



European Economic and Social Committee

REX/455
Future of EU's relations
with ACP Group of
countries (Green Paper)

Brussels, 25 May 2016

OPINION

of the
European Economic and Social Committee
on the
Future of EU's relations with ACP Group of countries (Green Paper)
Optional referral

Rapporteur: **Ms King**

On 16 September 2015, the European Economic and Social Committee, acting under Rule 29(2) of its Rules of Procedure, decided to draw up an own-initiative opinion on:

Future of EU's relations with ACP Group of countries (Green Paper).

The Section for External Relations, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 19 April 2016.

At its 517th plenary session, held on 25 and 26 May 2016 (meeting of 25 May), the European Economic and Social Committee adopted the following opinion by 192 votes to none with 4 abstentions.

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1. Recommendations and Conclusions

- 1.1 The expiry of the Cotonou agreement in 2020 provides the opportunity to review the ACP-EU partnership and determine what form it should take and what issues should be addressed. While the Commission and the European External Action Service (EEAS) are keen to renew the relationship - as the ACP countries are considered key partners - it has stressed that it will explore all options, including alternatives to a treaty and to a collective approach.
- 1.2 The European Economic and Social Committee (EESC) notes that with regards to continuing with the ACP as a collective, this is a decision that should be made by the ACP countries.
- 1.3 The EESC recommends that the EU should aim to achieve a modern, equal and effective partnership with the ACP countries that transcends a donor-recipient relationship and is based on a coherent and integrated EU external policy, based on the principle of Policy Coherence for Development (PCD).
- 1.4 This framework should guarantee the involvement of civil society organisations, including the private sector, whose specific task should be to monitor and assess the impact of the implementation of this Agreement on the sustainable development of the Parties. Civil society should be provided with the technical and financial support needed to undertake this role.
- 1.5 The CPA is in its current form – blending investment and economic development with a political, values-driven approach – is already complimentary to the Sustainable Development 2030 Agenda (SDGs). The post-Cotonou arrangement would however, have to take into

consideration the recommendations outlined in this opinion, and also, provide for monitoring and evaluation of the agreement. The EESC stands ready to play a central role in this process.

- 1.6 The EESC recommends that all forms of development support that the EU gives to third countries should fall under the same legal framework and should be subject to the same democratic scrutiny by the European Parliament, while retaining the same positive aspects of the EDF.
- 1.7 The EU-ACP partnership already provides a comprehensive framework for tackling global issues, such as climate change and this proved effective at the COP21 negotiations. Joint efforts must be bolstered in order to build resilience in ACP and EU countries, and to counter the potential negative impacts: natural disasters, economic ruin and also climate migration.
- 1.8 The EESC supports civil society organisation (CSO) involvement from conception, inception through to monitoring, and implementation and ex-post review of EU-ACP policy domains. Through a holistic process of structured dialogue and regular consultation with CSOs, the partnership will deliver on the spirit of CPA to fully include NSAs as outlined in Article 6 of CPA.
- 1.9 Building on the acquis of EU-ACP cooperation, both partners in parity, can effectively develop joint strategies in the future South-South and triangular frameworks for development cooperation. Mutual exchange amongst these partners can be an effective catalyst to address the new framework of international development and global challenges, including those related to the role of middle-income countries.
- 1.10 Future partnership must embody the "partnership of equals", underscored in the new framework, which recognises the universality of challenges across EU and ACP countries: income inequality, youth unemployment, climate change and more. In joint cooperation and as equals, EU and ACP partners can strive to solve development challenges in both the EU and ACP states.

2. **Introduction**

- 2.1 The European Union (EU) and the 79 countries of Africa, the Caribbean and the Pacific (ACP) have a comprehensive and legally binding international cooperation agreement that has united more than half of the world's nation states. Named the Cotonou Partnership Agreement (CPA or Cotonou), it was signed in Benin in 2000, and aims to strengthen the long-standing cooperation in politics, trade and development between the EU and the ACP countries. This agreement has led to the creation of a range of institutions that facilitate ACP–EU cooperation among governments, public officials, members of Parliament, local authorities and civil society, including the private sector. It builds on a historic relationship between the EU and its former colonies, which has since evolved through a succession of post-colonial agreements: from the association agreements of Yaoundé I and II Conventions between the European Economic Community and former French colonies in Africa (1963-1975), to the successive

ACP-EU Lomé Conventions (1975-2000), and the latest Partnership Agreement signed in Cotonou (2000).

2.2 The CPA is due to expire in 2020 resulting in the European Commission and the High Representative of the Union for Foreign Affairs and Security Policy issuing a Joint Consultation Paper, dated 6th October 2015. The purpose as stated in the consultation document is “*to explore the extent to which it remains valid for the future and offers a platform to advance joint interests*” given the context of the institutional, political and socioeconomic developments in both the EU and the ACP in a world that has changed significantly over the past 15 years.

2.3 Involvement of civil society – Specific comments on political dialogue

2.3.1 The EESC welcomes the fact that Article 6 of the CPA supports the involvement of non-state actors (NSAs) by acknowledging that they are essential players in the partnership. However it is disappointed that cooperation has remained so government-oriented despite the recognition that political dialogue is important for fostering civil society participation in the development process.

2.3.2 The EESC reiterates the crucial role of non-government stakeholders throughout the development process and in the monitoring of the EPAs. It is clear that a more open and participatory post-Cotonou framework stands better chances of achieving meaningful outcomes.

2.3.3 The EESC notes with disappointment that a number of ACP countries are introducing restrictive legislation to curtail the work of NSAs, which in some cases has had detrimental implications for the active participation of CSOs. The 2014 CSO Sustainability Index¹ highlights that in many countries in sub-Saharan Africa, CSOs—particularly those focused on advocacy and human rights— are facing increasing restrictions or threats of restrictions on their work.

2.3.4 The EESC recommends that whatever the framework agreed post 2020, it should reinforce the legitimacy of CSOs in particular, and NSAs in general as veritable stakeholders in policy processes. Moreover, the EESC is aware that the implications of excluding NSAs are fundamentally detrimental. It therefore calls for stronger technical and financial commitments to encourage and bolster the active participation of CSOs.

3. **Background - CPA**

3.1 The 1957 signing of the Treaty of Rome, associated the Overseas Countries and Territories (OCT) with the European Economic Community (EEC) in a formal and privileged

¹ <https://www.usaid.gov/africa-civil-society>.

cooperation framework which has structured Europe's relationship with ACP countries. The ACP Group, created by its members with the Georgetown Agreement in 1975, initially comprised of 46 ACP states: 36 African, 7 Caribbean and 3 Pacific states. Today, the ACP group consists of 79 countries – 48 in sub-Saharan Africa, 16 in the Caribbean and 15 in the Pacific (Cuba is a member, although not a signatory of the CPA, and South Africa is a contracting party to the CPA, although exempt from certain provisions). Since 2000, ACP–EU cooperation has been governed by the CPA.

3.2 The CPA's core objective of "reducing and eventually eradicating poverty, consistent with the objectives of sustainable development, and the gradual integration of the ACP Group into the world economy" is presented in three complementary pillars:

- **Political dialogue:** The CPA was avant-garde, as it is based on comprehensive political dialogue that requires important bilateral commitments. It states, “The dialogue shall focus, inter alia, on specific political issues of mutual concern or of general significance for the attainment of the objectives of this Agreement, such as the arms trade, excessive military expenditure, drugs and organised crime, or ethnic, religious or racial discrimination. The dialogue shall also encompass a regular assessment of the developments concerning the respect for human rights, democratic principles, the rule of law and good governance.”

- **Economic and Trade relations:** The CPA departs from the logic of former trade agreements under Yaoundé and Lomé, which were governed by non-reciprocal preferences granted unilaterally by the EU. The EU recognized that "as regards the economic fundamentals, the truth is that the current system has failed; that ACP countries have become increasingly marginalised in world trade, even with the generous tariff preferences"². The new trade agreements to be negotiated under the CPA – the Economic Partnership Agreements (EPAs) – were designed to overcome this history and finally to allow the ACP countries to integrate into the world economy. The EPA also adheres to World Trade Organisation (WTO) rules by reducing the negative impact of the "non-reciprocal preferences" on non-ACP developing countries and encourages regional integration, by linking up with existing ACP regional economic institutions and free trade areas (FTAs). Although negotiations for these reciprocal and asymmetrical free trade agreements began in 2002, the Cariforum is the first and only region to sign a comprehensive EPA (in 2007), which goes beyond trade and includes the "Singapore issues". The negotiations with the other regions have been sought with friction based on different visions for economic development and to-date only several interim-EPAs, covering trade in goods only, have been concluded with Southern African Development Community (SADC), East African Community (EAC) and Economic Community of West African States (ECOWAS).

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Karel de Gucht, European Commissioner for Trade, A Partnership of Equals, 20th Session of the ACP-EU Joint Parliamentary Assembly, Kinshasa, 4 December 2010, p. 3. Accessed 26 December 2012, http://trade.ec.europa.eu/doclib/docs/2010/december/tradoc_147082.pdf.

- **Trade and regional integration:** The EPA aims to foster regional integration and is premised on the logic that greater regional integration boosts trading capacities and in turn, boosts growth, employment and economic development. However, the criticism surrounding the EPA claims the exact opposite that the EPA is in fact a hindrance to greater regional integration. This argument is premised on the belief that the EPA does not provide for the necessary structural transformation of ACP economies, which would allow them to strengthen their place in and move up the global value chain (GVC).
 - **Trade and sustainable development:** Ironically, the EPA has come under much criticism for not being ambitious enough, especially in relation to sustainable development. The i-EPAs with the three African regions have received criticism, inter alia, from Members of the European Parliament for not having sustainable development chapters at all. In their view, this undermines the ambitious scope of the agreement, the EU's own commitment to sustainable development and its own principle of Policy Coherence for Development (PCD). In the case of Cariforum-EU EPA, despite the agreement being the only comprehensive one to date, critics have pointed out that restrictive export provisions could undermine the region's ability to respond to systemic shocks and in turn, undermine the region's ability to attain food security.
- **Development cooperation:** The cooperation tools and methods are meant to operationalize the CPA's principles by focusing on results, partnership and ownership. The programming and implementation of the European Development Fund (EDF) are therefore designed as a joint responsibility.
- **The EDF** is directly financed through voluntary contributions by EU MS outside of the EU budget, but it is negotiated in parallel with other EU external financing instruments to ensure consistency. It is managed by the European Commission and the European Investment Bank (EIB). The EIB manages the Investment Facility and provides loans, guarantees and funds from both the EDF and its own resources, for private companies in ACP countries for short and long-term private and public sector projects
 - **The EDF's total allocations have increased** while retaining its inter-governmental character and governance structure, which has allowed it to become the largest element in EU development cooperation aside from the Multiannual Financial Framework (MFF). Based on the EDF's unique history and legal status, as well as its inter-governmental basis, the European Parliament (EP) has no co-decision power over it. The EP Development Committee does engage in general policy discussions and is an important CPA stakeholder. The Joint Parliamentary Assembly (JPA) also has the power to carry out parliamentary scrutiny over EDF allocations of the National Indicative Programmes (NIPs) and Regional Indicative Programmes (RIPs)

- **The EDF** and budgetisation – The EP, through the special discharge procedure, grants discharge to the European Commission for its management and implementation of EDF. Budgetisation – inclusion of the EDF in the EU's budget – remains a source of friction between the EP and the Council, although the Commission has suggested that the EDF be included in the EU budget on several occasions.
- The EESC believes that all forms of support that the EU gives to third countries should fall under the same legal framework and be subject to the same democratic checks of the EP. It therefore calls for the integration of the EDF into the EU budget while preserving the positive aspects of the EDF (e.g. reciprocity and mutual responsibility). This will result in a more coherent EU development policy.

4. **Background – A Changing World**

- 4.1 As acknowledged in the Joint Consultation Paper, the world has transformed significantly from when the agreement came into force in 2000. At the EU level, the EU has enlarged to include 13 new MS between 2000 and 2013, to comprise of a total of 28 MS. The new MS do not have the colonial historical links, and in turn, a different or absent history of trade, economic and political relations with ACP states, beyond the relations since accession to the EU. On a global level, the world has become more populated, connected, interdependent, complex and volatile with new challenges such as climate disruption, the impacts of globalization, increased acts of terrorism, conflict and mass migration.
- 4.2 Since 2000, there has been the emergence of other economic powers in Africa, Asia and Latin America and other partnership groupings, such as the African Union and the G77 with many ACP countries on target to achieve middle-income status between 2020 and 2030 thus reducing their dependence on foreign aid.
- 4.3 The EU's partnership with the three regions that compose the ACP Group has been strengthened outside - although in synergy with - the CPA. This is reflected by the Africa-EU strategic partnership, the joint Caribbean-EU partnership strategy and the strategy for a strengthened partnership with the Pacific Islands. Cooperation with regional and sub-regional organisations has also increased, particularly with the EPAs and in the area of peace and security.
- 4.4 Although there have been successes in global development, there are still significant gaps ranging from hundreds of millions of people still living in extreme poverty to gender inequality to global emissions of carbon dioxide increasing by over 50% since 1990. At the international level, a new global framework on Sustainable Development Goals (SDGs) and its financing has been adopted in September 2015, addressing at the same time the interlinked challenges of poverty eradication and sustainable development. It is underpinned by a new "global partnership", mobilising all means of implementation and all actors and applies universally to all countries.

4.5 The EESC therefore recommends an effective framework for international relations beyond a donor-recipient relationship, that is fit for purpose in order to implement the SDGs and deliver better outcomes to the citizens of both ACP and Europe through political, economic and development cooperation.

5. Specific Comments

5.1 Development Cooperation Pillar

5.1.1 The EESC believes that rebalancing the partnership, in line with the 2030 Agenda, with its 17 SDGs, will be the most appropriate the framework to "strengthen the means of implementation and revitalize global partnerships" (SDG 17). The SDGs offer a common framework, including 169 targets, which aims to end poverty and hunger, ensure access to affordable and sustainable energy for all, build resilient infrastructure, combat climate change and its impact, and promote rule of law and equal access to justice for all.

5.1.2 In line with the principle of Policy Coherence for Development (PCD), the SDG framework offers a complimentary and holistic guide for future EU-ACP relations to achieve joint objectives, which will have global reach. Moreover, in light of the fact that internal EU policies have external implications, which can have adverse impacts on partner countries, working together to achieve the SDGs has a positive spill-over effect for assuring PCD through aligning priorities while also respecting regional development agendas.

5.1.3 The financial resources required to achieve the SDGs are enormous, with infrastructure investment accounting for about 80% of these resources, according to the World Bank and other Multilateral Development Banks. Although the EDF remains an important source of funding for least developed countries, it is small in comparison to many countries' overall budgets, and is expected to decrease. However domestic resource mobilization (DRM) in many ACP countries can be a key source of funding development. The World Bank 2013 report on Financing for Development post-2015 estimates that between 50% and 80% of infrastructure financing under SDGs is expected to be from countries' own domestic resources.

5.1.4 The EESC therefore believes that the development funding should be used to build capacity to mobilise and use domestic resources. For example, according to the OECD, every \$1 of overseas development assistance (ODA) spent on building tax administrative capacity has the potential to generate thousands of dollars in incremental tax revenues depending on the country situation. It is estimated that taxes are just 10-15% of GDP in most African countries³. Similarly resource-rich countries can be supported to build their capacity to negotiate fair contracts with mining, and other extractive companies so as to improve revenues to deliver on their SDG commitments. Moreover, ACP countries should be

³ The Economist 16.4.15 Making Africa Work.

supported in their aims to industrialise and process their own raw materials and commodities for local, regional and international markets.

- 5.1.5 The EESC also recommends future cooperation to address the serious shortage of skilled workers in fast-growing sectors in ACP countries, especially as the UN predicts that there will be 2.5 billion Africans—a quarter of the world's population⁴. Such sectors include the extractive industries, energy, water, and infrastructure, as well as agriculture, health and telecommunications. This skill shortage is one of the reasons why ACP countries export raw material that are processed elsewhere in the world, to the detriment of ACP industries and jobs. These countries also need their own research and innovative solutions to tackle their development challenges including climate change. However, the researcher-to-population ratio is very low in African countries. Burkina Faso, for example, has 45 research and development (R&D) specialists per million people, and Nigeria has 38, in comparison to an average of 481 in Latin America and 1,714 in East Asia⁵. Circular migration should also be included to address the skills shortage. Already Erasmus+ provides for circular migration of EU youth, similar provisions should be put in place for ACP youth. This requires reframing the debate on migration to focus more on mobility, especially amongst youth for education and training, internships and exchanges, and more.
- 5.1.6 The EU and its member states, in line with the principle of PCD, and the aforementioned recommendation to build tax administrative capacity using development support, should effectively tackle the issue of Illicit Financial Flows (IFFs). Tax governance is of primary importance and has the potential to enhance the sustainable development of ACP countries. In Africa in particular, more is lost in IFF than the continent receives via ODA and FDI combined.
- 5.1.7 The future partnership must also recognise the non-negligible role of remittances from migrant employment and Diasporas that have become a fundamental source of Foreign Direct Investment (FDI) in ACP countries, surpassing ODA. It is nevertheless important that EU MS honour their commitment to provide 0.7% GNI, as part of upholding the principle of PCD.
- 5.2 The economic and trade relations pillar
- 5.2.1 The EPAs are intended to foster regional integration and included the creation of ACP Regional Economic Communities (RECs). The negotiations started in 2002 but there was a time pressure due to the WTO's waiver – maintaining preferential treatment for developing countries in the ACP Group vis-à-vis other non-ACP developing countries – which was due to expire at the end of 2007.

⁴ The Economist 16.4.15 Making Africa Work.

⁵ <http://www.worldbank.org/en/news/press-release/2014/04/15/world-bank-centers-excellence-science-technology-education-africa>.

- 5.2.2 The EPA negotiations became difficult due to a number of reasons: varying negotiating capacities and maturity of ACP RECS; different visions of development and regional integration; different vision of trade based on reciprocity amongst others. Since negotiations began in 2002, there are now both comprehensive EPAs and interim EPAs (iEPAs), as well as a number of different trade regimes that apply to ACP countries, including the Generalised System of Preferences (GSP/GSP+) and the Everything But Arms (EBA) arrangement.
- 5.2.3 As the EPA aims to contribute to sustained economic growth, poverty eradication, raising living standards and regional integration amongst others, effectively implementing and monitoring the functioning of EPAs will be crucial to achieve these aims.
- 5.2.4 The EESC therefore strongly recommends that a framework be put in place (i.e. joint consultative committees) to ensure CSOs, in both the EU and ACP regions, have a role in monitoring structures of the EPAs, that their recommendations as a result of the monitoring are enforceable and that the processes are compatible with sustainable development and this will continue to be in place post 2020. Where the negotiations for EPAs such as with the SADC have already been concluded and it is, therefore, unlikely that they can be re-opened, the EESC would support a Protocol to the EPA being negotiated to this effect.
- 5.2.5 EU Delegations (EUD) are key actors and should engage with local NSAs and EU and ACP countries regional institutions in order to have transparent, coordinated and effective joint action. Furthermore, there should be joint coordination of the EUD CSO roadmaps and the corresponding ACP regional CSO strategy, in order to foster a comprehensive approach to CSO engagement.
- 5.2.6 The EESC further recommends that these joint consultative committees (JCCs) includes a broad participation of civil society with equal involvement of academia, business and social partners (inter alia, including farmers, women and youth organisations) and that these JCCs are adequately resourced with an accessible budget to facilitate their ability to act effectively and autonomously. Furthermore, the EESC underscore the importance of funding for CSO participation in the partnership by both partners, in order to fully embody the "partnership of equals" that the EU and ACP strive for.
- 5.3 EDF
- 5.3.1 The EDF is viewed as a predictable and reliable source of development finance that plays an important role in maintaining ACP interest in the CPA. A controversial form of EDF funding is budget support, or direct aid to national budgets, either with pre-defined priority setting (Sector Budget Support) or without (General Budget Support). In the period 2002–2010, the Commission committed a total of EUR 6.2 billion for General Budget Support – over 90% for Africa. In spite of this, whatever the form of this future partnership, relations with the Caribbean and the Pacific should neither be diluted nor should the graduation of middle-

income countries, in general, act as a hindrance to sustainable development. Future partnership must foster and prioritise inclusiveness.

- 5.3.2 On average, a fifth of EDF funds are used for sector and budget support. Although budget support is generally regarded as an effective way to channel donor aid, it weakens accountability and governance because it lacks proper monitoring and sufficient conditionality. It is also not very visible as it becomes part of the country's overall budget so most citizens and national stakeholders are unaware of the size of EDF contributions.
- 5.3.3 The EESC strongly recommends that in order to improve the accountability and transparency all forms of development support that the EU gives to third countries should fall under the same legal framework and should be subject to the same democratic scrutiny by the European Parliament, while retaining the same positive aspects of the partnership.
- 5.3.4 Feedback from EESC regional meetings reveal that civil society actors consider the EU tendering procedures for funding to be too long, bureaucratic and opaque. Furthermore, application processes are too cumbersome for many NSAs, with relevant information poorly disseminated in some countries.
- 5.3.5 The EESC has regularly advocated for capacity building of CSOs with access to the necessary resources to be effective partners in fostering ownership for, as well as monitoring of, developmental strategies, governance and human rights in their respective countries and regions, as stated in Article 6 of the CPA These principles must be upheld in both EU and ACP countries.

Brussels, 25 May 2016

The President
of the
European Economic and Social Committee

Georges Dassis
