
European Development Fund

Joint development cooperation
and the EU budget: out or in?



IN-DEPTH ANALYSIS

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This publication aims to provide a general overview of the key features of the European Development Fund (EDF), the main tool through which EU Member States channel their development assistance to the African, Caribbean and Pacific Group of States (ACP) as well as to overseas countries and territories (OCTs). A particular focus is on the budgetary specificities of the EDF and the long-standing debate on its possible inclusion in the EU budget.

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A group of women fills water containers at a newly established public fountain in a village near Assab, Eritrea (19 November 2010). The fountains were constructed by the Eritrean Red Cross under the ACP-EU Water Facility.

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EXECUTIVE SUMMARY

As a major international actor in development cooperation, the EU has in the European Development Fund (EDF) its largest geographic instrument in this policy area, with €30.5 billion allocated to the 11th EDF for 2014-20. In recent years, around 30% of total EU spending on external assistance, including spending on both development and other categories, has been channelled through the EDF. The Fund focuses on countries and territories which have special historical ties with some Member States: the African, Caribbean and Pacific Group of States (ACP), which receive the bulk of funding, and the overseas countries and territories (OCTs) of the EU.

From a budgetary perspective, the EDF presents a significant peculiarity, since it is intergovernmental in nature and remains outside the EU budget, despite the fact that most of its resources are managed by the European Commission. In turn, this implies that the rules governing the financing, spending and monitoring of the EDF are different from those applicable to the EU budget, although efforts have been undertaken to align them as much as possible. One difference is that the European Parliament has a more limited role in the functioning of the EDF than in the development cooperation instruments financed by the EU budget. As regards the proposal for the Financial Regulation applicable to the 11th EDF, the European Court of Auditors welcomed a number of improvements, but maintained a general observation on transparency, considering that the complexity of the document entails a significant risk of legal uncertainty and errors.

The EDF finances a broad range of actions in beneficiary countries, with disbursements for social (e.g. education, health and water) and economic (e.g. transport, communication and energy) infrastructure and related services together accounting for more than half of total EDF payments for 2010-12. Least Developed Countries received 56% of the funding over the same period. The share of interventions through budget support, an approach to aid delivery that involves direct financial transfers to the national budget of the beneficiary country, is generally higher than for development programmes under the EU budget.

While stakeholders and analysts note both achievements and weaknesses of the EDF, a long-standing idea concerns the possible inclusion of the Fund in the EU budget (i.e. its so-called '*budgetisation*'). Supporters of the idea, which include both the Commission and the European Parliament, consider that *budgetisation* would bring advantages such as stronger democratic legitimacy of the EDF as well as an increase in the efficiency and in the effectiveness of EU development aid through a simplification of the relevant framework.

Over the last four decades, the European Commission has put forward several proposals for *budgetisation*. However, EU countries have never reached the required unanimity, with individual positions possibly influenced among other things by considerations of potential increases or decreases of respective financial contributions to the Fund. From their side, ACP countries may fear a weakening of the financial commitment of the EU to the group, which the Commission contests.

The new target date for *budgetisation* is 2021, after the expiry of the Cotonou Agreement, a comprehensive international agreement setting out the wider framework of ACP-EU relations. Since the EDF is the financial envelope of this international agreement, its future is tightly linked to the evolution of ACP-EU relations. In 2015, the Commission is expected to launch a wide consultation on the post-Cotonou framework.

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List of main acronyms

- ACP:** African, Caribbean and Pacific Group of States.
- DAC:** Development Assistance Committee of the OECD (see below).
- DCI:** Development Cooperation Instrument.
- DEVE:** Development Committee of the European Parliament.
- EC:** European Commission.
- ECA:** European Court of Auditors.
- EEAS:** European External Action Service.
- EEC:** European Economic Community.
- EIB:** European Investment Bank.
- EP:** European Parliament.
- EPAs:** Economic Partnership Agreements.
- EuropeAid:** European Commission's Directorate-General for Development and Cooperation (also referred to by the acronym DEVCO).
- GNI:** Gross National Income.
- HDI:** Human Development Index.
- JPA:** ACP-EU Joint Parliamentary Assembly.
- LDC:** Least Developed Countries.
- LDLICs:** Least developed, landlocked and island ACP states.
- LIC:** Other Low Income Countries (per capita GNI \leq \$1 005 in 2010).
- LMIC:** Lower Middle Income Countries and Territories (per capita GNI \$1 006-\$3 975 in 2010).
- MFF:** Multiannual Financial Framework.
- NIP:** National Indicative Programme.
- OCTs:** Overseas countries and territories.
- ODA:** Official Development Assistance.
- OECD:** Organisation for Economic Co-operation and Development.
- TFEU:** Treaty on the Functioning of the European Union.
- UMIC:** Upper Middle Income Countries and Territories (per capita GNI \$3 976-\$12 275 in 2010).

1. Introduction

With contributions worth more than €50 billion a year (2012), the European Union (EU) and its Member States are jointly the first donor of Official Development Assistance (ODA) in the world.¹ In the EU, public development assistance is channelled through either national programmes of the Member States or common programmes under the EU budget. However, the European Development Fund (EDF), which is the oldest common instrument created by EU countries in this policy area, forms a category of its own. The EDF is an intergovernmental fund outside the EU budget, but most of its resources are managed by the European Commission (EC).² EU countries disburse part of their ODA through the EDF.

First established in 1958 and launched the following year, the EDF has a geographic focus on a number of overseas territories and third countries such as former colonies, which have special historical ties with some Member States of the EU. Third countries receiving EDF funding are part of the African, Caribbean and Pacific Group of States (ACP) and are signatories to the Cotonou Agreement, a comprehensive international agreement setting out the wider framework of their relations with the EU and its Member States until February 2020.

The European Parliament (EP) has repeatedly called for the full integration of the EDF into the EU budget (so-called *budgetisation*), with a view to increasing public control on this Fund, streamlining its procedures and increasing its effectiveness. Since 1973, the EC has put forward proposals for the *budgetisation* of the EDF on many occasions, but Member States have never reached unanimity, which is required to this end.

In its 2011 documents³ preparing the EU's Multiannual Financial Framework (MFF) for 2014-20, the Commission did not renew the *budgetisation* proposal, considering that the expiry of the Cotonou Agreement in 2020 did not create appropriate conditions for this. Since the EDF is the financial envelope of this international agreement, its future is tightly linked to the evolution of ACP-EU relations. While a last revision of the agreement is possible in 2015, negotiations on the post-Cotonou scenario should be carried out during the new term of office of the European Commission.

¹ ODA statistics are produced by the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD). In 2012, EU institutions, 19 EU countries and 9 non-EU countries were members of the DAC. In view of the expected adoption of a new global development agenda in 2015, the DAC has launched a debate on the modernisation of development finance statistics. To be classified as ODA, development assistance currently needs to meet a number of requirements (provided by official agencies; administered with the promotion of the economic development and welfare of developing countries as its main objective; and concessional in character, with a grant element of at least 25%).

² Some EDF resources are managed by the European Investment Bank (EIB) through Investment Facilities.

³ A Budget for Europe 2020. Commission Communication - [COM\(2011\)0500 final](#) - of 29 June 2011.

EU competence in development cooperation

Development cooperation is a shared responsibility of the EU and its Member States. The Treaty on the Functioning of the European Union (TFEU) sets the reduction and the eventual eradication of poverty as the primary objective of the EU in this field, indicating that Union and Member State policies need to complement and reinforce each other through coordination (Articles 208-211). The geographic reach, scale and scope of its programmes are generally seen as three comparative advantages of the EU in development cooperation.⁴ Some analysts⁵ note that translating the principle of complementarity into practical arrangements (e.g. with donors specialising in activities and/or areas where they are expected to have a comparative advantage) has proved difficult despite attempts in this direction, since stakeholders' views on their respective roles may diverge and compete with each other. According to papers⁶ drafted for the EP, better donor coordination could save some €800 million per year in overhead costs associated with activities such as programming, implementation and monitoring of assistance, while increasing the overall impact of development actions. In a 2013 resolution,⁷ the EP called for more effective coordination by the EU and its Member States, and formulated a series of recommendations.

2. Geographic coverage from a historical perspective

Despite being outside the EU budget, the EDF remains the largest geographic instrument for development cooperation managed by the Commission. Its total resources for 2014-20 amount to more than €30.5 billion. A historical perspective is necessary to understand its current geographic coverage.

The EDF is directly related to the very initial steps of EU action in this policy area as set out in the 1957 Treaty of Rome establishing the European Economic Community (EEC). France made its signature of this Treaty conditional on the inclusion of arrangements devoted to the association of overseas collectivities and territories that at the time were still under European colonial rule. In addition to trade, Part Four of the Treaty identified investments to promote development as a building block of these relations. The EDF⁸ was the instrument designed to provide financial and technical assistance accordingly.

However, many of these overseas countries and territories soon gained independence. Therefore, the EEC and its Member States structured their broader relations with them by means of successive international conventions or agreements, which are known by the names of the cities where they were signed: Yaoundé, Lomé and Cotonou. The EDF was confirmed as the tool for implementing the financial development assistance aspects of these wider agreements (see table 1).

⁴ [European Union - DAC Peer Review of Development Co-operation](#) / Organisation for Economic Co-operation and Development, 2012, p. 30.

⁵ See for example: [The Netherlands and the European Development Fund. Principles and practices: Evaluation of Dutch involvement in EU development cooperation \(1998-2012\)](#) / Ministry of Foreign Affairs of the Netherlands, Policy and Operations Evaluation Department (IOB), 2013, 312 p.

⁶ [The Cost of Non-Europe in Development Policy: Increasing coordination between EU donors](#) / Nogaj M., European Parliament, European Added Value Unit, 2013, 42 p.; [Quantifying the economic benefits of increased EU donor coordination](#) / Bigsten A., 2013, 38 p.

⁷ EP resolution of 11 December 2013 with recommendations to the Commission on EU donor coordination on development aid ([P7_TA\(2013\)0558](#)).

⁸ Known as the European Overseas Development Fund (or FEDOM, the acronym of its name in French) before the African states became independent.

Given the long history of the EDF, developments on both sides of the partnership and dramatic changes in the global geostrategic map have had an impact on the geographic coverage of the instrument and on its features. Examples of significant events include:

Table 1 - EDFs from 1959 onwards

	Years	Legal basis
1st EDF	1959-64	Convention on OCTs annexed to the Treaty of Rome
2nd EDF	1964-70	1st Yaoundé Convention
3rd EDF	1970-75	2nd Yaoundé Convention
4th EDF	1975-80	1st Lomé Convention
5th EDF	1980-85	2nd Lomé Convention
6th EDF	1985-90	3rd Lomé Convention
7th EDF	1990-95	4th Lomé Convention
8th EDF	1995-2000	4th (revised) Lomé Convention
9th EDF	2000-07	Cotonou Agreement
10th EDF	2008-13	Revised Cotonou Agreement
11th EDF	2014-20	Revised Cotonou Agreement

Data source: Based on European Commission data.

successive enlargements of the EEC, for instance with the 1973 accession of the UK reshaping the map of beneficiary countries to include many former British colonies;⁹ the formal structuring of the third countries receiving EDF assistance in an organisation, the ACP, through the Georgetown Agreement of 1975; the progressive transformation of the EEC into the current EU and its increasing role on the global scene in relation not only to developing countries other than the ACP but also to the rise of geopolitical priorities closer to its borders that, note some analysts, also required

appropriate funding tools (e.g. pre-accession assistance to central and eastern European countries from the 1990s).

From a geographic standpoint, the EDF beneficiaries remain in two groups: overseas countries and territories (OCTs); and the African, Caribbean and Pacific Group of States (ACP). The latter receives the bulk of EDF funding.

2.1. Overseas countries and territories (OCTs)

OCTs are 25 non-European countries and territories¹⁰ that have special links with Denmark, France, the Netherlands and the United Kingdom and are associated with the EU (Article 198 TFEU). OCTs are not sovereign countries and, as such, are not third countries, but they do not form part of the EU's single market either. Although they share a number of characteristics (e.g. islands with parliamentary democracies and tiny populations¹¹), OCTs present significant differences as regards their level of autonomy or their economic and social development.

At present, the provisions of the association of OCTs with the EU are laid down in Council Decision 2013/755/EU,¹² which aims to 'move away from a classic development

⁹ The focus of the EDF had mainly been on French-speaking former colonies in Africa until that time.

¹⁰ Anguilla (UK), Aruba (NL), Bermuda (UK), Bonaire (NL), British Antarctic Territory (UK), British Indian Ocean Territory (UK), British Virgin Islands (UK), Cayman Islands (UK), Curaçao (NL), Falkland Islands (UK), French Polynesia (FR), French Southern and Antarctic Territories (FR), Greenland (DK), Montserrat (UK), New Caledonia and Dependencies (FR), Pitcairn (UK), Saba (NL), Saint Barthélemy (FR), Sint Eustatius (NL), Sint Maarten (NL), South Georgia and South Sandwich Islands (UK), Saint Helena, Ascension Island, Tristan da Cunha (UK), St. Pierre and Miquelon (FR), Turks and Caicos Islands (UK), Wallis and Futuna Islands (FR). In 2014, Mayotte (FR), which was previously part of the OCTs, has moved to a different status, that of outermost region of the EU.

¹¹ However, some OCTs have no permanent local population.

¹² Official Journal of the European Union, [L 344](#), 19.12.2013.

cooperation approach to a reciprocal partnership to support the OCTs' sustainable development'.

The indicative allocations of resources to OCTs under the 10th and the 11th EDFs are respectively €286 million and €364.5 million (see section 3.2 below), representing around 1.2% of the total. Despite being an OCT, Greenland is not entitled to EDF funding, but receives resources from the EU budget, on the basis of a separate partnership agreement (Council Decision 2014/137/EU). OCTs also receive funding from programmes financed by the EU budget.

2.2. African, Caribbean and Pacific Group of States (ACP)

Formally established by 46 countries in 1975, today the ACP counts 79 Members from Sub-Saharan Africa (48), the Caribbean (16) and the Pacific (15). It is the largest organisation of developing countries in the world, but does not include all of them, with analysts¹³ pointing to the heterogeneity of the group and considering that the nature of the underpinning international agreements with the EU is somewhat *ad hoc* and incremental.

ACP countries may present huge differences, for example in terms of population (from a few thousand inhabitants in some island states to 169 million in Nigeria) or gross national income (GNI) per capita (e.g. \$230 in the Democratic Republic of the Congo and \$15 080 in Barbados according to World Bank data for 2012). As shown in the annex, this diversity is confirmed by different attempts to classify countries either on the basis of economic indicators (list of ODA recipients established by the OECD) or by taking into account additional parameters such as life expectancy and educational attainment (Human Development Index produced by the United Nations). Part 5 and Annex VI of the Cotonou Agreement define three subgroups of countries confronted by common challenges: least developed, landlocked and island ACP states (LDLICs). In addition, regional cooperation is promoted in the framework of six ACP regions: West Africa, East Africa, Southern Africa, Central Africa, Caribbean and Pacific.

The EDF is the main financial instrument that EU Member States use to provide development assistance to ACP countries, which may also receive some funding from thematic development programmes under the EU budget. Two exceptions from the ACP side are Cuba, which is not a signatory to the Cotonou Agreement and is thus not entitled to EDF funding, and South Africa, which receives development assistance mainly from the EU budget since it is subject to a specific protocol. More than 95% of EDF resources are allocated to ACP countries (see section 3.2 below). In some cases (e.g. in the Pacific where a number of small countries appear to face significant risks related to climate change), the EU is one of the few - if not the only - donor(s) active in development cooperation in the beneficiary country¹⁴.

¹³ [Development policy of the European Union](#) / Holland M. and Doidge M., 2012, p. 37.

¹⁴ Ministry of Foreign Affairs of the Netherlands, Policy and Operations Evaluation Department (IOB), [op. cit.](#), p. 183.

Cotonou Agreement

After the end of the Cold War, the concept itself of development cooperation has been subject to wide debate and general rethinking. Signed on 23 June 2000 for a period of twenty years, the Cotonou Agreement¹⁵ is the most recent ACP-EU agreement and, alongside aspects of continuity, includes some significant changes in comparison with its predecessors: for example, modifications concern provisions on trade,¹⁶ which comprise the establishment of Economic Partnership Agreements (EPAs), whose negotiations have proven difficult. Its main **objectives** are the reduction and the eventual eradication of poverty, the promotion of sustainable development and the integration of ACP countries into the world economy. Article 2 of the Agreement details its **fundamental principles**, which have an impact also on the functioning of the EDF (e.g. allocation of resources to individual countries). These include: **equality of partners** and ACP countries' **ownership** of their development strategies; **participation** with involvement of ACP parliaments, local authorities, the private sector and civil society organisations; **political dialogue** implying obligations, which make for example financial assistance **conditional** on the respect of human rights, democratic principles and the rule of law¹⁷ (with the relevant consultation procedure detailed in Article 96 of the Agreement); and **differentiation** (with special treatment granted to LDLICs), coupled with **regionalisation**. The Cotonou Agreement has been revised twice (in 2005 and 2010). If needed, a final revision before its 2020 expiry is possible next year.

3. How the EDF is financed

The EDF is outside the EU budget, representing an exception to the principle of budgetary unity, according to which all revenues and expenditures must be included in a single budget. As such, it is also outside the EU's MFF, the financial planning instrument that sets the maximum allocation of resources for each major category of EU spending over a number of years. The origins of this differentiated treatment can be traced back to the first EDF. At the time, common expenditures were financed through national contributions. However, given that Member States had different levels of historical ties with the geographic beneficiaries of the EDF and thus of involvement in development cooperation, it was agreed that this instrument would have its own specific cost-sharing arrangements (or *contribution keys*).

In the light of developments over time (e.g. establishment of a system of 'own resources' to finance the general budget,¹⁸ successive enlargements; increasing geographic coverage of the EDF; and creation of development cooperation instruments within the EU budget), the European Commission has considered that this differentiated treatment

¹⁵ [OJ L 317](#), 15.12.2000, pp. 3-353.

¹⁶ Under Lomé, ACP countries were granted non-reciprocal trade preferences, with a view to promoting their integration into the world economy. However, this system was eventually deemed to have been ineffective to this end and was furthermore challenged by other international players for being against the rules of the World Trade Organisation. Cotonou promotes efforts to liberalise trade. Under this and other aspects, the new Millennium is said to have witnessed an increasing convergence between the EU's approach towards development policy and that of other international players.

¹⁷ For example, cooperation with the Republic of Guinea was suspended further to the 2008 *coup d'état* and gradually resumed afterwards on the basis of a road map for emerging from the crisis. See EC press release [IP/14/76](#) of 27 January 2014.

¹⁸ The system of 'own resources' was introduced in the 1970s. For an overview, see for example: [How the EU budget is financed: The 'own resources' system and the debate on its reform](#) / D'Alfonso A., European Parliament, European Parliamentary Research Service, 2014, 36 p.

is no longer justified, repeatedly proposing that the EDF be included in the general budget and be financed like other EU expenditure. However, Member States have never reached the necessary unanimity and the EDF is still today financed through voluntary contributions, which EU countries negotiate for a multi-year period.

3.1. A specific Multiannual Financial Framework

Annexes to the Cotonou Agreement set the maximum amount of resources available for financial development assistance under the ACP-EU partnership for a given number of years (traditionally five or six, but circumstances may justify different timeframes). These financial protocols are now called Multiannual Financial Frameworks, but are not to be confused with the EU's MFF, since the latter establishes the expenditure ceilings, with which the annual EU budget must comply.

Table 2 - MFFs under the Cotonou Agreement (in million euros)

	2000-07*	2008-13	2014-20
EDF	13 500	21 966	29 089
Additional EIB funds	1 700	2 000	2 500
Total	15 200	23 966	31 589
Annual average	1 900	3 994	4 513

*In addition, these resources were supplemented by unused balances transferred from previous EDFs.

Data source: Based on data from the Cotonou Agreement.

The Multiannual Financial Framework for the ACP-EU partnership indicates not only the EDF resources directly provided by EU countries and their division between broad categories of expenditure,¹⁹ but also the additional funds that the European Investment Bank (EIB) can make available²⁰ for the Investment Facility of

the EDF. Table 2 provides an overview of the financial protocols attached to the Cotonou Agreement.

3.2. Internal agreements and contribution keys

Once the Multiannual Financial Framework for a given period is adopted by the joint ACP-EU Council of Ministers,²¹ EU countries establish the actual EDF by means of an internal

agreement, which also specifies the contribution key for each Member State. Intergovernmental in nature, this agreement needs to be ratified by each EU country. This may delay its entry into force, creating the need for transitional measures in order to avoid disruption in development assistance.²²

Table 3 - 9th, 10th and 11th EDFs (in million euros)

	9th EDF	10th EDF	11th EDF
ACP	13 500	21 966	29 089
OCTs	175	286	364.5
Administrative budget	125	430	1 052.5
Total	13 800	22 682	30 506

Data source: EDF internal agreements.

¹⁹ See section 4.2.

²⁰ In the form of loans from its own resources.

²¹ For the most recent one: [Decision No 1/2013 of the ACP-EU Council of Ministers](#) (2013/321/EU) of 7 June 2013

²² For example, the internal agreement governing the 11th EDF was published in the Official Journal of the European Union, [L 210](#) of 6.8.2013, but is not yet in force. [Council Decision 2013/759/EU](#) of 12 December 2013 establishes transitional EDF management measures from 1 January 2014 until the entry into force of the 11th EDF. This so-called 'Bridging Facility' is financed from resources of previous EDFs and accounted for under the 11th EDF.

Total EDF resources are different from those detailed in the Cotonou Agreement, since they do not take into account the additional loans that the EIB can make available, but do include funds for the OCTs and the administrative budget allocated to the European Commission to cover costs linked to the programming and implementation of the EDF (see table 3).

EDF resources and the related contribution keys are negotiated by EU countries on the basis of a proposal from the European Commission. Although the EDF is outside the EU's MFF, they appear to be linked in a comprehensive negotiating package, as shown by the fact that the European Council conclusions²³ on the EU's MFF for 2014-20 also included decisions on the 11th EDF.

Cost-sharing percentages between EU Member States are different from those of the EU budget. EDF contribution keys have evolved over time and the Commission's proposal for the 11th EDF²⁴ has promoted their further convergence with those of the EU budget, which depend on the application of the own resources system. This is meant to facilitate the possible *budgetisation* of the EDF as of 2021. According to an analysis,²⁵ the proposal would lead to a stronger alignment of contribution keys, but it would maintain some significant differences.

Although introducing some modifications, the agreement reached by Member States appears to follow, by and large, the shares as proposed by the Commission. Figure 1 (see also annex)²⁶ compares Member States' GNI, taken as a rough indicator of their ability to contribute, with EDF contribution keys and national contributions to the EU budget (as defined in EC financial reporting, i.e. including GNI- and value added tax-based resources of the EU budget as well as related correction mechanisms such as the so-called UK rebate).

Most Member States joining the EU from 2004 onwards had a limited history of development policy and the 10th EDF (2008-13) was the first one in which they took part, all (except Poland) with contribution keys below 1%. The internal agreement for the 11th EDF sees an increase in their participation to funding, while six EU countries (Germany, France, the United Kingdom, Italy, Spain and the Netherlands) provide more than three quarters of the total in absolute terms. When looking at contributions per capita in the initial EC proposal,²⁷ Luxembourg, Denmark and Sweden top the ranking of EDF donors. While contributions to the EDF are voluntary, in practice Member States follow the cost-sharing arrangements they have agreed upon.

²³ Conclusions of the European Council as regards the Multiannual Financial Framework, of 8 February 2013 ([EUCO 37/13](#)).

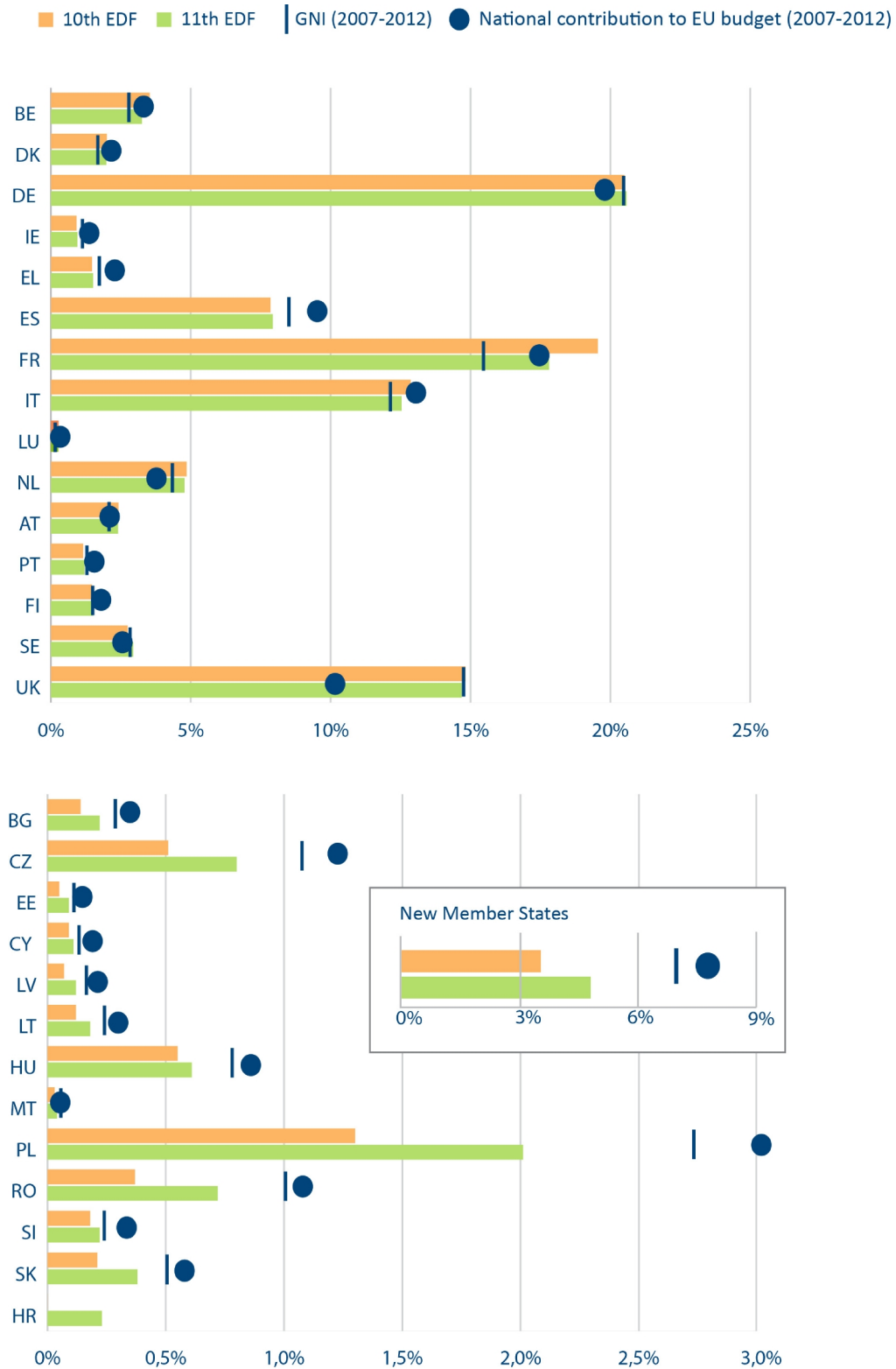
²⁴ Preparation of the multiannual financial framework regarding the financing of EU cooperation for African, Caribbean and Pacific States and Overseas Countries and Territories for the 2014-2020 period (11th European Development Fund). EC Communication - [COM\(2011\)837 final](#) - of 7 December 2011.

²⁵ [More or less? A financial analysis of the proposed 11th European Development Fund](#) / Kilnes U., Keijzer N., van Seters J. and Sherriff A., European Centre for Development Policy Management (ECDPM), 2012, 32 p.

²⁶ As for the 11th EDF, totals present slight differences due to rounding of decimals.

²⁷ Kilnes U., Keijzer N., van Seters J. and Sherriff A. / [op. cit.](#)

Figure 1 - Member States' GNI, contributions to EU budget and to EDFs (as % of each total): EU-15 and EU-12/EU-13



Data source: Based on EDF internal agreements, EC data.

4. How the EDF is spent

4.1. Financial rules

Unlike the EU budget which is subject to the principle of annuality, the EDF is valid for more than one year. Once resources have been committed, the implementation of related expenditure can be carried out over several calendar years.²⁸ This means that a number of EDFs may be executed at the same time, which contributes to the complexity of the instrument. As far as financial year 2012 is concerned, for example, the accounts²⁹ prepared by the European Commission covered the 8th, the 9th and the 10th EDF, while the 6th (1985-90) and the 7th EDF (1990-95) were respectively closed on 31 July 2006 and on 31 August 2008. EDF accounts are not consolidated with those of the EU budget.

In addition, each EDF has its own set of financial rules different from those applicable to the EU budget and detailed in a specific financial regulation adopted by the Council.³⁰ Since the Financial Regulation applicable to the 11th EDF cannot be adopted until the relevant Internal Agreement is ratified by all Member States, the Council established a 'Bridging Facility' to avoid disruption in the provision of assistance and to ensure a transition period from the 10th EDF to its successor.³¹ For the transition period, the Financial Regulation applicable to the 10th EDF applies as amended in 2014³² to align its rules with those expected to be adopted for the 11th EDF.

When presenting its proposals for the Financial Regulation applicable to the 11th EDF and for the amendments to be applied to the Bridging Facility,³³ the EC explained that the aim was to bring these rules as much as possible³⁴ into line with those of the EU budget. The European Court of Auditors (ECA) provided its opinion³⁵ on both proposals. In particular, in April 2014, the Court welcomed a number of improvements (e.g. extension of application of the EDF Financial Regulation to all areas of expenditure but the Investment Facility, and better rules on procurement). However, it maintained a general observation on transparency, considering that the complexity of the text entails a significant risk of legal uncertainty and errors, since the draft EDF Financial Regulation is not a stand-alone document and needs to be used in conjunction with other legal sources. The ECA reiterated its suggestion that the Commission should propose a single Financial Regulation for all current and future EDFs, with a view to ensuring continuity of the instrument and simplifying its management.

²⁸ In the past, this has contributed to a low disbursement rate of EDF funds. Under the 9th EDF, rules were introduced to improve the situation, such as the obligation to conclude individual contracts and grants agreements (so-called 'specific commitments') within the three years following the date when overall allocations are set aside on the basis of a financing agreement (so-called 'global commitments').

²⁹ Final accounts of the eighth, ninth and tenth European Development Funds for the financial year 2012. Commission Communication - [COM\(2013\)541 final](#) - of 16 July 2013.

³⁰ [Council Regulation \(EC\) No 215/2008](#) of 18 February 2008 for the 10th EDF.

³¹ See footnote No 18.

³² Through [Council Regulation \(EU\) No 567/2014](#) of 26 May 2014.

³³ EC proposals [COM/2013/0660 final](#) of 25 September 2013 and [COM/2014/09 final](#) of 17 January 2014.

³⁴ A full alignment is not possible since other legal bases such as the international agreement with the ACP have an impact on the financial rules of the EDF.

³⁵ ECA opinions [No 3/2013](#) and [No 3/2014](#).

4.2. Structure of the EDF budget for ACP countries

As mentioned in section 3.2, the EDF has three main categories of spending: ACP, OCTs and administrative spending. In addition, the €29.1 billion available under the 11th EDF for ACP countries is further divided into three subcategories of spending or cooperation instruments:

- *National and regional indicative programmes (84% of EDF resources for ACP)*. These funds are meant to support individual ACP countries or regional cooperation and integration of ACP countries. Some resources are not allocated, but set aside for unforeseen needs. In addition, from the 10th EDF onwards, resources for national programmes include incentive amounts that are mobilised only if beneficiary countries improve their governance.
- *Intra-ACP and inter-regional cooperation (12%)*. These funds cover thematic actions (e.g. on energy or education) that are common to many or all of the ACP countries, as well as the operating expenditure of the ACP Secretariat and support to joint ACP-EU institutions. The Water Facility is an example of such thematic actions. First established under the 9th EDF, the Water Facility aims to reduce the proportion of people without sustainable access to safe drinking water and basic sanitation³⁶, while improving relevant infrastructure and the management of water resources. The 9th EDF financed 175 projects under the first Water Facility, which are expected to allow around 14.5 million people to get access to safe water. The 2nd Water Facility funded about 100 additional projects in 2010 and 2011.
- *Investment Facility (4%)*. Operational since 2003, this revolving fund is managed by the EIB and provides a broad range of financial instruments to fund higher risk operations. In this context, the Bank has developed innovative financial instruments, which combine loan and grant elements (so called 'blending'). According to the EIB, the Investment Facility has so far supported more than 200 projects, mostly aimed at promoting private sector development in beneficiary countries.

4.3. Programming and implementation

A Council Regulation³⁷ sets the general framework for EDF programming and implementation. It aims to ensure consistency with other areas of EU action, including relevant development policy principles and frameworks, such as the European Consensus on Development³⁸ and the Agenda for Change.³⁹ The EDF Committee,⁴⁰ a specific Committee consisting of Representatives of EU countries, plays a role in the programming of EDF funds and the monitoring of their implementation: it gives its opinion on Country and Regional Strategy Papers under the Cotonou Agreement, acting by qualified majority (with the weighting of votes linked to EU countries' contribution keys to the EDF and thus different from that used in the Council).

³⁶ In line with Millennium Development Goals.

³⁷ [Council Regulation \(EC\) No 617/2007](#) of 14 May 2007 applies to the 10th EDF, while [Council Regulation \(EU\) No 566/2014](#) of 26 May 2014 amends it for the transition period till the next EDF.

³⁸ [OJ C 46](#), 24.2.2006, pp. 1–19.

³⁹ Increasing the impact of EU Development Policy: an Agenda for Change. EC Communication [COM\(2011\)0637](#) final of 13 October 2011.

⁴⁰ A similar Committee, the Investment Facility Committee, is established for the part of the EDF managed by the EIB.

Programming involves close cooperation with beneficiary countries to establish strategies and priorities for joint action over the period covered by a given EDF. In June 2014, 16 ACP countries co-signed⁴¹ their National Indicative Programmes (NIPs) with the European Commission, thus marking a first step in the programming of aid under the 11th EDF. NIPs identify a maximum of three sectors per country⁴² on which EU aid will be focused in order to maximise its impact (e.g. for Tanzania: sustainable agriculture; good governance and development; and energy). On the basis of NIPs, specific programmes and projects are prepared. A similar process takes place with regional organisations as far as regional programmes are concerned. The Lisbon Treaty has introduced one additional player in the programming of development aid from the EU side: the European External Action Service (EEAS). A 2013 article⁴³ analyses the potential friction over the division of labour in this domain between the EEAS and the European Commission, as well as the organisational arrangements that govern their relations.

With regard to **implementation**, as with development aid under the EU budget, the European Commission also has three main **approaches to aid delivery** for the EDF:

- *Project approach.* This is the traditional way of delivering aid by means of procurement and grant procedures. It usually bypasses national systems in beneficiary countries, for example supporting initiatives through the private sector or civil society.
- *Budget support.* The approach involves direct financial transfers to the national budget of the beneficiary country to support its national development strategy. It is meant to strengthen national systems through policy dialogue, performance assessment and capacity-building in the public sector. A given country needs to meet a series of criteria in terms of stable macro-economic framework, national policies and reforms, public financial management, and transparency and oversight of the budget in order to be eligible for this kind of support. The scheme can include performance tranches linked to progress against indicators other than the eligibility criteria. Over the 2003-09 period, budget support commitments amounted to €13 billion (i.e. a quarter of all aid commitments) and 56% of them concerned ACP countries. In 2012, the Foreign Affairs Council of the EU endorsed the updated EC strategy⁴⁴ on budget support.
- *Sector support.* This can be seen as an intermediate approach that focuses on a given sector (e.g. health, education or transport). Financing modalities include budget support earmarked for the selected sector, but also pooling of funds with resources from other external financing agencies (and potentially from local governments) as well as traditional grant and procurement procedures. In 2007, the European Commission published its guidelines on support to sector programmes.⁴⁵

⁴¹ European Commission's [MEMO/14/433](#) and [STMT/14/199](#) of 19 June 2014.

⁴² Four in case of fragile countries.

⁴³ [The Programming of EU's External Assistance and Development Aid and the Fragile Balance of Power between EEAS and DG DEVCO](#) / Tannous, I.: in: European Foreign Affairs Review 18, no. 3, 2013, pp. 329–354.

⁴⁴ The future approach to EU budget support to third countries. EC Communication - [COM\(2011\)0638](#) final - of 13 October 2011.

⁴⁵ [Support to Sector Programmes. Covering the three financing modalities: Sector Budget Support, Pool Funding and EC project procedures](#) / European Commission, EuropeAid, July 2007, 119 p.

In practice, there is a wide range of implementing methods: the EC can implement actions directly, but other entities are often entrusted with EDF implementing tasks. Examples of such entities include: National Authorising Officers designated by ACP countries, international organisations, bodies of EU countries and non-profit organisations. In addition, EU Delegations in beneficiary countries have an important role to play, with the strengthening of their mandate over the last decade often seen as a positive move towards better management of development cooperation.⁴⁶

4.4. Control and audit mechanisms

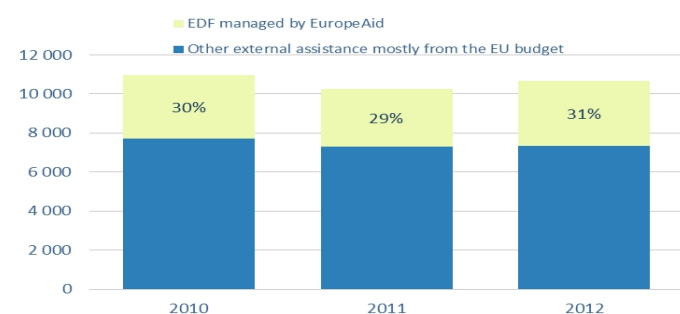
The Financial Regulation of the EDF includes a series of control and audit obligations, with safeguards such as internal control systems and external audit activities. The objective is to ensure the legality and regularity of EDF implementation. **Internal control systems** and checks of their effectiveness involve not only Commission headquarters and EU Delegations in beneficiary countries, but also other actors such as the National Authorising Officers designated by ACP countries. The ECA, which has frequently detected weaknesses in checks carried out by most National Authorising Officers, notes that fragile institutional and administrative capacities in many partner countries contribute to the high risk environment in which development aid operates⁴⁷.

Each year, the ECA carries out an **external audit**⁴⁸ of the EDFs that are still open, covering both their accounts and the activities they have funded. In this context, over the last decade, the Court has noted⁴⁹ significant improvements in the design and implementation of the supervisory and control systems put in place by the European Commission to this end, but shortcomings to be addressed remain, for example in the management information system⁵⁰. In addition to annual reports, the ECA can issue special reports on the effectiveness of specific actions or instruments funded under the EDFs (see below box in section 5.2).

4.5. Some data on 2010-12 disbursements

The Commission's Directorate-General for Development and Cooperation – EuropeAid (also referred to by the acronym DEVCO) publishes annual reports on the EU's development and external assistance policies, which provide statistics and other information on EDF spending. These data can help to identify some key features of the Fund in recent years.⁵¹ Figure 2 shows that EDF disbursements managed by EuropeAid represent **around 30% of the EU's spending on external assistance over the 2010-12**

Figure 2 - EU's external assistance disbursements (in million euros)



Data source: Based on EC data.

⁴⁶ Organisation for Economic Co-operation and Development, [op. cit.](#), p. 21.

⁴⁷ See for example: [OJ C 344](#), 12.11.2012, pp. 243–275.

⁴⁸ The Court's Annual Report is the main basis for the European Parliament's scrutiny of EDF implementation in the framework of the annual discharge procedure (see section 6).

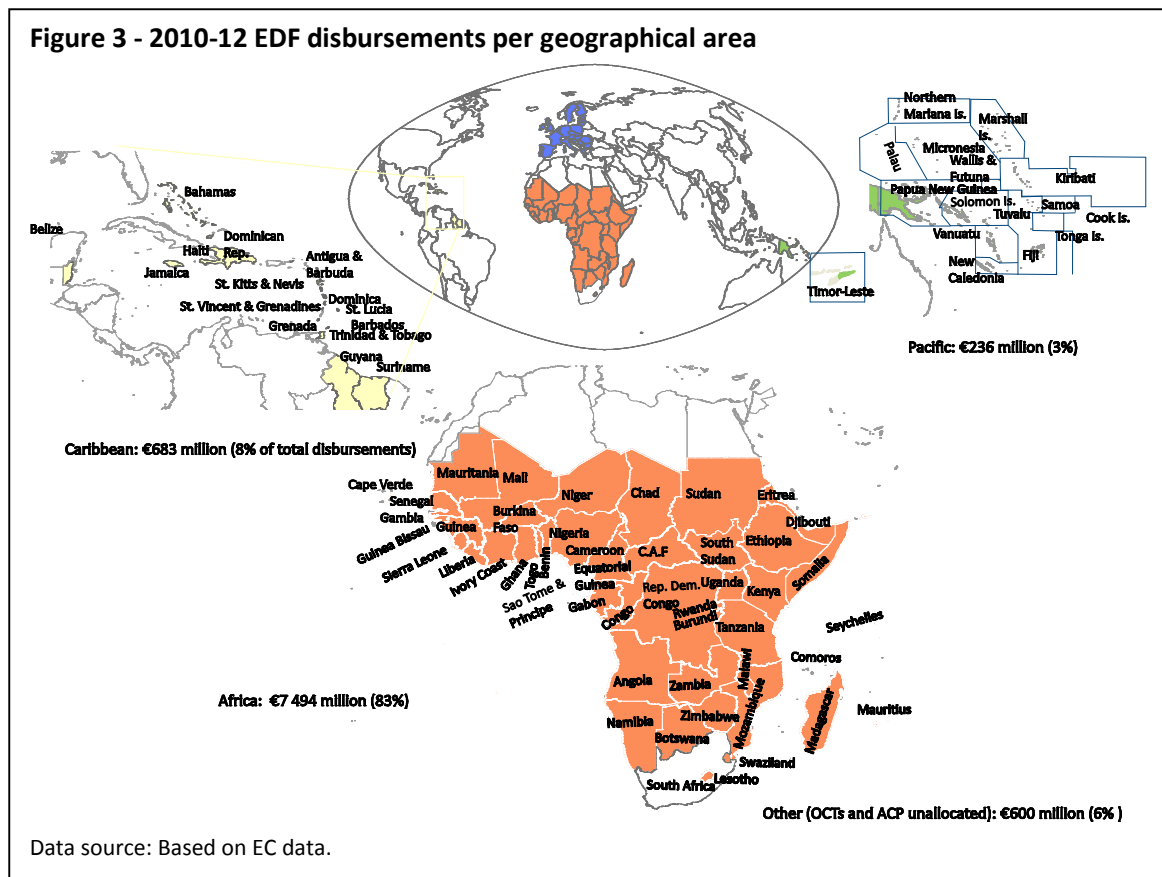
⁴⁹ [OJ C 303](#), 9.11.2010, pp. 243–272.

⁵⁰ [OJ C 331](#), 14.11.2013, pp. 261–290.

⁵¹ This section is based on data extracted from Annual Reports [2011](#), [2012](#) and [2013](#).

period. It should be noted that this figure may be slightly underestimated, since it does not include either the part of the EDFs managed by a different Commission department (the Directorate-General for Humanitarian Aid and Civil Protection, which is in charge of 1.2% of the expenditure from the EDFs) or the resources managed by the EIB.

When examining the geographical distribution of EDF disbursements⁵² during the same three years (figure 3), it is immediately apparent that the EDF is a crucial tool for delivering EU development assistance in **Sub-Saharan Africa**. Spending on Africa accounts for more than 80% of total EDF disbursements. In 2009, according to a briefing paper,⁵³ EDF disbursements represented 5.22% of total government expenditure in African countries receiving direct EDF funding; this ratio was much lower both in the Caribbean (0.43%) and in the Pacific (0.25%) regions.

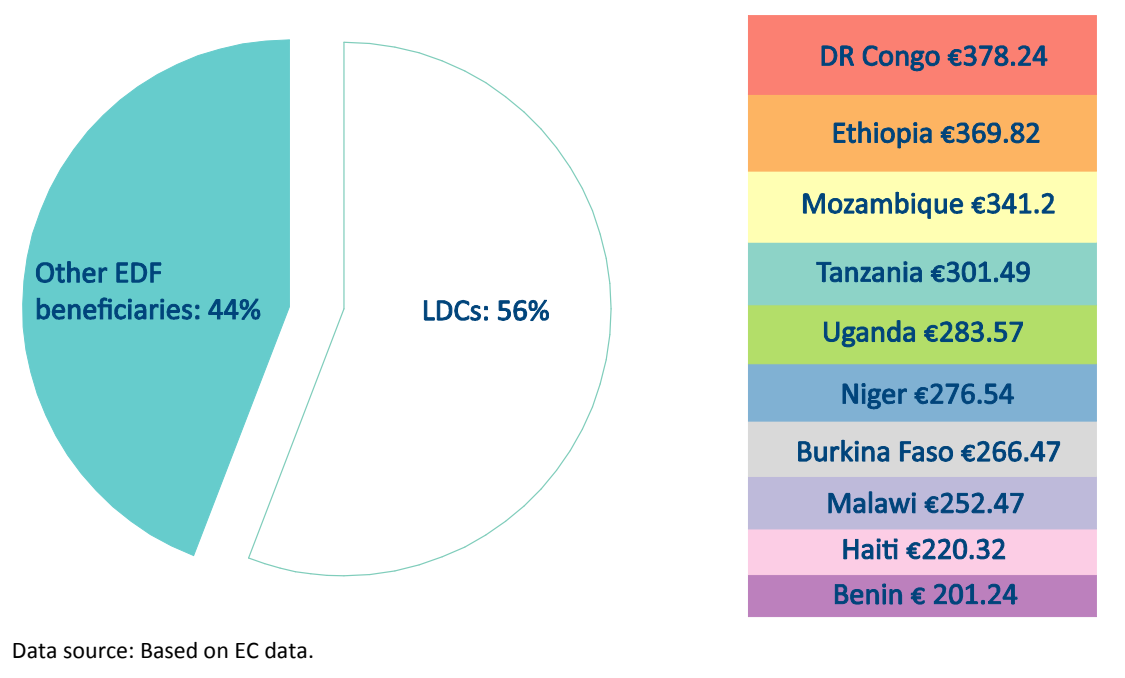


This picture is confirmed by the data on the top ten beneficiaries of EDF spending over the 2010-12 period (figure 4). All of them are African countries, with the only exception being Haiti, which experienced a catastrophic earthquake in 2010. The same statistics also show that the EDF has a **focus on the poorest countries**, since all top beneficiaries belong to the category of the Least Developed Countries (LDCs) according to the classification of the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD).

⁵² Excluding non-ODA resources.

⁵³ [ACP-EU relations beyond 2020: exploring European perceptions](#) / Keijzer N., Lein B., Negre M. and Tissi N., Deutsches Institut für Entwicklungspolitik (DIE), 2013, 4 p.

Figure 4 - 2010-12 EDF disbursements: share of Least Developed Countries (LDCs) and top ten beneficiaries (in million euros)



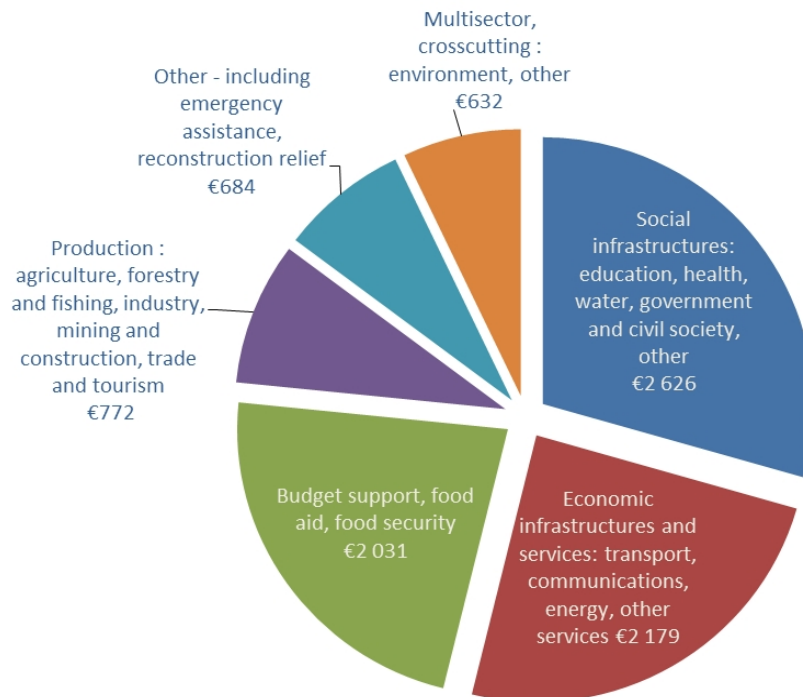
The breakdown⁵⁴ by broad sector of external aid assistance financed under the EDF (figure 5) indicates that the two largest categories – actions on **social and economic infrastructures** (also including relevant **services**) – together account for more than half of the EDF disbursements managed by EuropeAid. The third largest category – **budget support** with **food aid** and **food security** – represents about 23% of the total.

Over the same timeframe, the breakdown by sector of assistance for the Development Cooperation Instrument (DCI),⁵⁵ the geographic development aid instrument under the EU budget, shows significant differences. In particular, social infrastructures alone account for more than 60% of all DCI disbursements, while the 'economic infrastructures' and the 'budget support, food aid, food security' categories each represent less than 5% of the total. In 2012 only, according to other EC data, budget support was 18% of total ODA disbursed by the EU institutions, but 29% of total ODA disbursed under the EDF.

⁵⁴ Again excluding non-ODA resources.

⁵⁵ The geographic coverage of the DCI includes developing countries in Asia, Central Asia, Middle East, and Latin America, as well as South Africa. Its total resources for 2014-20 amount to almost €19.7 billion (current prices).

Figure 5 - 2010-12 EDF disbursements: breakdown by sector of external aid financed with the resources managed by EuropeAid (in million euros)



Data source: Based on EC data.

5. EDF results and performance

5.1. Monitoring and evaluation

As regards EDF **monitoring**, the EU Delegation and the National Authorising Officer designated by the ACP country are jointly in charge of producing an annual report detailing progress on all the actions supported by the EDF in the country.

A specific unit in EuropeAid is responsible for the **evaluation** of results, with a view to strengthening management, accountability and transparency of aid. Over the 2000-11 period, 154 evaluations related to ACP countries were carried out. The report by the Ministry of Foreign Affairs of the Netherlands credits this EC unit for improvements in the evaluation process (for example as regards the assessment of budget support actions), but considers that it still faces a number of constraints, including limited budgetary and staff resources: the zero-growth environment set by EU Member States over recent years is said to have prevented the EC from improving its results in this domain.⁵⁶

In its 2012 peer review of EU development cooperation, the OECD says that the EC's approach to monitoring and evaluation is thorough, with a wide range of tools developed both internally and externally. However, it considers that the system is too

⁵⁶ Ministry of Foreign Affairs of the Netherlands, Policy and Operations Evaluation Department (IOB), [op. cit.](#), pp. 25 and 143-148.

centred on financial accountability and recommends increasing the focus on development results and learning.⁵⁷

5.2. Some assessments and views on the EDF

Focusing on a few areas (budget support, education, health, infrastructure, and rural and agricultural development) that receive a significant share of total EDF resources, the Dutch report of 2012 reviewed⁵⁸ a number of country and thematic evaluations related to the EDF as well as four case-study countries (Burkina Faso, Ethiopia, Rwanda and Uganda) to have an overview of main results. The analysis concluded that in most sectors results are more positive as regards **expansion of infrastructure** and **coverage of services**, but concerns emerge in terms of **institutional capacities** and **sustainability**, for example in relation to funding recurrent operational or maintenance costs for infrastructure and services. This appears consistent with the significant challenges that developing countries often face in domestic revenue mobilisation, as highlighted in a 2014 study⁵⁹ drafted for the EP, which recommended amongst other measures higher financial and technical assistance to strengthen local capacity in tax administrations. With regard to the outcomes of the EDF in terms of contribution to macro-objectives such as the reduction of poverty levels, the Dutch report considered that little can be said due to lack of sufficient impact evaluation, while recognising the difficulty of the exercise (e.g. complexity of defining progress against Millennium Development Goals and of isolating the impact of EU aid only).

A 2012 paper⁶⁰ contests three criticisms (insufficient focus on poor countries; lack of flexibility to respond to changing circumstances; and weak forecasting with under-disbursement of resources) that some EU countries address to the EDF, considering that these fail to take into account important aspects of the Fund.

As far as focus on poor countries is concerned, another paper⁶¹ agrees that this is already very high under the 10th EDF, with up to 80% of the geographic allocations addressed to LDCs and other Low Income Countries (LICs), concluding that it will be challenging to increase differentiation of aid volumes even further under the 11th EDF. In addition, the document examines possible approaches to allocation of resources among beneficiary countries under the new EDF, saying that any scientific method may still contain subjective elements and political priorities. A 2013 article⁶² on the allocation formula proposed by the European Commission for the EDF budget devoted to national programmes illustrates the difficulty of combining criteria based on needs (e.g. resources to the poorest countries) with others based on performance (e.g. incentives to countries that effectively use the aid they receive).

⁵⁷ Organisation for Economic Co-operation and Development, [op. cit.](#), pp. 71-74.

⁵⁸ Ministry of Foreign Affairs of the Netherlands, Policy and Operations Evaluation Department (IOB), [op. cit.](#), pp. 187-211.

⁵⁹ [Tax revenue mobilisation in developing countries: issues and challenges](#) / Mascagni G., Moore M., McCluskey R., 2014, 39 p. (drafted for the Directorate-General for External Policies of the EP at the request of the EP's Committee on Development).

⁶⁰ [Reviewing the evidence: how well does the European Development Fund perform?](#) / Gavas M., Overseas Development Institute (ODI), 2012, 22 p.

⁶¹ [Scientific or political? Options for the 11th European Development Fund allocation method](#) / Markova M., Overseas Development Institute (ODI), 2012, 20 p.

⁶² [Allocating the next European Development Fund for ACP countries](#) / Negre, M., Deutsches Institut für Entwicklungspolitik, 2013, 3p.

In its analysis⁶³ of multilateral aid tools, which focuses on the achievement of the UK's development objectives, the UK Department for International Development gives a very good assessment of the EDF, deeming it crucial in achieving progress on the Millennium Development Goals. While considering that the framework for showing the results of the scheme needs additional improvement, the review concludes that the EDF has strengths such as: robust financial accountability, transparent allocation of aid based on needs and performance, and high levels of budget support.

According to a 2013 paper,⁶⁴ most ACP stakeholders agree that the EDF plays a positive role in development cooperation. One of the most appreciated features of the Fund is its predictability: while funding from other donors is subject to annual negotiations, the multiannual framework of the EDF allows stakeholders to plan their development actions in the medium term, which is said to contribute to the effectiveness of relevant programmes. However, many stakeholders consider that the EDF is still too focused on cooperation with governments, despite the principle of involvement of other actors enshrined in the Cotonou Agreement.

The European Commission itself reviewed⁶⁵ the strengths and weaknesses of the 10th EDF to prepare its proposal for the 11th EDF. According to this analysis, the EDF envelope of unallocated resources provided flexibility to respond to new circumstances. However, the 2010 earthquake in Haiti showed that additional mechanisms were needed to react to new crises and unforeseen events hitting fragile countries that are particularly vulnerable to external shocks. Furthermore, the EC made the case for a stronger geographical and sectoral focus of EDF assistance.

⁶³ [Multilateral Aid Review: Ensuring maximum value for money for UK aid through multilateral organisations](#) / Department for International Development, UK Government, 2011, 232 p. (and its [2013 update](#), 188 p.).

⁶⁴ [Towards Renewal or Oblivion? Prospects for Post-2020 Cooperation between the European Union and the Africa, Caribbean and Pacific Group](#) / Negre M., Keijzer N., Lein B. and Tissi N., Deutsches Institut für Entwicklungspolitik (DIE), 2013, 67 p.

⁶⁵ EC Impact assessment - [SEC\(2011\) 1459 final](#) - accompanying Communication - [COM\(2011\)837 final](#) - of 7 December 2011.

Examples of support in Sub-Saharan Africa

The ECA devotes some of its special reports to activities funded under the EDF, providing insight into their effectiveness. One such report⁶⁶ is devoted to the EDF contribution to the **road network** in Sub-Saharan Africa, a sector for which total EDF commitments amounted to almost €7.4 billion over the 1995-2011 period. The Court concludes that assistance was partially effective and formulates a series of recommendations for the Commission to increase the impact of support, amongst others through allocation of resources (e.g. assigning resources for the maintenance of infrastructure that it contributed to building in previous years and promoting the participation of the private sector in the financing of the actions) and increased use of conditions included in the policy dialogue.

Another special report⁶⁷ by the Court focuses on support to **food security** in Sub-Saharan Africa, a major problem in the area where around 240 million persons (i.e. 30% of the population) were suffering from hunger in 2010. For 2002-10, EU interventions amounted to €3.1 billion financed from both the EDF and thematic programmes under the EU budget. According to the ECA, EU action in this domain is mostly effective, making a significant contribution to food security. Among the recommendations to further increase the impact of EU assistance, the Court called for a structured assessment of the food security situation in each country to prepare interventions for the 2014-20 financing period.

A more mixed picture emerges from the special report⁶⁸ on support for **drinking water supply and basic sanitation** in the area. In this domain as well, EU interventions were funded by the EDF and the EU budget, totalling €1 billion for 2001-10. The ECA concluded that EU support increased access to drinking water and basic sanitation. However, it recommended that the European Commission apply its management procedures more rigorously, having detected problems in many audited projects, including their medium and long-term sustainability.

6. European Parliament's role

6.1. The EDF's peculiar configuration in current EU development aid

Due to the intergovernmental nature of the EDF, the European Parliament has a more limited role in its functioning than that which it plays for the development cooperation instruments financed by the EU budget. Whilst for the latter the EP is co-legislator on an equal footing with the Council, Parliament does not intervene in the establishment of the EDF budget and its rules or in the allocation of relevant resources. Along the same lines, the monitoring of EDF implementation is entrusted to EU Member States through the EDF Committee for the resources managed by the European Commission, and through the Investment Facility Committee for those entrusted to the EIB.

In addition, Part 2 of the Cotonou Agreement establishes three joint ACP-EU institutions to ensure the functioning of the overall cooperation framework: the Council of Ministers, the Committee of Ambassadors and the Joint Parliamentary Assembly. Also in this case, decision-making lies with governments through the ACP-EU Council of Ministers (comprising the members of the Council of the EU, members of the EC and a member of the government of each ACP country), which is assisted in the fulfilment of its tasks by the ACP-EU Committee of Ambassadors.

⁶⁶ ECA's [Special Report No 17/2012](#).

⁶⁷ ECA's [Special Report No 1/2012](#).

⁶⁸ ECA's [Special Report No 13/2012](#).

6.2. EP's participation in the ACP-EU Joint Parliamentary Assembly

The ACP-EU Joint Parliamentary Assembly (JPA) is a consultative body, currently composed of 156 Members, with equal numbers of representatives for the ACP (one Member or representative of the national Parliament per country⁶⁹) and the EU. The representation of the Union is ensured by a delegation of 78 Members of the EP.

The powers of the JPA include institutional and parliamentary scrutiny as well as consultation with other international organisations. One of its three Standing Committees, the Economic Development, Finance and Trade Committee, discusses, amongst other things, the EDF and Country and Regional Strategy Papers. The JPA has only recently been attributed the right to carry out parliamentary scrutiny of the strategy papers.

Each year, the joint Council of Ministers must report on the implementation of the Cotonou Agreement to the JPA, which adopts resolutions and make recommendations with a view to promoting the achievement of the objectives of the ACP-EU agreement.

6.3. EP scrutiny of EDF implementation: the discharge procedure

An important tool that the EP has at its disposal to influence the functioning and the development of the EDF is a specific discharge procedure devoted to it, a form of ex-post democratic control at political level which takes place every year, mirroring that in place for the EU budget.⁷⁰ Acting on a Council recommendation, the EP decides whether to grant discharge to the European Commission for the way it has managed the EDF. Politically, this represents the appraisal by the democratically elected institution of how the Commission has performed its implementing tasks.

Central to the procedure is the Annual Report of the ECA on the activities funded under the EDFs (see section 4.4), which includes the Court's assessment of the annual accounts of the EDFs as well as of the legality and regularity of the underlying transactions. ECA special reports are also taken into account. In its 2013 report⁷¹ on financial year 2012, the ECA concluded that the EDF accounts prepared by the EC were reliable, and gave a positive opinion on the legality and regularity of the underlying transactions as far as revenue and commitments are concerned. However, the Court deemed the EDF supervisory and control systems to be only partially effective in ensuring the legality and regularity of payments, estimating the error rate for expenditure transactions at 3%.

In April 2014, the EP granted discharge to the Commission for the 2012 management of the EDFs, presenting its observations in an accompanying resolution,⁷² with a view to improving the functioning of the Fund. Prior to this, the discharge exercise included a hearing⁷³ of the Commissioner in charge of development aid with questions on how the

⁶⁹ Not being a signatory to the Cotonou Agreement, Cuba has an observer status.

⁷⁰ For a short overview, see: [Discharge procedure for the EU budget: Political scrutiny of budget implementation](#) / D'Alfonso A., European Parliament, European Parliamentary Research Service, 2014, 7 p.

⁷¹ [OJ C 331](#), 14.11.2013, pp. 261–290.

⁷² European Parliament resolution of 3 April 2014 with observations forming an integral part of its Decision on discharge in respect of the implementation of the budget for the Eighth, Ninth and Tenth European Development Funds for the financial year 2012 ([P7_TA\(2014\)0290](#)).

⁷³ [2012 discharge to the EDF: Written Questions to Commissioner Piebalgs](#) / Hearing of 26 November 2013, 24 p.

EC was tackling specific issues, for example on EuropeAid's supervisory and control systems or on mechanisms to check eligibility criteria before disbursing aid in the form of budget support.

It should be noted that the EDF discharge is subject to a number of limitations. For example, it does not cover the part of the EDF managed by the EIB. As regards interventions in the form of budget support, the European Court of Auditors notes that its checks are limited to whether EC decisions to transfer relevant resources to beneficiary countries were in line with eligibility criteria. Checks of regularity after that stage are not possible for the ECA, since transferred resources are subsequently incorporated in the budget of the recipient country.

6.4. EP resolutions on the EDF

The EP also intervenes in the debate on the EDF by adopting specific resolutions on the Fund or including observations on it in other resolutions that are relevant to the topic. In 2013, for instance, on the basis of a report prepared by its Development Committee (DEVE), Parliament adopted a resolution⁷⁴ on the financing of EU cooperation for ACP countries and OCTs for 2014-20, with a view to ensuring overall consistency of EU action in the field of development and highlighting aspects deemed important for the effective functioning of the EDF (e.g. the need for full democratic scrutiny of the instrument; careful use of the differentiation principle taking into account not only GNI levels but also countries' specific vulnerabilities; prioritisation of interventions on health systems; and promotion of the role of women as active facilitators of development policies). Over recent decades, the EP has called for the *budgetisation* of the EDF on many occasions.

7. The debate on the inclusion of the EDF in the EU budget

7.1. A long-standing idea

The *budgetisation* of the EDF is a long-standing source of friction between European Parliament and Council. The European Commission first proposed it as early as 1973 following the establishment of the own resources system to replace national contributions to the general budget, while the first enlargement of the European Communities (and notably to the UK) paved the way towards an increase in the number of recipients of EDF assistance.

The Council rejected the idea then and again a few years later during the negotiations for the 5th EDF. The new refusal was one of the reasons why in December 1979 the European Parliament rejected the general budget for the following year. As a result, the European Commission started to provide Parliament and Council with estimates for the EDFs and other relevant financial information as an annex to the budget.

Since then, EU countries have repeatedly confirmed their decision not to incorporate the EDF in the general budget, for example in 1988, 1992 and 2005.⁷⁵ The European Commission unsuccessfully recommended bringing the EDF into the EU budget in its

⁷⁴ European Parliament resolution of 12 March 2013 on the preparation of the multiannual financial framework regarding the financing of EU cooperation for African, Caribbean and Pacific States and Overseas Countries and Territories for the 2014–2020 period ([P7_TA\(2013\)0076](#)).

⁷⁵ [European Union Public Finance \(Fourth edition\)](#) / European Commission, 2008, pp. 373-374.

proposals for the 2007-13 MFF of the European Union but has now set 2021 as the target date for the *budgetisation* of the EDF⁷⁶ after the end of the current MFF.

7.2. Expected advantages of *budgetisation* and obstacles to it

A 2003 Communication⁷⁷ by the European Commission as well as a series of EP resolutions⁷⁸ provide a good overview of the benefits that supporters of the idea attribute to *budgetisation*. The main **expected advantages** include:

- **Stronger democratic legitimacy.** The EDF is currently the only EU development aid expenditure, which is not subject to the authorisation of the EP, the democratically elected institution of the EU. In addition, incorporation in the EU budget would further strengthen democratic scrutiny of implementation.
- **An increase in the efficiency and effectiveness** of EU development aid through a simplification of the relevant framework. The ECA's 2013 report⁷⁹ on the EDFs assesses the risk of EDF expenditure as inherently high, including because of the complexity of its rules and procedures. The Court has repeatedly called for further simplification of the Financial Regulation applicable to the EDF (see section 4.1). It can be argued that delivering development aid through programmes under the EU budget and the EDFs that follow partially different rules adds to the complexity of the framework. In 2012, the OECD acknowledged⁸⁰ that EU development cooperation instruments had been streamlined, among other initiatives through the reduction of their number from 35 to 10 in 2007 (this trend is confirmed for the 2014-20 period). However, the OECD recommended taking additional steps in this respect, including further alignment of the rules applicable to the DCI and the EDF. *Budgetisation* could represent a significant contribution to this.
- **Enhanced visibility and transparency.** Eliminating this exception to the principle of budgetary unity, all EU development aid expenditure would be included in a single budget.
- **Higher predictability.** The full inclusion of the EDF in the EU framework would better ensure the continuity of aid, which at present depends on voluntary contributions of EU countries. The current ratification process of the internal agreement for 2014-20 has created the need to establish transitional measures to avoid disruption in the provision of aid, again contributing to the complexity of the EDF framework (see section 3.2).

On the negative side, ACP countries may fear a weakening of their privileged relations with the EU and of the financial commitment of the latter, which the Commission has contested in its Communication. According to some ACP actors, the ACP group itself

⁷⁶ Preparation of the multiannual financial framework regarding the financing of EU cooperation for African, Caribbean and Pacific States and Overseas Countries and Territories for the 2014-2020 period (11th European Development Fund). EC Communication - [COM\(2011\)837 final](#) - of 7 December 2011.

⁷⁷ Towards the full integration of cooperation with ACP countries in the EU budget. EC Communication - [COM\(2003\)590 final](#) - of 8 October 2003.

⁷⁸ See for example EP resolutions: Incorporation of the EDF in the EC budget ([T4-0340/1995](#)) of 12 July 1995; *Budgetisation* of the EDF ([P5_TA\(2004\)0275](#)) of 1 April 2004; and Preparation of the multiannual financial framework regarding the financing of EU cooperation for African, Caribbean and Pacific States and Overseas Countries and Territories for the 2014-2020 period ([T7-0076/2013](#)) of 12 March 2013.

⁷⁹ [OJ C 331](#), 14.11.2013, pp. 261–290.

⁸⁰ Organisation for Economic Co-operation and Development, [op. cit.](#), p. 21.

would have splintered by now, had the EDF been managed differently.⁸¹ In its 2013 resolution on the preparation of the Multiannual Financial Framework for ACP-EU cooperation over the 2014-20 period, the EP stressed that the Cotonou Agreement should be the main reference framework for the 11th EDF.

Some analysts⁸² have drawn attention to innovations developed for the EDF in the ACP-EU context, arguing that these should also be incorporated in development cooperation instruments under the EU budget. In the run-up to the EU's 2014-20 MFF, other observers⁸³ considered that, in the context of negotiations carried out against the backdrop of austerity and fiscal consolidation, *budgetisation* might be a way of reducing the level of development assistance managed by the EU.

As regards EU countries, they may be reluctant to give up the stronger role they have in the functioning of the EDF in comparison with the instruments under the EU budget, where the Council is co-legislator on an equal footing with the European Parliament. In addition, Member States' positions on the topic may be influenced by considerations of potential increases or decreases in their financial contributions that *budgetisation* could entail.⁸⁴ Unanimity between EU countries would be required to include the EDF in the general budget, which makes veto threats extremely credible.

7.3. New target date proposed by the EC: 2021

In the 2011 negotiations on the establishment of the 11th EDF, only Belgium, Denmark, France and Sweden are reported to have fully supported the *budgetisation* of the EDF (in addition, the Netherlands are traditionally in favour), while Italy and Spain doubted that the move was necessary and Germany deemed the expiry date of the Cotonou Agreement a better timing for this.⁸⁵ Among the supporters of bringing the EDF into the EU budget, France considers⁸⁶ that this would improve the management of programming, the predictability of annual contributions and their alignment with Member States' shares of EU GNI, while drawing attention to the recurrent under-execution of EDF payments in recent years.

Unlike what it had done for previous EDFs, the European Commission did not propose including the 11th EDF in the EU budget, considering the timing not appropriate with the Cotonou Agreement still in force. Instead it expressed its intention to target 2021 as the year to bring the EDF into the EU budget. A number of steps undertaken should facilitate the process, with a view to paving the way to *budgetisation* in 2021. These include:

⁸¹ [ACP-EU relations after 2020: Review of options](#) / Manrique Gil M., European Parliament, Directorate-General for External Policies of the Union, 2013, 11 p.

⁸² Negre M., Keijzer N., Lein B. and Tissi N., [op. cit.](#)

⁸³ [EU budget surprise: Member States proposing budgetisation of the EDF](#) / Maxwell S. and Herbert S., European Development Cooperation Strengthening Programme (EDCSP), 2012, 3 p.

⁸⁴ Ministry of Foreign Affairs of the Netherlands, Policy and Operations Evaluation Department (IOB), [op. cit.](#), p. 65.

⁸⁵ Ministry of Foreign Affairs of the Netherlands, Policy and Operations Evaluation Department (IOB), [op. cit.](#), p. 65.

⁸⁶ [Relations financières avec l'Union européenne](#) (Annexe au projet de loi de finances pour 2014) / République Française, 2014, p. 125.

- The alignment of the Multiannual Financial Framework of the ACP-EU agreement with the EU's own MFF, both of them now covering the 2014-20 period.⁸⁷
- Increasing convergence of EDF contribution keys with cost-sharing percentages of the EU budget (see section 3.2).
- Further harmonisation of EDF rules with those applicable to the EU budget.

The need for unanimity between EU countries represents a significant obstacle to *budgetisation*, since past proposals in this direction have failed to find consensus. In addition, given that current EDFs are mainly the financial envelope of a wider international agreement with ACP countries, the development of the ACP organisation and of ACP-EU relations after the expiry of the Cotonou Agreement will clearly have an impact on the likelihood of *budgetisation*.

8. Outlook for post-2020 scenarios for ACP-EU relations

With the target date of the United Nations' Millennium Development Goals approaching, the global development agenda is expected to change in the near future. This could also have repercussions on ACP-EU relations. The picture should be clearer next year, since negotiations to establish the post-2015 global development agenda are still ongoing.⁸⁸ Negotiations on the post-2020 scenario for ACP-EU relations should be carried out under the term of office of the incoming European Commission.

Considering the ACP group heterogeneous, some observers say that the underlying question is whether privileged relations based on the colonial past still make sense in a global scenario that has undergone dramatic changes. On the other hand, positive aspects of the framework of ACP-EU relations can contribute to further shaping the development agenda.⁸⁹ Not least, ACP countries value their membership of the group and they have launched a broad reflection on its future, including an ambassadorial working group and a study.

Examining the wide range of possible scenarios for ACP-EU relations after 2020, an EP Policy Briefing⁹⁰ drafted at the request of Parliament's Committee on Development stresses that the outcome will ultimately depend on a political process, noting that the negotiating positions of the two parties as well as their possible interaction are not yet clearly defined. Three broad scenarios are investigated in further detail:

- The disbanding of the ACP and the regionalisation of the EU's relations with the current Members of the group. Such an outcome could lead to the end of the EDF.
- Continuation of the ACP, with a strengthening of its regional components.
- An enhanced ACP, which diversifies its international relations and does not limit itself to the partnership with the EU.

The Policy Briefing notes that the EDF is often said to have been an essential element of the ACP-EU partnership so far. The document adds that the appearance of new donors in development cooperation (such as China) with a radically different approach from

⁸⁷ In particular, to this end, the 11th EDF will cover the period until 31 December 2020, even if the Cotonou Agreement expires in February 2020.

⁸⁸ For an overview, see: [The post-2015 development agenda: An innovative process for a conservative outcome?](#) / Latek M., European Parliament, European Parliamentary Research Service, 2014, 8 p.

⁸⁹ See for example: Holland M. and Doidge M. / [op.cit.](#), pp. 46-69.

⁹⁰ Manrique Gil M. / [op.cit.](#)

that of the EU may reduce the EDF's attractiveness according to some ACP actors, while others give a positive assessment of the conditions that accompany the disbursement of EDF resources. In its 2003 Communication on the EDF,⁹¹ the European Commission argued that the position of the EDF outside the EU budget did not constitute a substantive element of the relations with the ACP, considering that this budgetary peculiarity was rather a historical aspect.

At his hearing⁹² in front of Members of the European Parliament, the new European Commissioner for International Cooperation and Development, Neven Mimica, underlined that negotiating a post-Cotonou framework and enhancing the Union's strategic partnership with Africa would be one of his priorities. To this end, he announced his intention to start a broad consultation and dialogue process on the post-Cotonou framework in 2015.

⁹¹ Towards the full integration of cooperation with ACP countries in the EU budget. EC Communication - [COM\(2003\)590 final](#) - of 8 October 2003.

⁹² Hearing of Neven Mimica, Commissioner-designate (International Cooperation and Development), 29 September 2014: [verbatim report](#).

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10. Annex

ACP countries on the Human Development Index (HDI) and in the list of ODA recipients (1)*

HDI Rank	Country Name	2007-12 HDI Rank Change	2000-12 Av. Annual HDI Growth	DAC list of ODA Recipients
<i>Very high human development (HDI)</i>				
38	Barbados	2	0,37	-
46	Seychelles	1	0,33	UMIC
<i>High human development (HDI)</i>				
49	Bahamas	-	-	-
52	Palau	-4	0,27	UMIC
59	Cuba	-4	1,02	UMIC
63	Grenada	-	-	UMIC
67	Antigua and Barbuda	-	-	UMIC
67	Trinidad and Tobago	-1	0,6	-
72	Dominica	-3	0,26	UMIC
72	Saint Kitts and Nevis	-	-	UMIC
80	Mauritius	-2	0,73	UMIC
83	Saint Vincent and the Grenadines	-	-	UMIC
85	Jamaica	4	0,61	UMIC
88	Saint Lucia	-	-	UMIC
<i>Medium human development (HDI)</i>				
95	Tonga	-7	0,25	LMIC
96	Belize	-4	0,35	LMIC
96	Dominican Republic	4	0,76	UMIC
96	Fiji	-3	0,39	LMIC
96	Samoa	-3	0,48	LDC
105	Suriname	-2	-	UMIC
106	Gabon	0	0,72	UMIC
117	Micronesia (Federated States of)	-	-	LMIC
118	Guyana	1	0,79	LMIC
119	Botswana	-1	0,66	UMIC
121	Kiribati	-	-	LDC
121	South Africa	0	0,11	UMIC
124	Vanuatu	-	-	LDC
128	Namibia	-2	0,64	UMIC
132	Cape Verde	-	0,81	LMIC
134	Timor-Leste	5	2,71	LDC
135	Ghana	7	1,6	LMIC
136	Equatorial Guinea	-2	0,9	LDC
141	Swaziland	-3	0,55	LMIC

*Four ACP countries are not ranked on the HDI, but are included in the list of ODA recipients: Cook Islands (UMIC), Marshall Islands (LMIC), Niue (UMIC) and Somalia (**LDC**).

ACP countries on the Human Development Index (HDI) and in the list of ODA recipients (2)

HDI Rank	Country Name	2007-12 HDI Rank Change	2000-12 Av. Annual HDI Growth	DAC list of ODA Recipients
<i>Low human development (HDI)</i>				
142	Congo	-1	0,86	LMIC
143	Solomon Islands	-6	0,71	LDC
144	Sao Tome and Principe	0	-	LDC
145	Kenya	1	1,24	LIC
148	Angola	1	2,56	LDC
150	Cameroon	1	1,2	LMIC
151	Madagascar	-3	1,02	LDC
152	Tanzania (United Republic of)	15	2,15	LDC
153	Nigeria	1	-	LMIC
154	Senegal	-2	1,25	LDC
155	Mauritania	-3	0,92	LDC
156	Papua New Guinea	1	0,96	LMIC
158	Lesotho	2	0,61	LDC
159	Togo	-2	0,62	LDC
161	Haiti	-6	0,65	LDC
161	Uganda	0	1,65	LDC
163	Zambia	3	1,46	LDC
164	Djibouti	0	-	LDC
165	Gambia	5	1,65	LDC
166	Benin	-3	1,14	LDC
167	Rwanda	2	2,73	LDC
168	Côte d'Ivoire	-3	0,81	LMIC
169	Comoros	-7	-	LDC
170	Malawi	1	1,44	LDC
171	Sudan	-3	1,08	LDC
172	Zimbabwe	0	0,46	LIC
173	Ethiopia	1	3,09	LDC
174	Liberia	3	2,04	LDC
176	Guinea-Bissau	-4	-	LDC
177	Sierra Leone	1	3,29	LDC
178	Burundi	2	2,31	LDC
178	Guinea	-2	-	LDC
180	Central African Republic	2	1,5	LDC
181	Eritrea	-	-	LDC
182	Mali	-2	2,04	LDC
183	Burkina Faso	1	-	LDC
184	Chad	-2	1,32	LDC
185	Mozambique	0	2,37	LDC
186	Congo (Democratic Republic of the)	0	2,19	LDC
186	Niger	1	2,2	LDC

Data sources: [2013 Human Development Report](#) (United Nations) and [DAC list of Official Development Assistance Recipients](#) (OECD)

Member States' GNI, contributions to EU budget and to EDFs (as % of each total)

	GNI (2007-12)	National contribution to EU budget (2007-12)	10th EDF (2008-13)	11th EDF (EC proposal Dec-11)	11th EDF (European Council Feb-13)
BE	2.88%	3.16%	3.53%	3.23%	3.25%
DK	1.93%	2.10%	2.00%	1.97%	1.98%
DE	20.53%	19.66%	20.50%	20.54%	20.58%
IE	1.14%	1.28%	0.91%	0.95%	0.94%
EL	1.72%	2.11%	1.47%	1.57%	1.51%
ES	8.37%	9.31%	7.85%	8.06%	7.93%
FR	15.95%	17.79%	19.55%	17.83%	17.81%
IT	12.48%	13.76%	12.86%	12.62%	12.53%
LU	0.23%	0.26%	0.27%	0.26%	0.26%
NL	4.72%	3.77%	4.85%	4.85%	4.78%
AT	2.31%	2.31%	2.41%	2.36%	2.40%
PT	1.32%	1.52%	1.15%	1.20%	1.20%
FI	1.49%	1.66%	1.47%	1.51%	1.51%
SE	2.90%	2.61%	2.74%	2.94%	2.94%
UK	14.67%	10.50%	14.82%	14.33%	14.68%
EU-15	92.64%	91.80%	96.38%	94.22%	94.28%
BG	0.28%	0.31%	0.14%	0.22%	0.22%
CZ	1.11%	1.26%	0.51%	0.83%	0.80%
EE	0.12%	0.13%	0.05%	0.08%	0.09%
CY	0.13%	0.15%	0.09%	0.12%	0.11%
LV	0.17%	0.18%	0.07%	0.11%	0.12%
LT	0.23%	0.26%	0.12%	0.18%	0.18%
HU	0.75%	0.82%	0.55%	0.69%	0.61%
MT	0.05%	0.05%	0.03%	0.04%	0.04%
PL	2.71%	3.06%	1.30%	2.17%	2.01%
RO	1.01%	1.11%	0.37%	0.72%	0.72%
SI	0.28%	0.32%	0.18%	0.23%	0.22%
SK	0.51%	0.55%	0.21%	0.38%	0.38%
EU-12	7.36%	8.20%	3.62%	5.77%	5.49%
EU-27	100.00%	100.00%	100.00%	100.00%	99.77%
HR	-	-	-	-	0.23%
EU-28	-	-	-	-	100.00%

Data source: Based on EDF internal agreements and EC data.

NB The figures in this table for Member States' GNI figures and contributions to the EU budget are those available in 2013, the year the governments agreed on the funding key for the 11th EDF.

With total resources of €30.5 billion for the years 2014-20, the European Development Fund (EDF) is the largest geographic instrument of the EU in the area of development cooperation. The Fund focuses on countries and territories which have special historical ties with some Member States: the African, Caribbean and Pacific Group of States (ACP), which receive the bulk of funding, and the overseas countries and territories (OCTs) of the EU.

The EDF presents significant peculiarities from a budgetary perspective, since it is intergovernmental in nature and remains outside the EU budget, despite the fact that most of its resources are managed by the European Commission. The Fund finances a broad range of actions in beneficiary countries, with disbursements for social and economic infrastructures together accounting for more than half of total EDF payments for 2010-12.

While stakeholders and analysts note both achievements and weaknesses of the EDF, a long-standing idea concerns the possible inclusion of the Fund in the EU budget (i.e. its so-called 'budgetisation'). Supporters of the idea consider that the move would bring advantages such as stronger democratic legitimacy of the EDF as well as an increase in the efficiency and in the effectiveness of EU's development aid through a simplification of the relevant framework.

The new target date for budgetisation is 2021, after the expiry of the Cotonou Agreement, a comprehensive international agreement setting out the wider framework of ACP-EU relations. Since the EDF is the financial envelope of this international agreement, its future is tightly linked to the evolution of ACP-EU relations. Negotiations on the post-Cotonou scenario should be carried out under the new term of office of the European Commission. The new European Commissioner for International Cooperation and Development, Neven Mimica, intends to start a broad consultation and dialogue process on the topic in 2015.

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