

ACP-EC COTONOU AGREEMENT

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

**COUNCIL OF
THE EUROPEAN UNION**

Brussels, 12 February 2007

ACP/21/001/07

ACP-CE 2113/06

OUTCOME OF PROCEEDINGS

of: 31st meeting of the ACP-EC Council of Ministers
on: 1 and 2 June 2006
in: Port Moresby, Papua New Guinea

The ACP-EC Council of Ministers held its 31st meeting in Port Moresby on 1 and 2 June 2006 under the chairmanship of H.E. Mr Onofre ROJAS, State Secretary of the Dominican Republic, National Authorising Officer for the European Development Fund and President of the ACP Council of Ministers.

The meeting was co-chaired for the Community by H.E. Mr Hans WINKLER, State Secretary of Austria and President-in-Office of the Council of the European Union.

The European Commission was represented by Mr Stefano MANSERVISI, Director-General of DG Development acting on behalf of Mr Louis MICHEL, Commissioner for Development and Humanitarian Aid.

The European Investment Bank was represented by Mr Martin CURWEN, Director.

H.E. Onofre ROJAS, H.E. Mr Hans WINKLER and Mr Stefano MANSERVISI addressed the Council during the opening session. The Council meeting was opened by Sir Paulias MATANE, Governor-General of Papua New Guinea.

On 1 June, after the adoption of the "A" items, a discussion was held on the "C" item (exchange of views of an informal nature between ministers) on Migration and Development, with the participation of representatives of civil society, international organisations and non-State actors (see Annex II).

"A" ITEMS

ITEM 1 ON THE AGENDA

ADOPTION OF THE PROVISIONAL AGENDA

[ACP-CE 2109/06 - ACP/21/002/06]

The Council adopted the agenda with the following amendment:

- addition under "Other Business" of two Joint ACP-EC Declarations, one on Timor-Leste and the other on the Indonesia Earthquake.

ITEM 2 ON THE AGENDA

APPROVAL/ADOPTION OF

- draft Outcome of Proceedings of the 30th meeting of the ACP-EC Council of Ministers held on 24 and 25 June 2005 in Luxembourg
[ACP-CE 2138/05 - ACP/21/001/06]
- Joint Declaration on Climate Change and Development
[ACP-CE 2108/06 - ACP/84/029/06]
- ACP-EU Joint Parliamentary Assembly: activities in 2005/2006

The Council approved the Outcome of Proceedings of the 30th meeting of the ACP-EC Council of Ministers.

The Council adopted the Joint Declaration on Climate Change and Development (doc. ACP-CE 2108/06 - ACP/84/029/06) as amended by Meeting Document No. 2.

The Council also noted and welcomed the work of the ACP-EC Joint Parliamentary Assembly at its 10th session in Edinburgh in November 2005 and looked forward to the 11th session which was scheduled to take place in Vienna later in June 2006.

"B" ITEMS

ITEM 3 ON THE AGENDA

ECONOMIC PARTNERSHIP AGREEMENTS (EPAs)

- State of play : evaluation and way forward

The ACP side underlined the importance that ACP States attach to the negotiations of EPAs and expressed the will to hasten the pace of the negotiations in order to meet the deadline of 31 December 2007. They emphasised the need to preserve the development dimension of EPAs by paying special attention to the adjustment costs which will originate from their implementation. The ACP side recalled the challenges posed by overlapping membership between the EPAs negotiating configurations and some regional integration groupings, and cautioned about the introduction of the trade-related issues (competition, government procurement, investment) in EPAs. The ACP side further proposed that the Council mandate the Committee of Ambassadors to finalise a joint Declaration on the formal and comprehensive review of the EPA negotiations foreseen in Article 37.4 of the Cotonou Agreement and informed the EU side about the adoption by the ACP Council of a Decision on EPAs.

H.E. Mr Dipak K.A. PATEL, Minister of Zambia, expressed his concern over the potentially negative effect on market access of the EU rules of origin and standards (especially in the sanitary and phyto-sanitary fields). He underlined the issue of the adjustment cost related to the implementation of EPAs and the challenges posed by the regional integration process. He further voiced caution over the inclusion in EPAs of issues which are not being negotiated at WTO level.

The EU Presidency recalled the Community position as set out in the Council conclusions on Economic Partnership Agreements of 11 April 2006 stressing that EPAs are development instruments complementary to the overall development efforts to eradicate poverty and achieve the MDGs.

The Commission recalled the development nature of EPAs and the spirit of partnership that must underpin the negotiations. The Commission emphasised that the process of regional integration, which is at the heart of the EPAs project, is a key factor of development: since most domestic ACP markets are too small to attract a sufficient level of foreign and local investment, regional markets must be developed in order to make ACP products more competitive. The Commission underlined the need to include in EPAs issues relating to economic governance (competition, government procurement, investment, intellectual property), because some important development constraints are of a regulatory nature and recalled that EPA negotiations and WTO negotiations are independent processes. The Commission confirmed the EU's readiness to give full support to regional integration and to the implementation of EPAs and recalled the possibility for the ACP States to have recourse also to other donors. It further agreed on the need to simplify the rules of origin and confirmed the will to support the ACP adaptation to EU market standards. The Commission reiterated the EU intention to build and implement, after 1 January 2008, an asymmetrical system in favour of the ACP States, where the appropriate degree of reciprocity will be negotiated with a spirit of partnership.

The ACP Presidency underlined the challenges of EPAs and the link between trade and development. It expressed the conviction that EPAs should build on the spirit of the Cotonou Agreement and represent a further step forward in the ACP-EC partnership.

In conclusion, the Council:

- took note of the exchange of views on this agenda item and noted also that a meeting of the Ministerial Trade Committee is scheduled for 28th June;
- agreed to mandate the Committee of Ambassadors to finalise a joint Declaration on conducting the formal and comprehensive review of the EPAs negotiations.

ITEM 4 ON THE AGENDA

TRADE COOPERATION

- **Follow-up to the ACP-EC Committee of Ambassadors meeting (21 April 2006)**
- **ACP Ministerial Declarations on certain specific products**

As a follow-up to the ACP-EC Committee of Ambassadors, the Council took note of the report of the meeting of the ACP-EC Subcommittee on Trade Cooperation (ACP-CE 2104/06 - ACP/61/031/06).

The ACP side emphasised the need to be regularly updated on the EU enlargement process and voiced concerns about the EU's generalised system of preferences (GSP), the rules of origin within the framework of EPAs, sanitary and phytosanitary (SPS) measures, and the proliferation of unofficial standards within the European Union markets which may hinder trade flows. It further advocated improved market access for commodities of export interest, such as cassava starch, table grapes, beef and veal. The ACP side thanked the EU for its support in the implementation of trade-related capacity programmes .

The Commission acknowledged the relevance of market access and recalled the progress already achieved in this respect. It expressed the conviction that the process of regional integration was the best means to increase the competitiveness of ACP products and reiterated the EU's readiness to give full support to this process. The Commission made reference to the Doha Development Agenda (DDA), recalling the EU's will to strengthen the development dimension of the DDA and calling for a shared ACP-EC position in the DDA negotiations.

The Council took note of the conclusions of the ACP-EC Committee of Ambassadors' meeting held on 21st April 2006 and of the Commission's reaction.

H.E. Mr ASIEDU (Ghana), speaking as the ACP Ministers' spokesperson for issues relating to bananas and cotton, submitted two Declarations on these topics on behalf of the ACP States.

H.E. Mr TAVOLA (Fiji) submitted an ACP Declaration on sugar. H.E. Mr KANSICHI (Malawi), submitted an ACP Declaration on LDC EBA sugar.

The Council took note of the ACP Declarations.

ITEM 5 ON THE AGENDA

DEVELOPMENT FINANCE COOPERATION

- **Oral Report and follow-up to the meeting of the Development Finance Cooperation Committee (Ministers) on 31 May 2006**

The Council agreed to enter the Oral Report of the meeting of the Development Finance Cooperation Committee (DFCC), held at ministerial level on 31 May 2006, in the minutes of its meeting (see Annex I).

Following the recommendations of the Ministerial DFC Committee, the Council adopted:

- the decision concerning the Multi-Annual Financial Framework for the period 2008–2013 as set out in doc. [ACP-CE 2111/06 - ACP/21/003/06].
- the decision concerning the reallocation of part of the reserve of the 9th EDF to the Intra-ACP cooperation within the regional cooperation envelope as set out in doc. [ACP-CE 2112/06 - ACP/21/004/06] with an amendment which would change the amount allocated to the financing of a sugar research project to underpin measures to accompany reform in ACP countries covered by the Sugar Protocol from 9 million to 13 million Euro.

The Council also agreed to attach to the Oral Report the EU-Declarations covering EPAs, De-committed Funds and Interest Subsidies. These Declarations will also be annexed to the decision concerning the Multi-Annual Financial Framework.

ITEM 6 ON THE AGENDA

EU STRATEGIES ON ACP REGIONS: PROGRESS REPORT

- **EU Strategy for Africa**
- **EU Strategy for the Caribbean**
- **EU Strategy for the Pacific**

The ACP Presidency recalled that the ACP side had received the EU Strategies for Africa and the Caribbean, and it was looking forward to receiving the EU Strategy for the Pacific and the EU Strategy for South Africa.

Regarding the Strategy for Africa, the EU Presidency recalled the positive outcome of the 6th EU-Africa Ministerial Troika Meeting held in Vienna on 8 May 2006, which endorsed the Joint Implementation Matrix and agreed that work shall be carried on to transform the EU Strategy into a Joint EU-Africa Strategy. The EU Presidency further recalled the EU Council conclusions on the EU Strategy for the Caribbean of 10 April 2006 and the strong historic ties and long-standing partnership between Europe and the Pacific.

The Commission reported on the state of play of the Strategies. The Commission explained that the implementation of the EU Strategy for Africa will be based on three axes: political dialogue, dialogue between the European Commission and the Commission of the African Union and programming of the 10th EDF. It further recalled the ongoing preparation of the first EU-Africa Business Forum and informed on the upcoming European Partnership for Infrastructures, Governance Initiative and Nyerere Programme. The Commission underlined that the EU Strategy for the Caribbean is inspired by the principles of the European Consensus on Development and is aimed at assisting the countries of the region to achieve the Millennium Development Goals. It explained the three axes of this Strategy: structured political dialogue, support to regional integration and support to poverty reduction and social cohesion. The Commission explained that the upcoming EU Strategy for the Pacific would propose three main elements: a strengthened relationship based on a broad political dialogue, more focussed development cooperation with emphasis on regional cooperation and more efficient aid delivery.

The ACP Presidency welcomed the progress report and underlined that the three regional strategies and the one for South Africa should build on and be coherent with the principles of ACP-EC partnership as delineated in the Cotonou Agreement. It added that the regional strategies should aim at strengthening the regional integration initiatives in the ACP Group. The ACP Presidency voiced concern over the medium-to long-term implications of these regional initiatives in the context of the broader ACP-EC cooperation and expressed the wish that these developments be consistent with the spirit of maintaining the largest North-South partnership. It also proposed that this item be made recurrent at all Council sessions.

In conclusion, the Council:

- took note of the progress report and agreed to make this item a recurrent one in its agenda;
- agreed that the regional strategies should strengthen the content of the ACP-EC partnership.

ITEM 7 ON THE AGENDA

OTHER BUSINESS

The Council adopted a Joint Declaration on Timor-Leste (Meeting Document No. 3) and a Joint Declaration on the Indonesia Earthquake (Meeting Document No. 4).

ORAL REPORT
ON THE OUTCOME OF
THE DEVELOPMENT FINANCE COOPERATION COMMITTEE'S MEETING
(MINISTERS)
on 31 May 2006

in Port Moresby

Presented to the 31st Session of the ACP-EC Council of Ministers
Port Moresby, 2 June 2006, under ITEM 5 of the Agenda.

Mister Co-Chair,

I have the honour and the pleasure of presenting to you a brief report on the outcome of the Development Finance Cooperation Committee which met on 31 May evening.

The Committee discussed a number of important issues related to Development Finance Cooperation.

1. On the Financial Protocol for the 10th EDF the DFC met to consider the Multi-Annual Financial Framework for the period 2008 – 2013 for EU-ACP cooperation . The Committee reviewed the amount as per the enclosed table and agreed to present it to the EU-ACP Council of Ministers.

The DFC also took note of the EU Declarations annexed to this Report covering EPAs, De-committed Funds and Interest Subsidies.

The DFC recommends the adoption of the Multi-Annual Financial Framework for the period 2008–2013 as set out in the doc. ACP-CE 2111/06.

2. Regarding the reallocation decision, the DFC recommends the adoption of the joint decision as set out (doc. ACP-CE 2112/06) with an amendment which would change the amount allocated to the financing of a sugar research project to underpin measures to accompany reform in ACP countries covered by the Sugar Protocol from 9 million to 13 million Euro.

The DFC heard a request to the Commission from the ACP side to fund the needs of the Caribbean in the area of ICT and the reply of the Commission to consider those needs.

3. State of play on the implementation of cooperation in 2005. Under this item the Commission and the EIB took stock of their respective activities, in particular:

a) the Commission circulated a document, in the meeting room, indicating that financial objectives on commitments and payments from the EDF have been met in 2005, with a level of commitments (primary) and payments of respectively €3.5 billion and 2.5 billion. This marks steady progress over the last years on the management capacity of the Commission and EuropeAid in particular: the level of payments has increased by 43% compared to 2001 while the average time taken to implement projects has decreased by 20%.

Devolution was completed in 2005. The remaining four ACP delegations which had not been devolved - Papua New Guinea, Lesotho, Haiti and Burundi - received their sub-delegations. By year-end, all 44 ACP Delegations had therefore been devolved, and 82% of the stock of open EDF commitments were being managed on a devolved basis. This has impacted positively not only on the quantity of funds managed but also on the quality of projects, with increased staff involved and Quality Support Groups in place at delegation level.

In line with the Paris Declaration, further efforts have been made to align the EC aid to the national strategies, through the increase in budget support mentioned above and also the systematic reference to the national strategies in the financing agreement. Harmonisation with other donors has been stepped up.

Regional mid-term reviews were conducted in 2005. Their main purpose was to adjust to the indicative programmes and to assess the need to revise the resource allocation in the light of needs and performance. Formal review meetings were held with the regional organisations and member countries between October and December 2005. Joint conclusions have been reached and their formal adoption is underway.

b) the EIB presented briefly to the DFC Committee an overview of its activity during the past year. Concerning the implementation of the Investment Facility, by the end 2005 (midway through the implementation of Cotonou's First Financial Protocol) it had committed 829 MEUR which correspond to the 41% of its 2037 MEUR initial capital endowment. Assuming a continued similar rate activity, the balance of the IF is likely to be committed by the expiry of 9th EDF at the end of 2007. The Investment Facility's annual report for 2005 will be made public after the approval by the Bank' Board of Governors in a few days.

The EIB representative highlighted the following events of particular note in 2005:

- the opening of the Bank's first three regional offices in Africa. Before the end of this year EIB is looking forward to opening of two additional offices in the Caribbean and Pacific regions;
- increased coordination and collaboration with the Commission in the framework of the ACP-EU Water Facility and of the EU-Africa Partnership for Infrastructure;
- the signature of a number of operations targeting more specifically microfinance or micro-enterprises.

4. Work Programme 2006-2007: the Committee adopted its Work Programme for the period 2006-2007, as set out in document [ACP-CE 2110/06 - ACP/81/050/06].

This, Mr Co-Chair, completes the report that I was instructed to present to you on behalf of both parties.

DECLARATIONS

FINANCIAL PROTOCOL

1. EPAs: EU Declaration:

The Economic Partnership Agreements, as development instruments, aim to foster smooth and gradual integration of the ACP States into the world economy, especially by making full use of the potential of regional integration and South-South trade.

The Commission reconfirms the importance of further steps towards coherent regional integration and sectoral policy reforms, and that the gradually arising needs from the implementation of EPAs will be taken into account in the programming dialogue with the ACP on the end of term review of the 9th EDF and on the resources of the 10th EDF, covering the time period after the entry into force on 1 January 2008.

Moreover, the European Union recalls its commitments to substantially increase Aid for Trade by 2010 in addition to the EDF resources.

2. Decommitted Funds: Community Declaration:

Based on the performance review in 2010 and a proposal by the Commission, the Council of the European Union will consider a decision by unanimity on the transfer of any funds de-committed from ACP projects funded out of the 9th and previous EDFs into the reserves of the 10th EDF. Given the important development objectives pursued by EPAs, the Council of the European Union will, in its consideration, also pay attention to giving further support to structural adjustment costs and other development needs in the implementation of EPAs.

3. Interest subsidies: Community Declaration:

Acknowledging the high adaptation costs to which the sugar protocol countries are confronted as a result of the EC sugar reforms, the EIB shall endeavour to direct part of the resources of the investment facility and of its own resources towards investments in the sugar sector of the ACP sugar protocol countries. An amount of up to 100 MEUR shall be mobilised where applicable and on the basis of the eligibility criteria set out in Annex II to the Cotonou Agreement from the envelope for grants for the financing of the interest-rate subsidies foreseen in paragraph 2(c) of Annex I(b) to the Cotonou Agreement.

Multiannual Financial Framework for ACP 2008-2013

	désagrégation enveloppes
1. Coopération Nationale et régionale	17.766
1.1 Programmes indicatifs nationaux	
ō Enveloppes A (programmables)	
- montant indicatif initial	10.800
- tranche incitative - programmation	2700
ō Enveloppes B (pour imprévus)	
- tranche initiale (2008-'09)	600
- ressources pour renouvellement	1.200
1.2 Programmes indicatifs régionaux (13% enveloppe A) incl. EPAs	
- montant indicatif initial	1.400
- tranche incitative	350
1.3 Réserve pour révisions PIN / PIR et imprévues	716
2. Coopération intra-ACP	2.700
2.1 CDE + CTA+ APP + Secrétariat ACP et frais liés	330
2.2. Facilité pour la paix 2008-'10	300
Réserve - éventuelle prorogation 2011-'13	300
2.2 Programme indicatif intra-ACP - autres	1.365
2.3 Réserve intra-ACP	405
3. Facilité d'investissement (gérée par la BEI)	1.500
Sous-total crédits opérationnels ACP	21.966
4. Dépenses d'appui ACP	424
Total ACP opérationnels + appui	22.390
5. ressources propres de la BEI	2.000
Grand Total pour les ACP 2008-2013	24.390

'C' point discussion on Migration and development
Summary of the debate

Ministers of the ACP Group of countries and the EU held an open discussion with the participation of civil society representatives on the topic of migration and development, a topic on which the Cotonou Agreement foresees continued political dialogue and cooperation. The discussion addressed two aspects of migration, namely, the role of diasporas in development and the mobility of human resources and regional integration. The importance of policy coherence, by integrating migration in development policies and vice-versa was emphasised.

The ACP side presented the Brussels Declaration and Plan of Action on Asylum, Migration and Mobility, adopted on 13 April 2006, which covers multiple facets of migration and proposes the creation of an ACP Migration Observatory. These documents represented an excellent basis for the discussion.

The potential of diasporas for the development of their countries of origin was emphasised. Remittances represent a more significant transfer of resources than global ODA. The necessary environment has to be created for remittances to result in greater investment and growth, including the reduction of transaction costs. Diasporas should be encouraged to promote development in their countries of origin and to participate in the exchange of knowledge and expertise and, where they so decide, their return to the country of origin should be facilitated.

It was also stated that mobility of human resources provides challenges and opportunities. It can result in brain drain depriving developing countries of much needed expertise. But it can also provide mutual benefits, as circular migration promotes technology and expertise transfers. A call was made to facilitate temporary migration through removing existing obstacles. Governments need to improve capacities to manage transparent and orderly migration and to involve migrants in the development of their countries of origin. Emphasis was placed on the need to adequately protect the rights of migrants, specially as concerns women and children and to facilitate the integration of migrants in their host countries. The need to reduce illegal migration and to combat trafficking of human beings was also underlined.

The potential of regional integration to create jobs and disincentive migration was also discussed, as well as the role of regional organisations in providing a forum for dialogue and capacity building. The impact of South-South mobility also has to be addressed in the framework of regional integration.

ACP and EU Member States look forward to the UN High Level Dialogue on Migration and Development scheduled in September 2006 as an opportunity for building consensus on the ways migration can contribute for development and would seek to present at that meeting their common understanding of migration issues. Other regional conferences, such as the Rabat conference on migration flows from western and central Africa, will help prepare the ground for the UN High Level Dialogue.
