# Budgetisation of the European Development Fund EDF

2003/2163(INI) - 01/04/2004 - Text adopted by Parliament, single reading

By adopting the report from Michel-Ange SCARBONCHI (EUL/NGL, F), Parliament has approved the integration of the European Development Fund (EDF) into the EU budget. (Please refer to the summary dated 08/03/2004). Up to now, this fund was financed from voluntary contributions from the Member States. The Commission is proposing to 'budgetise' the EDF starting from the 2007/08 budget. MEPs believe budgetisation has several advantages, the main one being parliamentary scrutiny. Unlike the present situation, Parliament, in its role as budgetary authority, will vote on the funds allocated to African, Caribbean and Pacific (ACP) states, and, through the discharge process, will verify how they are spent. The main argument against budgetisation is the lack of predictability for the ACP states. Currently, each EDF is set for five years, during which time the recipient countries know how much will be provided and can be sure that the sums will not be reallocated to meet other budgetary needs. To deal with this concern, MEPs are calling for funds allocated to EU-ACP partnership to form a sub-heading in the Financial Perspectives, and for a solution to be found to avoid the EDF budget being diverted for goals other than development spending in the ACP countries. MEPs want to involve the ACP-EU Joint Parliamentary Assembly in the EDF budget process. Once budgetisation is complete, the JPA could provide a useful contribution to the EU's budgetary authority on budgetary matters relating to ACP states. More specifically, Parliament notes that fulfilling the collective commitment to achieving the MDGs will entail a redoubling of efforts to increase aid levels and improve aid effectiveness and it welcomes, therefore, the commitment made by international donors to increase the aid levels in line with the Monterrey Financing for Development Conference and urges that this commitment be fulfilled. Equally, Parliament considers that aid would be more effective if donors better coordinated their efforts better and completely untied all aid, in particular, food aid and technical assistance, and if foreign policy and external trade were brought closer into line with the major development objectives set by the United Nations. Parliament takes the view that the non-budgetised system of financing for the EDF has its roots in historical factors which are no longer applicable to the modern European Union and will be even less relevant after enlargement. It notes that EDF budgetisation is proposed as a new financing model to replace the forthcoming 10th EDF and hence as of 2007/2008 budgets. It notes that such budgetisation will require amendments to both the body and annexes of the Cotonou Agreement and hence ratification by the ACP-EU Joint Council of Ministers. Parliament reiterates its position that ACP-EU cooperation, and its financial conventions (EDFs), should be politically anchored, controlled and legitimised through the full association of the European Parliament, thus ensuring the link with European citizens, the institutional balance within the European Union's institutions, and an equal footing for ACP cooperation with the rest of the Union's external programmes. It considers it necessary, likewise, to examine the role that the ACP-EU JointParliamentary Assembly should play with regard to the EDF budget, and, when the EDF is indeed budgetised, to encourage it to provide valuable input to the EU budgetary authority on budget matters relating to ACP countries. It welcomes the fact that agreement was reached in the Copenhagen Agreement on the accession countries' participation in EDF funding as of the 10th EDF. It expresses its concern that if the EDF were to remain outside the Community budget, the voluntary nature of Member States' contributions and the impact of enlargement would make increases in funding levels less probable for future EDFs than in the past. Parliament points out that the current own resources ceiling at 1.24% of GNI does not include the 0.03% GNI represented by the annual share of EDF; urges the Commission and the Council, in future Financial Perspectives, to take the share of EDF into account when setting the ceilings of own resources and external actions. Parliament stresses that a precondition for the budgetisation of the EDF is to guarantee ring-fencing for a budgetised EDF to prevent funds being siphoned off to meet needs elsewhere or to address concerns responding more to the needs of donors than development, such as combating terrorism, money-laundering, illegal migration or the reconstruction of a non-ACP state. Parliament does acknowledges the concerns of ACP countries about the effects of the principle of

annuality which applies to the Community budget but is not applicable to the EDF, and also the n+3 rule under the new Financial Regulation, stating that individual contracts which implement financing agreements with the beneficiary third countries shall be concluded no later than three years following the date of the budgetary commitment. Parliament is of the opinion that the new provisions of the Financial Regulation applicable to the EDF, with the Financial Regulation for the general budget, including the n+3 rule and the development of 'rolling programming' (decisions on country-specific allocations, within a co-decided envelope, where implementation and output/performance plays a greater role) will ensure that aid is managed more efficiently and hence more effectively. Parliament stresses the importance of taking a decision on EDF budgetisation before entering into serious debate over the shape of the Financial Perspectives post 2006. It equally welcomes the long-standing support of the Commission for EDF budgetisation and calls on the Council of Ministers to vote unanimously in favour of the budgetisation of the EDF.