



EUROPEAN COMMISSION

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Proposal for a

COUNCIL DECISION

on the position to be taken by the European Union within the ACP-EU Council of Ministers regarding the revision of terms and conditions of investment financing (Chapter 1 of Annex II to the ACP-EC Partnership Agreement)

EXPLANATORY MEMORANDUM

The Partnership Agreement between the members of the African, Caribbean and Pacific (ACP) Group of States, of the one part and the European Union and its Member States, of the other part, signed in Cotonou on 23 June 2000¹, provides that the ACP Investment Facility is comprised of resources managed as a revolving fund and of grants in the form of the financing of interest rate subsidies. It also provides that up to 10% of the latter envelope may be used to support project related technical assistance in ACP countries (Annex II to the ACP-EC Partnership Agreement, Chapter 1, Articles 1(3) and 2(9)).

Project related technical assistance helps partner countries and investors to better prepare and supervise their investment projects, to improve the quality and the impact of investments, and to strengthen the management capacities of local partners in the medium and long term.

As foreseen in article 6b of Chapter 1 of Annex II to the ACP-EC Partnership Agreement, a mid-term evaluation of the Investment Facility was conducted in 2010 as an independent assessment, covering the period 2003-2009. For the sake of completeness, European Investment Bank (EIB) operations under own resources were also included. The evaluation concluded that the use of technical assistance was an important component of the added value of EIB operations in general and of the Investment Facility in particular, contributing to strengthening the management practices of the financial intermediaries. However it also noted that the current envelope for technical assistance was too limited and recommended developing mechanisms for securing supplementary grant resources for technical assistance combined with other instruments managed by the European Investment Bank, such as loans and equity investments. This recommendation was endorsed by the European Commission and the European Investment Bank. The proposal intends therefore to allow the European Investment Bank operations, under both the Investment Facility and the EIB own resources, to continue benefiting from project related technical assistance during the current Financial Protocol (10th European Development Fund) and beyond.

In accordance with Article 100 of the Cotonou Agreement, Annex II may be revised by a decision of the ACP-EU Council of Ministers.

The objective of the proposed Decision is to increase from 10% to 15% the part of the envelope for interest rate subsidies which can be used for projects related technical assistance, as defined in articles 1(3) and 2(9) of Chapter 1 of Annex II to the ACP-EC Partnership Agreement. It is recalled that this percentage represents a ceiling.

The Commission proposes that the Council adopts the attached Decision.

¹ OJ L 317, 15.12.2000, p. 3. Agreement as amended by the Agreement signed in Luxembourg on 25 June 2005 (OJ L 287, 28.10.2005, p. 4) and by the Agreement signed in Ouagadougou on 22 June 2010 (OJ L 287, 4.11.2010, p. 3).

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on the position to be taken by the European Union within the ACP-EU Council of Ministers regarding the revision of terms and conditions of investment financing (Chapter 1 of Annex II to the ACP-EC Partnership Agreement)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 209 (2) in conjunction with Article 218 (9) thereof,

Having regard to the Partnership Agreement between the members of the African, Caribbean and Pacific Group of States of the one part, and the European Community and its Member States of the other part, signed in Cotonou on 23 June 2000² (hereinafter referred to as 'the ACP-EC Partnership Agreement'),

Having regard to the proposal from the Commission,

Whereas:

- (1) Article 100 of the Partnership Agreement lays down that Annexes Ia, Ib, II, III, IV and VI of the Agreement may be revised, reviewed and/or amended by the ACP-EU Council of Ministers on the basis of a recommendation from the ACP-EU Development Finance Cooperation Committee.
- (2) A mid-term evaluation on the use of the Investment Facility and of EIB own resources in the ACP region was conducted in accordance with article 6b of Chapter 1 of Annex II to the ACP-EC Partnership Agreement. One of the recommendations presented in the evaluation was to secure supplementary grant resources for technical assistance.
- (3) Taking into account the results of the mid-term evaluation, the purpose of the proposed revision of Annex II to the ACP-EC Partnership Agreement is to increase from 10% to 15% the part of the envelope for interest rate subsidies which can be used for projects related technical assistance, as defined in articles 1(3) and 2(9) of Chapter 1 of Annex II to the ACP-EC Partnership Agreement.

² OJ L 317, 15.12.2000, p. 3. Agreement as amended by the Agreement signed in Luxembourg on 25 June 2005 (OJ L 287, 28.10.2005, p. 4) and by the Agreement signed in Ouagadougou on 22 June 2010 (OJ L 287, 4.11.2010, p. 3).

HAS ADOPTED THIS DECISION:

Article 1

The position to be taken by the European Union within the ACP-EU Council of Ministers regarding the revision of Annex II to the ACP-EC Partnership Agreement shall be based on the draft Decision of the ACP-EU Council of Ministers attached hereto.

Article 2

After its adoption, the Decision of the ACP-EU Council of Ministers shall be published in the *Official Journal of the European Union*.

Done at Brussels, 19.3.2012

For the Council
The President

ANNEX

Draft

DECISION OF THE ACP-EU COUNCIL OF MINISTERS

regarding the revision of terms and conditions of investment financing (Chapter 1 of Annex II to the ACP-EC Partnership Agreement)

THE ACP-EU COUNCIL OF MINISTERS,

Having regard to the Partnership Agreement between the members of the African, Caribbean and Pacific Group of States of the one part, and the European Community and its Member States, of the other part, signed in Cotonou on 23 June 2000³ as amended in Luxembourg on 25 June 2005⁴ and in Ouagadougou on 22 June 2010⁵ (the 'ACP-EC Partnership Agreement'), and in particular Article 100 thereof,

Whereas:

- (1) A mid-term evaluation on the use of the Investment Facility and of EIB own resources in the ACP region was conducted in accordance with Article 6b of Chapter 1 of Annex II to the ACP-EC Partnership Agreement. One of the recommendations presented in the evaluation was to secure supplementary grant resources for technical assistance.
- (2) Taking into account the results of the mid-term evaluation, the purpose of the proposed revision of Annex II to the ACP-EC Partnership Agreement is to increase from 10% to 15% the part of the envelope for interest rate subsidies which can be used for projects related technical assistance, as defined in articles 1(3) and 2(9) of Chapter 1 of Annex II to the ACP-EC Partnership Agreement.

HAS DECIDED AS FOLLOWS:

Article 1

Chapter 1 of Annex II to the ACP-EC Partnership Agreement is amended as follows:

1. In Article 1, paragraph 3 is replaced by the following:

'Interest subsidies may be capitalised or may be used in the form of grants. The amount of the interest rate subsidy, calculated in terms of its value at the times of disbursement of the loan, shall be charged against the interest subsidy allocation specified in Annex Ib, paragraph 2(c), and paid directly to the Bank. Up to 15% of this allocation for interest rate subsidies may also be used to support project related technical assistance in ACP countries.'

2. In Article 2, paragraph 9 is replaced by the following:

³ OJ L 317, 15.12.2000, p. 3. Agreement as rectified by OJ L 385, 29.12.2004, p. 88.

⁴ OJ L 209, 11.8.2005, p. 27.

⁵ OJ L 287, 4.11.2010, p. 3.

'Interest subsidies may be capitalised or may be used in the form of grants. Up to 15% of the budget for interest rate subsidies may be used to support project related technical assistance in ACP countries.'

Article 2

This Decision shall enter into force on the day of its adoption.

Done at [...], [...]

For the ACP-EU Council of Ministers

The President