries will not be receiving development assistance; we will continue work together with them actively using thematic and regional programmes; focusing more strategically on providing assistance more relevant to their status, needs and goals as an upper middle income country, developing a new partnership with the EU based on this chance.
- Thus, focussed on the new interests and priorities of these countries, we wish to concentrate on issues of mutual concern such as climate change, global good security and regional instability. As part of these partnerships we aim to strengthen economic, technological and business cooperation, promote trade, investment and regulatory convergence.
- In financial terms, we are not therefore disengaging with these partner countries. They will be supported from 2014 through various channels. These include the global thematic programmes under the Development cooperation Instrument, regional programmes and blending of grants and loans through our regional investment facilities. There is also a new Partnership Instrument transition by continuing commitments under bilateral programmes until end of 2013, and subsequent implementation in the years beyond.
- I will strive to ensure a coherent implementation of EU development policy principles, including differentiation, across all of our financial instruments.

## *Differentiation and 11<sup>th</sup> EDF*

- What does differentiation mean in our relationships with the ACP countries and EDF?
- Let me first say that we have a long history of partnership with ACP Group countries which we value, and wish to deepen and develop further. This is a special and unique relationship, which merits special and unique treatment and approaches.
- We are committed to working together in full respect of the Cotonou agreement, and in particular the vital principles of partnership and consultation that are embedded in Cotonou's partnership nature.
- Thus any differentiation in the case of the EDF must cater for the specificities of Cotonou and its procedures.
- A key aspect of the partnership-spirit of Cotonou is that whatever solution is adopted should be discussed between partners. Another one is equality and non-discrimination regarding the procedures and criteria for looking into each partner's merits.
- Indeed, the unique nature of the Cotonou agreement is the reason why I find it so important to discuss with you today how the differentiation principle should be applied in the next EDF in practice, before any conclusions or proposals have been reached on this difficult issue in Brussels.
- Let me assure you, first of all, that all our ACP partners will continue to benefit from EU funding; irrespective of the manner that the differentiation principle may be applied.
- The key issue is how to appropriately reflect the difference between the very different groups of ACP countries.
- Some are High Income Countries or Upper Middle Income Countries that are wealthier than some EU member states, including my own country. And some others are among the poorest Low Income Countries. And it is not just the level of GNI. Other indicators such as the Human Development Index reveal these differences between ACP countries.
- In the light of the specificities of the Cotonou Agreement, we must look into partners' level of development, needs, performance and long-term development strategy, as well as vulnerability factors such as those faced by landlocked and island countries, together with income factors.
- Indeed the Cotonou Agreement provides for differentiation among its basic principles, in its Article 2, which also states that special treatment shall be given to least development countries. The question is not therefore whether this principle should be taken into account, but how.
- Thus, in line with our partnership approach, I would like to hear your views on how the principle of differentiation could best be applied in the 11<sup>th</sup> EDF.
- Two basic models could be foreseen:

- Firstly, an option based on reduced national allocations, whereby all ACP partners could benefit from bilateral aid allocations, but these would be highly reduced from High Income and Upper Middle Income Countries, and
  - A second option based on zero national allocations for the wealthiest ACP partners, which would not benefit from bilateral aid allocations, but would continue to fully benefit from other EDF and EU budget resources, including regional and thematic programmes.
- I would also like to hear your views on these issues; this is a difficult and complex decision, and I am fully aware of the importance of getting this right.