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**ORAL REPORT BY THE CHAIRMAN
OF THE ACP MINISTERIAL COMMITTEE
ON DEVELOPMENT FINANCE COOPERATION
TO THE ACP COUNCIL OF MINISTERS**

**[95th SESSION OF THE ACP COUNCIL OF MINISTERS
PORT VILA (Vanuatu), 10 - 15 JUNE 2012]**

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**Mr. Chairman,
Honourable Ministers,
Excellencies,**

The Ministerial Committee on Development Finance Cooperation met on Monday 11 June, and I have the pleasant duty to present the oral report of that meeting to you.

The report will deal with the following issues:

I. The EU Agenda for change

To ensure that cooperation has a greater impact, the Communication proposes to concentrate on promoting human rights, the key elements of good governance and inclusive and sustainable growth for human development.

To this end, it recommends three accompanying measures, namely:

- Differentiated development partnerships;
- Coordinated EU action; and
- Coherence among EU policies.

II. Differentiated Development Partnerships

The most important aspect of the Communication concerns a differentiated approach to aid modalities and, consequently, to partners.

To this end, it has been proposed that aid in the form of grants no longer be included in cooperation agreements with the more advanced developing countries.

For some ACP countries, this approach could lead to a reduction, or even the abolition of grants, in which case support measures are provided for, including loans, the mobilisation of domestic resources and trilateral cooperation support.

As regards Article 3 of Annex IV of the Cotonou Agreement, the allocation of indicative resources among ACP countries is based on needs and performance criteria that are standard, objective and transparent.

The Ministerial Committee on examination of this Article also noted that during the second revision of the Cotonou Agreement in 2010, the differentiation recommended had not been included in the discussions.

The Committee also noted that the differentiation envisaged is no longer at the level of the allocation of resources to national indicative programmes, but would actually concern access to EDF resources.

In the light of the foregoing, the Ministerial Committee raised the issue of the absence of any legal basis and the introduction of the principle of differentiation in the framework of the 11th EDF, insofar as this principle had not been discussed during the second revision of the Cotonou Agreement, as regards Annex IV.

The Committee also noted that the criteria in Cotonou Agreement includes the question of vulnerability in respect of SIDS, LDC and LLDCs and not exclusively on income per capita. To this effect, such benefit should continue to benefit for bilateral financial assistance.

The Ministerial Committee also agreed on the need for the middle income countries to continue to benefit from EU bilateral assistance to enable them pursue the much needed institutional and sector reforms which will take them to the next level of development where they can indeed become partners of the EU and in term assist other ACP countries under South South cooperation.

On this important issue, the Ministerial Committee requests that Council:

- ***Call on the EU to refrain from taking unilateral measures that would jeopardise ACP-country interests, and to remain within the legal framework of the Cotonou Agreement as negotiated and signed;***
- ***Explicitly ask the EU to ensure that differentiation in accessing resources not be applied within the framework of the 11th EDF.***
- ***ensure that no ACP country is any less well-treated than it was under the 10th EDF.***

III. The new approach to EU Budget support to their countries

The main issue under this communication is:

- The introduction of a 4th eligibility criterion concerning transparency and budget oversight with the aim of public disclosure of budgetary information;

Regarding this particular matter, the Ministerial Committee expressed its concerns on the following elements:

- The introduction of new requisite conditionalities for budget support;
- The introduction of the 4th eligibility criteria;
- The consequences of the contractualisation of budget support for the absorption of aid.

Finally, the Ministerial Committee highlighted the absence of any legal basis for the application of certain provisions in the future approach to EU budget support, within the framework of the Cotonou Agreement, particularly regarding the establishment of preconditions and the introduction of a 4th eligibility criteria.

On this matter, the Ministerial Committee suggests that EU budget support:

- **be aligned with the development policies and priorities of the ACP countries;**
- **be focused on results jointly defined within the framework of policy dialogue; and**
- **calls the European Commission to refrain from taking any unilateral measures and adhere to the legal framework of the Cotonou Agreement.**

IV. Amendment to Annex II of the Cotonou Agreement

In accordance with the provisions in the Cotonou Agreement, a Mid-Term Review of the Investment Facility was performed, covering the period 2003-2009.

Technical assistance is a significant part of the added value of the Investment Facility, insofar as it enables better preparation and supervision of investment projects and improved the quality and effectiveness of the management by local partners.

However, it seems that the current allocation for technical assistance has been limited to cover only the period until the next multiannual framework enters into force.

Consequently, given the outcome of the Mid-Term Review, based on Article 100 of the Cotonou Agreement, it was recommended that Annex II be revised in order to increase from 10% to 15%, the allocation for interest rebates that could be used for technical assistance for projects, in conformity with the provisions in Annex II.

The Ministerial Committee, after considering the objective being targeted by the draft decision that was submitted to it, believes that this amendment to Annex II will meet the needs identified by the EIB within the framework of implementing the 10th EDF Investment Facility.

Consequently, the Ministerial Committee recommends that Council approve the draft decision to amend Annex II of the Agreement and clearly indicate that the amendment will only be applied for the period covered by the 10th EDF.

V. INCREASING THE INTRA-ACP ENVELOPE

During its session in June 2010, Council had instructed the Committee of Ambassadors to increase the intra-ACP resources following the Mid-Term Review in order to cover the new needs that would be identified.

The preliminary results of the Review confirmed the relevance of the intra-ACP cooperation strategy, as well as the principles governing intra-ACP cooperation, namely, subsidiarity, complementarity and visibility.

Furthermore, it confirmed the coherence, effectiveness and efficiency of intra-ACP cooperation and its good performance in terms of resource utilisation.

Given the Review's promising outcome and the fact that available resources can be mobilised, the two parties identified new needs currently under consideration, which will be submitted to the Committee of Ambassadors for consideration and decision.

Council is requested to take due note of the implementation status of the Joint Council's delegation of powers to the ACP-EU Committee of Ambassadors.

VI. Preparations for the meeting of the ACP-EU DFC Ministerial Committee

After consideration, the Ministerial Committee approved the draft agenda for the joint meeting on 14 June 2012, as well its work programme for the 2012-2013 period.

Council is requested to take note of this information.

Mr. Chairman,

This brings me to the end of the oral report that I have had the pleasure to present on behalf of the ACP Ministerial Committee on Development Finance Cooperation.