

ACP-EU COTONOU AGREEMENT

**AFRICAN, CARIBBEAN AND
PACIFIC GROUP OF STATES**

**COUNCIL OF
THE EUROPEAN UNION**

Brussels, 13 June 2014

ACP/21/001/14

ACP-UE 2101/14

OUTCOME OF PROCEEDINGS

of: 38th session of the ACP-EU Council of Ministers
on: 6-7 June 2013
in: Brussels, Belgium

Subject: Outcome of proceedings of the 38th session of the ACP-EU Council of Ministers
on 6-7 June 2013

The ACP-EU Council of Ministers held its 38th meeting in Brussels, Belgium, on 6-7 June 2013 under the chairmanship of H.E. Mr. Phandu T. C. SKELEMANI, Minister of Foreign Affairs, International Cooperation of Botswana and Co-President of the ACP-EU Council of Ministers.

The meeting was co-chaired for the European Union by H.E. Mr. Joe COSTELLO, Minister of State for Trade and Development of Ireland.

The European Commission was represented by Mr. Andris PIEBALGS, Commissioner for Development Cooperation and Mr. Karel DE GUCHT, Commissioner for Trade.

The EEAS was represented by Mr. Koen VERVAEKE, Director for the Horn of Africa, East and Southern Africa and the Indian Ocean.

The European Investment Bank was represented by Mr. Pim VAN BALLEKOM, Vice-President for lending operations in the ACP countries.

ITEM 1

ADOPTION OF THE PROVISIONAL AGENDA

The Council adopted the agenda as set out in Annex I.

"A" ITEMS

ITEM 2

ADOPTION OF

- **Outcome of proceedings of the 37th session of the ACP-EU Council of Ministers held on 14-15 June 2012**

[ACP/21/001/13 - ACP-UE 2104/13]

The Council approved the outcome of proceedings of the 37th session of the ACP-EU Council of Ministers.

ITEM 3

Relations with the ACP-EU Joint Parliamentary Assembly

- **Information on the activities of the Assembly in 2012**

The Council welcomed the results of the ACP-EU Joint Parliamentary Assembly sessions which took place in 2012 in Horsens and Paramaribo. In particular, the Council took note of the Assembly's resolutions on the political impact of the Libyan conflict on neighbouring countries, Mali, Somalia, the African Great Lakes Region, the security situation in Nigeria and access to energy.

- **Adoption of a report to the Joint Parliamentary Assembly**

[ACP/21/004/13 - ACP-UE 2116/13]

The Council adopted the report to the ACP-EU Joint Parliamentary Assembly on the implementation of the ACP-EU Partnership Agreement.

"B" ITEMS

ITEM 4

TRADE COOPERATION

- **ACP Ministerial Declarations on specific products**

The Council took note of the ACP declarations on sugar, bananas, cotton, cocoa and tobacco (the ACP declaration on sugar is set out in Annex II).

- **Report from the 11th Joint Ministerial Trade Committee**

The ACP side provided an oral report on the 11th Joint Ministerial Trade Committee, which was held in Brussels on 26 October 2012. It stated that the ACP States and the EU had exchanged views on a broad range of issues affecting the ACP-EU trading regime, at multilateral and bilateral levels, including the impact of agreements with third parties.

The Council took note of the report from the 11th Joint Ministerial Trade Committee.

- **EPAs – state of play and perspectives**

The Commission provided a brief overview of the EPAs under negotiation and informed the Council on the state of implementation of the CARIFORUM EPA, the Pacific Interim EPA and the Eastern and Southern Africa Interim EPA. The Commission also raised the issue of the WTO MC9 which was to be held in Bali in December 2013, and stressed the responsibility of all Parties in achieving a successful outcome, since an agreement at the MC9 would pave the way for further discussions on agricultural and trade issues.

The ACP side recognised that in the Caribbean region, the Parties were making progress in implementing the CARIFORUM EPA. Nevertheless, this progress could be undermined by the EU policy of differentiation which could affect the region's capacity to implement the EPA. Furthermore, the ACP side called on the EU to step up its engagement in the Pacific region, to enable progress in the negotiations. In Africa, most of the countries remain committed to the EPA process. Nevertheless, in the view of the ACP, the negotiations have led to divergences among the African countries and such divergences may become more significant as a result of the amendment of Regulation 1528/2007 ("Market Access Regulation"). In this context, the ACP side stressed the need for political engagement with the EU, at the appropriate level of representation, with a view to discussing and solving the EPA issue and providing relevant instructions to the technical negotiators. The ACP side called on the EU to agree to the establishment of an ACP-EU High Level Panel on EPAs which would provide an opportunity to discuss and solve the outstanding issues at the highest political level.

The Commission informed the Council that a series of high-level meetings on EPAs was expected to take place in the following months.

In conclusion, the Council took note of the state of play of the EPA negotiations and agreed that all Parties should remain engaged and show the flexibility necessary in order to conclude the negotiations.

ITEM 5

MIGRATION AND DEVELOPMENT

- State of play of the ACP-EU dialogue on migration and development

The ACP side outlined the state of play in respect of the dialogue. It informed the Council, that as regards as visas and remittances, the ACP side was prepared to the follow up on the recommendations, as proposed by the European Union. With regard to the proposal on regional meetings on readmission, the ACP side stated that although no official position had yet been adopted on this issue, the ACP side would prefer an "all ACP approach".

The EU side emphasised that while the dialogue presented a good opportunity to intensify ACP-EU cooperation on migration, much remained to be done to put into effect the recommendations arising from the dialogue.

The Commission stated that in order to ensure proper implementation of the recommendations on visas, readmission and remittances, that were jointly drawn up and adopted in 2012, the EU had proposed to the ACP side the establishment of a joint technical working group on visas and specific technical workshops on remittances and readmission. The Commission also affirmed its readiness to support the creation of a demand driven Technical Assistance mechanism to ensure proper implementation of the recommendations resulting from the dialogue.

The representative of Malta called for strengthened cooperation with the ACP States with regard to readmission.

The representative of Slovenia underscored the EU's political will to reinforce the dialogue on migration.

In conclusion, the Council agreed on the importance of the dialogue and the need to maintain close cooperation in respect of implementation of its results.

ITEM 6

POST-2015 OVERARCHING FRAMEWORK

- Discussion

Following an exchange of views, the Council agreed that the EU and the ACP Group should work closely together with a view to developing a joint position to be adopted by the ACP-EU Council of Ministers in 2014.

ITEM 7

FUTURE OF EU SUPPORT TO ACP PRIVATE SECTOR DEVELOPMENT

- Discussion

The ACP side urged the European Union to maintain its support to the ACP private sector and to focus its efforts on improving the business environment, developing the microenterprise sector, improving micro and SME access to finance and markets. Acknowledging the political risks connected with the Centre for the Development of Enterprise (CDE), the ACP side proposed the creation of a new institutional architecture, designed and developed to meet the needs of the ACP Group and fulfil EU standards. This should be accompanied by transitional arrangements to ensure the proper management of existing programmes. Finally, it reiterated the need to establish a joint ACP-EU working group which would discuss the details of the future strategy for EU support to ACP private sector development (PSD).

The representative of Jamaica highlighted the need for a proper design of the future PSD support architecture.

The EU side reaffirmed its commitment to support the PSD, a key element of the EU's Agenda for change, and outlined the state of play in EU support for ACP private sector development under the 10th EDF. The EU side agreed on the need to promote, as a matter of urgency, the dialogue with the ACP side on the PSD and proposed that this dialogue be initiated at a technical workshop on PSD, which would take place on 24 June 2013 in Brussels.

The representative of the European Investment Bank (EIB) outlined the state of implementation of the Investment Facility and perspectives for future support to PSD under this Facility.

The Council took note of the exchange of views on PSD and reiterated its willingness to undertake an informal dialogue on the future of EU support to the ACP private sector.

ITEM 8

DEVELOPMENT FINANCE COOPERATION

- Oral Report and follow-up to the meeting of the Development Finance Cooperation Committee (Ministers) (6 June 2013)

The EU President of the ACP-EU Ministerial Development Finance Cooperation Committee presented the report on the meeting, which took place on 6 June 2013 in Brussels.

The Council took note of the report from the ACP-EU Ministerial Development Finance Cooperation Committee (see Annex III) and agreed with the recommendations made by the DFC Committee, particularly in relation to the modification of Annex Ic to the ACP-EU Partnership Agreement (see item 9).

ITEM 9

DECISIONS

- **Annex 1c to the ACP-EU Partnership Agreement: Multiannual Financial Framework for the period 2014-2020**

The EU side presented the content of the proposed Annex 1c to the ACP-EU Partnership Agreement, which sets out the ACP-EU Multiannual Financial Framework for the period 2014-2020. In this regard, it emphasised that the EU would make available EUR 31 589 million to its ACP partners.

The representative of the European Investment Bank outlined the Bank's intentions regarding the use of the new subsidy envelope which would be pledged to the Investment Facility for the period 2014-2020.

Following these exchanges, the ACP-EU Council of Ministers adopted the decision on the addition of Annex 1c to the ACP-EU Partnership Agreement (ACP/21/005/13 - ACP-UE 2117/13), which provides for the financing of the ACP-EU development cooperation until 2020.

- **Accession of Somalia to the ACP-EU Partnership Agreement**

The ACP side welcomed the recent positive developments in Somalia and called on the international community, including the EU, to maintain the momentum in helping Somalia cope with its priority tasks, such as consolidating its assets, setting up federal institutions and establishing an adequate and effective security force. The ACP side also expressed its support for Somalia's accession to the ACP-EU Partnership Agreement.

The EU side welcomed Somalia's request to accede to the ACP-EU Partnership Agreement and emphasised that this opened a new chapter in relations between the EU and Somalia.

The representative of the United Kingdom informed the Council of the outcomes of the Somalia Conference that took place in London on 7 May 2013. The representative pointed out the importance of normalising EU-Somalia relations and supporting the implementation of the Somali government's security plans.

In conclusion, the Council adopted the decision on the accession of Somalia to the ACP-EU Partnership Agreement (ACP 21/003/13 - ACP-UE 2118/13). The Council also invited the authorities of Somalia to deposit with the General Secretariat of the Council of the European Union, at their earliest convenience, an act of accession to the Agreement.

ITEM 10

MANDATE TO THE ACP-EU COMMITTEE OF AMBASSADORS TO ADOPT A JOINT DECLARATION ON THE SECOND UN HIGH LEVEL DIALOGUE ON INTERNATIONAL MIGRATION AND DEVELOPMENT

The Council mandated the ACP-EU Committee of Ambassadors to adopt on its behalf a Joint Declaration on the second UN High Level Dialogue on International Migration and Development scheduled to take place on 3-4 October 2013.

ITEM 11

DATE AND PLACE OF THE NEXT SESSION OF THE ACP-EU COUNCIL OF MINISTERS

The Council decided to hold the 39th session of the ACP-EU Council of Ministers in an ACP country in 2014. The exact date and place for the session would be mutually agreed by the Co-Secretariats.

"C" ITEMS

ITEM 12

FOOD AND NUTRITION SECURITY

- **Exchange of views**

The Council held an informal exchange of views on food and nutrition security, including the future EU support to food and nutrition security in ACP countries.

ITEM 13

ANY OTHER BUSINESS

- none
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ACP-EU COTONOU AGREEMENT

**AFRICAN, CARIBBEAN AND
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**COUNCIL OF
THE EUROPEAN UNION**

Brussels, 6 June 2013

PROVISIONAL AGENDA

Meeting: 38th session of the ACP-EU Council of Ministers
Date: 6-7 June 2013
Venue: Justus Lipsius Building, 175 rue de la Loi, 1048 Brussels

1. Adoption of the Provisional Agenda

"A" ITEMS

2. Adoption of
- Outcome of proceedings of the 37th session of the ACP-EU Council of Ministers on 14-15 June 2012
[ACP/21/001/13 - ACP-UE 2104/13]
3. Relations with the ACP-EU Joint Parliamentary Assembly
- Information on the activities of the Assembly in 2012
 - Adoption of a report to the Joint Parliamentary Assembly
[ACP/21/004/13 - ACP-UE 2116/13]

"B" ITEMS

4. Trade Cooperation
- ACP ministerial Declarations on specific products
 - Report from the 11th Joint Ministerial Trade Committee
 - EPAs: state of play and perspectives

5. Migration and development
 - State of play of the ACP-EU dialogue on migration and development
6. Post-2015 overarching framework
 - Discussion
7. Future of EU support to ACP Private Sector Development
 - Discussion
8. Development Finance Cooperation
 - Oral Report and follow-up to the meeting of the Development Finance Cooperation Committee (Ministers) (6 June 2013)
9. Decisions
 - Annex 1c to the ACP-EU Partnership Agreement: Multiannual Financial Framework for the period 2014-2020
 - Accession of Somalia to the ACP-EU Partnership Agreement
10. Mandate to the ACP-EU Committee of Ambassadors to adopt a Joint Declaration on the second UN High Level Dialogue on International Migration and Development
11. Date and place of the next session of the ACP-EU Council of Ministers

"C" ITEMS

12. Food and nutrition security
 - Exchange of views
 13. Any Other Business
-

ACP Statement on Sugar to the 38th ACP-EU Council

*Delivered by Honourable Akuavi Marie-Elise Christiana GBEDO
Minister of Industry, Trade and SMEs of Benin*

Brussels, 6 June 2013

Mr Co-President,

Thank you for the opportunity to make this statement on sugar on behalf of the ACP.

Mr Co-President,

You will appreciate that the ACP Sugar Group is following very closely the ongoing discussions on CAP reform, and more specifically those on the single market, which includes sugar. The final outcome will shape the EU sugar market and will no doubt have far reaching impact on our trade and development interests.

When we met in Vanuatu last year we had pointed out that various studies, including the Commission's own impact study, had highlighted that the Commission proposal to end sugar quotas in 2015 would deprive the Commission of essential market management tools, and as a consequence result in market instability and significant price fluctuations. An independent analysis by Landell Mills (LMC) for UK Department for International Development (DFID) concluded that the absence of EU sugar quotas would cost ACP/LDC sugar suppliers up to EUR 850 million in revenue loss up to 2020.

We were dismayed by the DG AGRI “Prospects for Agricultural Markets and Income in the EU 2012-2022” dated December 2012. In the chapter devoted to sugar, the study concludes that prospects for EU sugar markets are mixed, on the one hand with a growth in sugar beet production geared towards responding to the growing demand for ethanol and on the other, for food consumption, isoglucose is expected to increasingly replace beet sugar. Sugar processing is expected to remain unchanged from 2012 level. The report finds that the expiry of the sugar quota will lead to a reduction of the domestic sugar price in the EU and make imports, including preferential access, less attractive. Imports would decline regularly to reach 1.5 mio tonnes in 2022 compared to 3.5 mio tonnes in 2012. In fact the EU will move to self sufficiency and even become a net exporter from time to time. Current ACP exports are in the region of 2.3 mio tonnes and the study therefore clearly suggests that when faced with competition from CXL and FTA sugar imports (Brazil, Peru, Columbia etc) we will be simply wiped out of the EU market and DFQF access will be of no value whatsoever.

We, therefore, welcomed the vote on 13 March 2013 by the European Parliament in support of

Comagri's proposal, inter alia, for the continuation of the current beet sugar quota provisions until 30 September 2020.

However, we were deeply disappointed with the EU Agriculture Council's proposal to extend the Single Common Market Organisation for sugar by only two years to 2017 instead of 2020 as agreed by the European Parliament. The Council proposal ignored representations at the political and diplomatic levels by the ACP Group to emphasise to key Member States and the European Commission the crucial importance of the sugar industry to our economies and social fabric. The Council compromise overlooked the impact of its domestic CAP proposals on our trade and developmental interests and the specific commitment in the Lisbon Treaty to ensure EU Policy Coherence. These principles are enshrined in Cotonou, the Economic Partnership Agreements and the Everything but Arms Initiative which were intended to protect our small and vulnerable economies.

Indeed, EPAs and the EBA are built on the basis that they bestow a preference upon beneficiary countries. The Council compromise clearly erodes the said preference for sugar thus putting at risk the fundamental interests of many small and vulnerable economies in these carefully crafted multilateral agreements and concessions.

The ACP Group has consistently called for the long term predictability with continued preference assured to them by tariff barriers and robust mechanism for EU sugar market management. We are aware that the final shape of the new EU Common Agricultural Policy will be decided by the European Parliament, EU Council and the European Commission, in three-way negotiations which began on 11 April.

We are therefore urging your good offices, Co-Chair, to ascertain that the outcome of these negotiations, due end of this month, does fully take into account our trade and development needs. Duty-free and quota free access to the EU market, provided for in EBA and EPA agreements are of no value unless we can derive reasonably remunerative, stable and predictable sugar export revenue therefrom.

Mr Co-Chairman,

The view has been expressed by some, including by the Commissioner of Agriculture, that financial assistance for restructuring had been accorded to former Sugar Protocol countries and that these countries should by now have been able to cope with more competitive market conditions. We must strongly challenge the view that this finance has been disbursed in a manner which has allowed us to take advantage of the promised EU support. The most recent schedule of disbursements issued to us by DG Devco provides a completely different picture with only 41% of the original total allocation of 1.24 Bn Euros having been delivered. Furthermore, the manner in which the 18 country recipients have been treated demonstrates a considerable disparity between those entitled to receive Accompanying Measures Support (AMS) in the form of budgetary support and those required to suffer the complications of project-based financing. Whereas the former group of seven countries have received 50% of their total allocation (which is by no means satisfactory for a programme defined as ending in 2013), the 11 countries required to go through project type arrangements have only received 20% of their total allocation at January 2013. This repeats the very poor record which afflicted the banana Special Framework of Assistance programme which we had been promised would not be allowed to recur with the AMS. The late and slow allocation of AMS funds has undermined many industry Adaptation Strategies and is a key factor in seeking that beet quotas are extended to 2020.

Under those circumstances, it is also urgent to accelerate the disbursement of AMSP funds and to ensure that no financial resources are lost to this crucial programme.

In the same vein, Mr Co-President, I must repeat what I said last year namely that we should start discussions on ways and means by which an Integrated Commodity Development Programme could be designed and funded under the next multiannual financial framework. Such a programme should be endowed with sufficient resources from the appropriate financing instrument, and benefit the sugar sector by addressing value-addition and supporting the formulation and implementation of diversification strategies. Similarly, we need to renew our request for a prolongation of the support to the ACP Sugar Research sector beyond the end of the current 13 million euro ACP Sugar Research and Innovation Programme in 2014.

Mr Co President,

In conclusion, we are of the view that the EU should show coherence in its development, agricultural and trade policies and ascertain that EU funded development initiatives and market access opportunities offered to us are not jeopardized by measures taken on either the domestic or the international fronts.

I thank you.

**ORAL REPORT
ON THE OUTCOME OF THE 22nd MEETING
OF THE DEVELOPMENT FINANCE COOPERATION COMMITTEE
(MINISTERS)
HELD IN BRUSSELS, 6 JUNE 2013**

**(Presented to the ACP-EU Council of Ministers
Brussels, 7 June 2013)**

Mr Co-Chair,

It is my task to present to you a summary of the results of the 22nd meeting of the ACP-EU Development Finance Cooperation Committee, which took place here in Brussels at Ministerial level on 6 June 2013.

Regarding the main questions, the outcome of the meeting can be summarised as follows:

The Committee started its session by taking note of the **Report of the 28th and 29th meetings** of the ACP-EU Development Finance Cooperation Committee, held in Brussels at Authorised Representatives level on 8 and 27 May 2013 respectively, presented by the EU side on behalf of both Parties, then it went through the substantial points of the Agenda that I am now presenting.

A. Decision on the Multiannual Financial Framework for 2014-2020

The Committee examined and discussed a proposal for an ACP-EU Council decision amending Annex I to the Cotonou Agreement in order to establish the new Protocol on the multiannual financial framework for the next seven years 2014-2020, which will have a financial allocation of 31.589 billion Euro.

Two points of disagreement concerning paragraphs 2b and 7 of the draft decision were resolved at the end of the discussions and the two Parties agreed on a compromise text. On that basis, the Committee decided to recommend the ACP-EU Council to adopt the decision modifying Annex I to the Cotonou Agreement, by inserting a new Annex Ic.

B. Modification of Annex IV to Cotonou

The Commission explained that - in order to be in line with the new Financial Regulation and the Commission's legislative proposals regarding external action under the next EU Multi-Annual Financial Framework for 2014-2020, Annex IV to the Cotonou Agreement requires some technical adjustments which should enter into force in January 2014. Those adjustments to Annex IV would require the adoption, in accordance with Article 100 of the Cotonou Agreement, of a Joint ACP-EU Decision, based on a Commission proposal.

The ACP side indicated that it was not in a position to agree on recommending the adoption of a Council decision in the absence of a formal Commission proposal.

The EU side proposed that Parties would continue exchanges on the basis of a proposal by the Commission, ask the DFCC at authorised representatives level to prepare a recommendation to the Council, and conclude the decision of the ACP-EU Council of Ministers by exchange of letters between the President of the ACP Council of Ministers and the President of the Council of Ministers of the EU, before the end of 2013 as requested by the Commission.

The Committee agreed that exchanges on the possible amendment of Annex IV will continue.

C. Financial situation for the transition period between the 10th and 11th EDF

The Committee held an exchange of views on transitional measures to be taken to ensure the availability of funds for commitments after the expiry of the current Financial Protocol on 31 December 2013. The Committee noted the Commission's intention to insert an article on transitional measures in the proposal for the Implementation Regulation for the 11th EDF, providing for a 'bridging facility' between the 10th and the 11th EDF.

Thus, until the entry into force of the 11th EDF, financing decisions for priority actions would be financed from, and within the limits of, the balances of the 10th EDF and previous EDFs and from funds decommitted from projects under these EDFs.

The Commission underlined that funds committed under the bridging facility should be accounted for under the 11th EDF, in line with the Financial Regulation. They would not constitute additional resources to the 11th EDF.

The ACP side welcomed this approach, preventing disruption to development finance cooperation. However, it requested that the bridging facility be provided in addition to the 11th EDF rather than an advance on the 11th EDF in view of the fact that the total amount allocated is below the initial proposal of the Commission.

The Committee took note of the presentation by the Commission and of the remarks and the request expressed by the ACP side.

D. Report on:

a) State-of-play regarding the End of Term Review of National and Regional Cooperation

The Commission presented the main findings of the end of term review of National and Regional Programmes, in particular:

- concerning National Programmes, the end of term reviews have been completed for 72 ACP countries. Overall, taking into account the reductions and increases proposed under the end of term review, a net amount of 262.2 million euro was transferred to the reserves of the 10th EDF and used to finance other priorities (Resilience, Peace facility, unforeseen needs, etc.).
- concerning Regional Programmes, since the Mid-Term reviews of the 6 Regional Indicative Programmes were finalised in 2012 it was not necessary to do another review. The Mid-Term reviews led to minor financial adjustments by topping up allocations for Central Africa and the Pacific and reducing allocations for Eastern and Southern Africa and Indian Ocean and Western Africa.

The ACP side underscored the importance of continuous dialogue between the regional organisations and the EU's delegations to ensure that the notion of needs is adequately incorporated in the reviews.

b) National and regional programming of the 11th EDF

The Commission reported orally on the on-going programming exercise for the 11th EDF. It explained that this exercise is governed by the Cotonou Agreement and the Agenda for Change and, based on a partnership, is undertaken jointly with each ACP State.

Concerning the National level, the Commission reminded that, in line with the concentration principle, financial support will be channelled into no more than three sectors in each country, in order to achieve maximum impact of ACP-EU development cooperation.

Overall, National Programming for 2014 to 2020 is progressing well and the second phase of the programming exercise will soon be launched, in view of the adoption of the National Indicative Programmes in 2014.

Regarding Regional Programming, the Commission indicated that, drawing lessons from past experience, the 11th EDF support for regional cooperation and integration will be targeted in a few key areas where they can make a difference. Part of the regional allocation will support each organisation's key mandate, through tailored and results-oriented support and another part will be managed by other stakeholders such as national authorising officers, specialised institutions or regional development banks.

Finally, the Commission informed the Committee that together with the External Action Service, it has been analysing the comparative advantages of the various EU instruments. This will help in the future to work on the best possible complementarity between national, regional and intra-ACP programmes, as well as the EU budget. The Commission and the EEAS will develop guidance for the regional programming process as soon as possible.

The ACP side indicated that ACP member states would react under the agenda item on the "new aid policy of the EU, including budget support".

c) Implementation of the Investment Facility

The EIB reported on its activities in ACP countries.

At the end of 2012, the Bank's governing bodies had approved financing proposals totaling over EUR 4.4 billion under the Investment Facility, and nearly EUR 3 billion under its own resources. Total signatures stood at EUR 3.3 billion and EUR 2.73 billion respectively.

Nearly half of the signed amounts have been disbursed. Under the ACP Investment Facility, reflows have been the funding source for all new approvals since early 2012. At the end of 2012, these reflows amounted to some EUR 790m.

The Bank will continue to give priority to projects which can contribute to fostering economic and social development in the ACP region and promote economic stability, sustainable growth and the creation of employment, thus effectively reducing poverty.

The ACP side observed that several countries continue to face difficulties in obtaining funds from the EIB and requested more flexibility from the EIB when dealing with countries, which have capacity constraints to submit financing requests. Furthermore, the ACP side asked the EIB to update the Ministerial Committee at the next meeting on the impact of the increase of resources for technical assistance as foreseen in the amendment of Annex II decided in 2012.

E. The New Aid Policy of the EU, including Budget Support

The ACP side asked to be updated on the new EU aid policy and the new budget support policy and more specifically the implications of their implementation on ACP countries.

The Commission provided an overview of the new EU policy underlining that successful implementation of the Agenda for Change is vital for accelerating progress towards the MDGs and preparing for the post 2015 framework.

It underlined that the Agenda for Change is already becoming a reality through initiatives financed under the current MFF: in the energy for all initiative, the extension of the geographical coverage of the blending facilities, the programmes on resilience in the Sahel and the Horn of Africa and extensive application of the new guidelines on budget support.

On the question of differentiation, the Commission explained that in practice it means that in the future more funds will be allocated to countries most in need, including fragile states. As for ACP countries, differentiation will be applied in accordance with the Cotonou Agreement, implying that bilateral allocations will be offered to all ACP countries that wish to benefit from a bilateral programme.

Concerning Budget Support, the Commission informed that the new budget support policy, was developed following an extensive consultation process, and that the implementation started in January this year. It underlined that Budget support will continue to be an important instrument of EU development cooperation.

The ACP Side reacted to the presentation of the Commission. It commended the EU for its leadership on development cooperation and underlined the importance of continuing budget support under the 11th EDF.

The ACP Side expressed concerns about the application of differentiation, recalled its position that it lacks a legal basis in the Cotonou Agreement and insisted on the following issues:

- GDP per capita should not be the only criterion for defining allocations
- Poverty and vulnerability remain issues of concern in certain middle income countries and require further attention
- 11th EDF country allocations should at least be equal to 10th EDF allocations
- The level of indebtedness should be taken into account
- Middle income countries should continue to receive external assistance in order to implement reforms, which are necessary for their further development.

Other reactions made reference to the new proposed policy for regional programmes, allowing individual ACP States to manage regional funds, and to the functioning of the bridging facility.

In its reaction, the Commission recalled that, in spite of the reduction of the overall EU Multiannual Financial Framework, development assistance under the 11th EDF is stabilised in real terms, in comparison to the 10th EDF, reflecting the continued commitment of EU Member States to cooperation with the ACP States.

Future country allocations will not be based solely on the GDP per capita, but be determined on the basis of several internationally recognised indicators. For certain countries, this may imply a reduction in comparison to the 10th EDF, considering the evolutions which have taken place. On top of country allocations, ACP States will continue to benefit from regional and intra-ACP programmes as well as thematic funds from the EU-Budget. Furthermore, the Commission expects to leverage additional funding by the use of blending.

On the bridging facility, the Commission will soon make its proposal to the EU Member States for decision, so that it can be operational as from January 2014.

The Committee took note of the presentation, the remarks of the ACP States and the answers provided by the Commission, and agreed that consultation between the EU and the ACP continue so as to provide greater transparency in the application of the new EU aid policy.

F. Finally, the Committee adopted its **Programme of Work for 2013-2014** by adding a point regarding the possible amendment of Annex IV.

Mr Co-Chair,

This concludes the Report I have had the honour of presenting to you on the 21st meeting of the Ministerial Development Finance Cooperation Committee.
