COMMUNICATION FROM THE COMMISSION TO THE COUNCIL AND THE EUROPEAN PARLIAMENT

Communication on the future development of the EU Water Initiative and the modalities for the establishment of a Water Facility for ACP countries
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Communication on the future development of the EU Water Initiative and the modalities for the establishment of a Water Facility for ACP countries

Clean drinking water and good sanitation facilities are largely taken for granted in the European Union. However, much of the developing world is not so fortunate. At the World Summit on Sustainable Development (WSSD), the EU launched a Water Initiative designed to contribute to the achievement of the Millennium Development Goals for drinking water and sanitation. The EU Water Initiative is designed to bring the Community and Member States together with the civil society and financial institutions, as well as the expertise and investment potential of the EU’s water industry.

The EU Water Initiative is based on the principle that our objectives for drinking water and sanitation, should be achieved within the context of an integrated approach to river basin management. The EU Water Initiative began with a focus on Africa to be achieved through a Strategic Africa/EU Partnership on water and sanitation signed in Johannesburg. Since the WSSD regional initiatives have been developed for Eastern Europe, Caucasus and Central Asia, the Mediterranean and Latin America. The EU Water Initiative has made considerable progress within the first year. However, for the EU Water Initiative to make a significant contribution towards achieving the Millennium Development Goals (MDG), it is recognised that we need to invest more money over and above the substantial amounts already invested annually through the EU development programmes.

In April 2003, following on the proposal made by President Prodi to EU Heads of States, the Commission proposed to increase the amount of Community funding available to support the EU Water Initiative in the ACP region by allocating to it the ‘conditional €1 billion’ of the 9th European Development Fund. In May 2003 the GAERC took note of ‘the political initiative taken by President Prodi in his letter of 3 April 2003 to allocate substantial EDF resources to that effect’, and of the “Commission’s Communication on the establishment of a Water Fund, which should play the role of a catalyst and be an instrument to attract other sources of financing”. The Council invited the Commission to propose specific modalities to be discussed by the relevant EU Council bodies and the ACP-EC Council of Ministers.

The purpose of the present Communication is to explain how the EU Water Initiative will be developed in the future and propose the modalities for the establishment of an ACP-EU Water Facility, to be the object of a co-decision by relevant EU and ACP bodies.

1. THE WATER CHALLENGES

Freshwater is a finite and precious resource essential for sustaining life and human development, for undertaking economically productive activity, and for the environment. Water is central to sustainable development and solving water problems means progress across all pillars of sustainable development: economic, social and environmental. Also, as a regular supply of drinking water is one of the most basic humanitarian needs, it becomes a daily factor for survival during a humanitarian crisis.
No strategy for the reduction of poverty can ignore people's vital requirements for water, and sustainable development policies must address the need for equitable and sustainable management of water resources in the interests of society as a whole. The global water crisis threatens lives, sustainable development and even peace and security.

There have been a number crucial landmarks in the international debate on water over the last years (The Hague, Bonn, Johannesburg and Kyoto Conferences), which have developed a broad international agreement on what needs to be done. In recognition of the critical importance of water for development, the Millennium Development Goals include a specific target on water: to halve, by 2015, the proportion of people without sustainable access to safe drinking water.

The World Summit on Sustainable Development in Johannesburg in 2002 took a particularly important step with the adoption of a new international target, with strong EU support: to halve by 2015 the number of people without access to sanitation, to complement the target on access to drinking water. The adoption of a new target to develop integrated water resources management plans was also a positive step forward. Access to water and sanitation is also critical for the achievement of other MDGs, such as the target on infant mortality. Adequate supplies of clean water and sanitation could reduce cases of some diseases by as much as 75%.

- People And Water: Improving Access To Water And Sanitation Services

Inadequate water supplies are both a cause and an effect of poverty. Invariably those without adequate and affordable water supplies are the poorest in the society. The effects of inadequate water supply - disease, time and energy expended in daily collection, etc. - exacerbate the poverty trap. Donors, recipient countries and stakeholders must work together to improve access to water services. Actions should be designed to achieve the goal of offering affordable water services while ensuring sector sustainability. The effects of increased access and improved services are thus cross-sectoral, and require interaction with other sectors: health, education, rural and urban development. Water provision, sanitation and health are closely inter-related. One of the primary causes of contamination of water is the inadequate or improper disposal of human (and animal) excreta. This often leads to a cycle of infection and contamination which remains one of the leading causes of illness and death in the developing world. A much greater emphasis on sanitation is required in order to gain ground in this often-neglected area. This implies to improve hygienic behaviour and environmental sanitation alongside water supply as critical ingredients of programmes to promote public health.

Meeting the challenge of urbanisation: Access to water and sanitation facilities in urban settlements is constrained by the inadequacy of the existing systems and managing structures to face a growing demand for freshwater and sanitation services. New settlers, often under an illegal status, are not served at all and considerable capital investment and innovative solutions are required to meet their needs. A wise local and national policy of urban settlements would consist in regulating and planning the growth of cities in order to optimise the resources available and the provision of services such as water and sanitation.

The challenge in rural areas: It is estimated that girls and women in Africa and Asia walk around 6km daily to collect water, diverting them from education and economic activity. The poorest and most vulnerable rural dwellers are particularly sensitive to lack of water of acceptable quality.
In most developing countries rural economic growth is critical for overall economic growth. Food production remains the main activity, on which much of the economic growth, diversification and development relies, requiring the sustainable management of water resources, and improved water use efficiency particularly in agriculture, the largest user of freshwater.

- Integrated water resources management

Population growth and rapid urbanisation, changing lifestyles and economic development have led to increasing pressure on water resources everywhere, but especially in developing countries. Without effective action, this situation will get worse: the United Nations estimates that two out of three people will be living with water shortages by 2025.

Water resource management needs to be addressed at all levels, including the natural river, lake or groundwater basin. Integrated water resources management with strong stakeholder participation, a pro-poor emphasis, and gender sensitivity is a key approach to ensure the integration of water services within an overall water management framework. Integrated water resource management also provides a framework to promote peace and security in transboundary water basins. As such the EU also confirms its support for initiatives that promote regional co-operation and economic development in transboundary water courses.

Implementation must ensure a balance between human water needs and those of the environment, as the health of ecosystems is key to human health, to sustainable development, and to poverty reduction and vice-versa. Improvements in efficiency and sustainability of water use, and river basin management, should contribute to the goals to halt or reverse the current loss of natural resources and biodiversity by 2015.

With the recent reform of EU water policy and the new Water Framework Directive the EU has one of the most advanced water policies in the world and can provide significant experience and expertise.

2. THE EU POLICY BACKGROUND

In May 2002 a Council resolution was adopted endorsing the Commission "Communication on water management in developing countries" of March 2002, which stressed the need to integrate sustainable water management in national and regional development strategies and to support partner countries in developing sustainable solutions. The over-arching policy framework is ‘Integrated Water Resources Management’ (IWRM), based on a river basin approach. IWRM, combined with strong public participation, transparency and accountability, can play a critical role. It is particularly important for sustainable development and conflict prevention in the case of transboundary waters.

The Communication and the Council Conclusions identified a number of clear priorities:

- Ensure a supply of sufficient, good quality drinking water, adequate sanitation and hygiene to every human being, especially the poorest and with a clear focus on the needs of women and children, with the general objective of reducing poverty and improving people's health, quality of life and livelihood opportunities;

• Develop sustainable and equitable transboundary water resources management taking into account all relevant interests, integrating the competing needs of the various users and facilitating South-South co-operation;

• Implement cross-sectoral coordination to ensure equitable, sustainable and appropriate distribution of water between users of different kinds. This requires the mainstreaming of water management principles into related policy areas.

The EU policy framework on water and development highlights that achieving results will require progress in many different areas. Good governance, political and sectoral reforms are necessary. Awareness raising, institutional strengthening and capacity building activities, and expanding the knowledge base are essential to support planning and decision-making, while ensuring participation of all stakeholders and ownership of policies and strategies.

Partnerships between public, private and civil society actors have to be promoted, ensuring that those partnerships remain equitable and transparent, allow free and reversible choices on water services management, safeguard consumers’ and investors’ interests and maintain high standards of environmental protection. The European Community is taking a neutral stance on the ownership of public utilities as confirmed by the Commission Communication on the reform of state-owned enterprises in developing countries, with focus on public utilities. Pricing of water services should ensure financial sustainability, although meeting the basic needs of poor and vulnerable groups requires the design of appropriate tariff structures and collection systems.

This policy framework demonstrates that there is a coherent approach, further consolidated through practice, which provides guidance at EU level on how to support partner countries in developing solutions to ensure sustainable and equitable access to water and sanitation.

3. TRANSLATING POLICY INTO ACTION: THE EU WATER INITIATIVE

Building on this Council resolution on water management, an EU Water Initiative was launched at the World Summit for Sustainable Development (WSSD), as a catalyst and a foundation on which future action can be built to meet the water and sanitation MDG’s.

The key elements of the Initiative are to:

• Reinforce political commitment to action and raise the profile of water and sanitation issues in the context of poverty reduction efforts;

• Promote better water governance arrangements. This includes encouraging the public and private sectors and local stakeholders to work together better. It also includes efforts to strengthen institutional capacity at the regional, national and local levels, by providing expertise and promoting good practice, improved partnerships for sharing technology, information, research and knowledge and awareness raising;

• Improve co-ordination and co-operation in the way that water-related interventions are developed and implemented. This includes a shift away from stand-alone projects towards sector wide approaches. It also includes establishing multi-stakeholder processes to

2 COM(2003) 326 final and Council conclusions
reinforce partnerships for action and promoting south-south collaboration and cooperation;

- Encourage **regional and sub-regional co-operation** on water management issues, using the integrated water resources management approach. As part of the Initiative, the EU will be supporting the development of IWRM and water efficiency plans by 2005, including the adoption of policy, planning and management processes on a river-basin scale;

- **Catalyse additional funding**, through the development of new, flexible and innovative funding mechanisms to attract new partners, and through supporting the establishment of the enabling environment for increased investment.

To take forward these elements, the partners of the EU Water Initiative have undertaken to prepare a co-ordinated action programme with a long term financial strategy; this process includes to develop an overview of the situation in different countries and regions with an analysis of the biggest gaps and financial needs; and to establish a monitoring and reporting mechanism to measure progress in implementation and to steer further action.

There is a general recognition of the necessity to move quickly towards designing and implementing programmes that are visible and that deliver results. In line with a commitment to a partnership approach and recognising the importance of strong local ownership for the success of interventions undertaken, the first priority was to start negotiations with governments, the private sector and civil society in developing countries and regions that have expressed an interest in the EU initiative. In order to take the initiative forward, this process has been undertaken with the active involvement of EU Member States and the European Commission, the European Investment Bank, the private sector and civil society. Over the last 12 months significant progress has been made in developing the EU Water Initiative and a short summary of progress in different regions is given below.

**Africa an urgent priority**

The European Union has identified Africa as being an urgent priority with regard to the delivery of the MDGs. It is for this reason that at the same time as the water initiative was launched in Johannesburg at the WSSD - a new **EU - African strategic partnership on water affairs and sanitation** was signed by the Presidents of the Commission and the EU Council and the Presidents of Nigeria and South Africa.

Following on from the signing of the ‘strategic partnership’, two multistakeholder working groups were set up. The first group lead on the European side by Denmark, is addressing the provision of water and sanitation. The second group, lead on the European side by France is dealing with the issue of integrated water resources management at national and transboundary levels. These groups include all relevant stakeholders and they have already finalised their assessments and developed detailed position papers. On the Africa side, the African Ministerial Council on Water (AMCOW) and its technical advisory committee is the principal counterpart, in close collaboration with NEPAD. There have been extensive technical exchanges between the European and African partners, through detailed discussion during the Water Week in August in Stockholm, at AMCOW meetings in Ouagadougou in October, and during the Panafrican Water Conference in Addis Ababa in December 2003, with a view to develop a Strategy and Work Programme as a basis for the implementation of the Africa-EU Partnership on water affairs and sanitation in 2004-05. This commitment was
highlighted in a joint Africa-EU Declaration on the implementation of this Partnership, adopted in Addis Ababa.

**The Caribbean and Pacific**

The Commission, working together with the Member States, partner countries and other stakeholders, and building on existing projects and programmes, has started to also assess the challenges for drinking water and sanitation in the Caribbean and Pacific regions, with the objective to promote the establishment of multistakeholder advisory fora for these regions as well. This work will benefit from the launch in 2004 of an intra-ACP ‘Programme on water governance in ACP countries’.

**Other regional Components in the EU Water Initiative**

For the countries of Eastern Europe, Caucasus and Central Asia (EECCA), an EU-EECCA Strategic Partnership on Water for Sustainable Development was also finalised during the WSSD in Johannesburg. The modus operandi for taking the initiative forward is the same as for the African component namely; a multi-stakeholder working group was set up, led on the EU side by Denmark. This group has worked intensively with its EECCA partners and is now at the stage of identifying priority building blocks.

With regard to the Mediterranean region, a working group lead by Greece is in the process of finalising the design for this regional component. Spain and Portugal in close co-operation with Mexico are developing a Latin American component. Expansion to other regions (Asia) needs to be explored, considering the importance of water management in these regions (high water stress and extreme events).

In addition to these regional components, the EU Water Initiative also includes a major assessment of financial requirements piloted by the United Kingdom as well as a working group led by the Commission on the research contribution to addressing problems of water management. Finally, a multi-stakeholder subgroup has recently been set up to address the issue of monitoring.

**The future development of the EU Water Initiative and the Multistakeholder process**

In terms of structures, co-ordination and networking the EU Water Initiative has made good progress over the last 12 months. However, it is clear that the current arrangements are ad-hoc and that we need to develop a more comprehensive, systematic and transparent approach. It is also essential that we define very clearly the relationship between the EU Water Initiative, and the other organisations, programmes and actors working in this area.

The involvement in the EU Water Initiative of all the relevant actors both on the EU side and on the side of the partner countries, brings an energy and dynamism to the process as well as facilitating the development of a coherent and streamlined approach to the use of resources. However, this process cannot in any way put in question the existing decision making processes established between the EU institutions. A multistakeholder forum (MSF) should have an advisory role providing input to the Commission, to the Member States and to the wider constituencies of all the participants in the process. A possible structure of the MSF and its relationship to the other institutions, organisations etc is set out in Fig 1. The final arrangements will need to be agreed in discussion with the relevant partners.
In general terms, the regional fora, to be narrowly linked with the multistakeholder forum, would develop a common vision of the way that water resources can be managed in the most effective and appropriate way in each region and in each river basin, to meet the MDG and WSSD targets. The regional fora would be aimed at harnessing support under the EUWI, and would identify priority areas for action, facilitate exchange and sharing of knowledge and good practice, facilitate joint or coordinated action among stakeholders, but also more effective burden sharing among the different partners. The Commission or other partners would chair/co-chair the regional fora in which a wide range of stakeholders should be represented. Thematic/horizontal groups should support knowledge sharing within and across regions. The European inputs to the different regional fora would be helped and coordinated by the General Multistakeholder Forum. It is foreseen that the Commission would chair the multistakeholder forum and that the Commission or other partners would chair/co-chair expert groups. The general multistakeholder forum would be responsible for ensuring that the different regional fora and expert groups develop their work in a consistent manner. The expectation is that the outputs from the regional fora and expert groups would be taken into account by the Commission, Member States, recipient countries, MFIs, IFIs, private sector and other actors when developing their policies and programmes and when making their policy and investment decisions. The Commission would provide the general leadership for the whole multi-stakeholder process.

The financial challenge and the need for innovative mechanisms

The EU is already the largest provider of funding for water-related development aid and scientific cooperation. In addition to interventions carried out in the context of country and regional programmes, water-related activities are also carried out in the framework of
humanitarian aid, NGO co-financing, micro-projects and decentralised co-operation as well as within research programmes.

In Johannesburg, recalling its commitments made at the international Financing for Development Conference in March 2002, the EU has indicated its readiness to increase and deliver resources, in response to countries prioritising water and sanitation in national sustainable development and poverty reduction strategies. The EU should make use of the full range of financial mechanisms already available for water projects and seek to locate gaps, taking action to address these.

The need is recognised for a significant increase in funding for water and sanitation to achieve the targets, as well as better mechanisms to use development aid to leverage other resources (private, development banks, financial institutions, users’ contributions, remittances, etc).

In particular, the work done under both the Finance working group of the EU Water Initiative and by the World Panel on financing water infrastructure (Camdessus Panel) has shown that the present level of funding is not sufficient for meeting the investment needs to comply with these goals, and that new innovative and flexible funding mechanisms are urgently required to use the maximum leverage effect of ODA and attract more resources from a large range of sources (public and private, local and international).

The Camdessus Panel report ‘Financing water for all’ stresses that “the flow of funds has to roughly double, with the increase to come from all sources”. 555 million € are allocated to water under the 9th EDF in the CSPs of 14 ACP countries. An additional Facility of one billion €, to be used with a high leverage factor would lead to a substantial increase of funding for the sector, which would allow to reinforce the existing programmes and expand support to a larger number of ACP countries among those who have not yet prioritised water in their CSPs. The following allocations are made for future water-related activities in other regions: EECCA – 38 Mio €, Asia – 35 Mio €, Latin America – 95.6 Mio €, The Mediterranean – 315 Mio €.

The EU Water Initiative has made significant progress since the WSSD meeting in Johannesburg. The reinforced coordination which has been developed so far, between Member States and with partner countries, and the multistakeholder process involving all the relevant actors, will facilitate a more coherent, integrated and cost effective approach to the planning and delivery of water related programmes. However, improvements in the process will not be enough. In order to make a significant contribution towards achieving the drinking water and sanitation targets we have to increase the financial resources appreciably. In order to target our efforts in the most effective way, it is necessary to identify priorities. Therefore, the Commission is proposing that the first step should be the allocation of significant additional funds for addressing the water challenge in the ACP countries. The rest of the present communication is devoted to the proposal for the creation of the ACP-EU Water Facility.
4. A WATER FACILITY FOR ACP COUNTRIES

4.1. KEY PRINCIPLES

- **Governance**

  The Facility should be directed towards **achievement of the WSSD and MDG targets** and should concentrate its activities in those ACP countries, which have a sound national water policy or which are strongly committed to develop it, based on good governance principles, and where there is prioritization of spending towards social sectors (taking into account rural and peri-urban economics), and definition of the relevant indicators as part of the Poverty Reduction Strategy process (PRSP). The Water Facility will assist countries to establish their institutional and regulatory framework in order to attract additional financial resources.

- **Ownership**

  The concept of ownership is central to the approach of the Water Facility since it is **fully demand driven**

  - At ACP level: thematic priorities are derived from the EU-Africa partnership – which has been formally endorsed under the EU-Africa Dialogue - and the Facility intends to build bridges and foster dialogue with African institutions either of global nature like NEPAD and AU or of sectoral character like the AMCOW and African Water Facility. During the Panafri
can Water Conference in Addis Ababa in December 2003, AMCOW has released a resolution to support the proposed ACP-EU Water Facility. The proposed Facility is also in line with the objectives of the G8 Actions Plans on Water and on Africa. Similar processes are being developed in the Caribbean and Pacific regions.

  - At country level: where actions for support result from the on-going PRSP process and are coherent with national policies and commitments. It has been recognised that there is a need to incorporate the water, sanitation and hygiene dimension in PRSPs and, following the mid-term reviews, in NIPs and RIPs.

- **Innovation and Flexibility**

  A maximum leverage effect should be obtained with

  - a creative combination of grants and other sources to fund basic infrastructure

  - grants providing seed capital to prepare projects and develop the enabling environment for investment

  - new partnerships between communities, NGOs, public and private sectors.

  - information and support to local and European water service providers, interested in investing in the sector.

  The main role of the Facility is to be a **catalyst** (promoting initiatives, providing information, being a clearing-house, building research and management capacity in ACP countries) on the one hand and an instrument which can provide the missing link in financing sustainable projects and activities on the other hand. There exist many plans and proposals in the area of
clean water and sanitation, but, as indicated in the Camdessus-report, the majority cannot be realised because of the inflexibility of existing instruments.

The flow of private capital to the water sector has been limited, particularly for Africa. Grants alone cannot solve the problems and a major challenge remains how to make the private sector to participate more actively. Commercial loans are often too expensive to raise finance to the water sector. This is largely because of the range of risks that are perceived to exist and the uncertainty on gaining an adequate return on investment. Therefore, depending on the activities under consideration, a combination of different financing layers such as grants, soft loans, loan guarantees, revolving funds, micro-credit financing for small-scale actions, etc, may be needed to address financing gaps. The proposed Facility should allow to give a flexible answer to a variety of situations.

This mobilization of adequate levels of resources should include:

– optimal co-financing with various sources of funding (local/international, private/public) taking into account their respective strengths and weaknesses. Co-financing would be offered to authorities in ACP countries, acting jointly with EIB, other EU public financial institutions and Member States’ development agencies, involving as appropriate private/public operators from these countries or from the EU. In this context, in particular for grass roots projects, EU civil society organizations, decentralized authorities and emigrant groups can play an important role

– consideration of new financial instruments guaranteeing and leveraging the mobilization of funds from a wide range of sources, taking into account the principles of transparency, accountability, and appropriateness for the specific socio-economic contexts.

There are various existing initiatives to finance country-specific and multi-country advice and related activities for the development of Public Private Partnerships. In principle, the proposed **ACP-EU Water Facility** should not compete with these existing initiatives, and should not be directed to finance those private sector developments which provide a reasonable return on investment. The Facility would primarily provide grant funding, which, by nature, has a higher leverage than lending and would be additional to other EU and international financial instruments. Access to the co-financing of the Facility could be extended to other International Financial Institutions (IFIs), in particular the African Development Bank (AfDB) and the World Bank Group (including International Financial Co-operation and Multilateral Investment Guarantee Agency).

4.2. **ACTIVITIES TO BE FUNDED UNDER THE WATER FACILITY**

Two main types of activities can be distinguished:

- Institution building and non investment related TA
- Investment projects and related TA

Financially, the investment part will by far be the largest activity under the Water Facility.

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3 The proposed Facility does not cover water and sanitation activities undertaken in the context of humanitarian aid, response to conflict or natural disaster, while it provides a sound basis for LRRD strategies in this sector
**Institution building and non investment related TA**

**Promotion activities**

The establishment of the WF needs to get a widespread dissemination and the participating ACP countries and organisms need to be aware of its existence and the way to access the funding facilities. These promotion activities can be in the form of a newsletter, creation of a logo, brochures, a website, participation to and organisation of workshops/seminars.

The promotion can also be done on a wider scale, i.e. promoting the Water Initiative itself and ensuring that water, sanitation and integrated water resources management get sufficient attention in the PRSPs and CSPs.

NGOs can play an important role in the promotion exercise.

**Institution building and support to the sector reform**

Priority will be given to support for countries that are well advanced in their sectoral policy reforms. The Water Facility will assist partner countries in the elaboration of good, sustainable projects designed around the principle of maximum cost recovery. This does however not exclude that the WF can assist other countries to reform the water and sanitation sector, strengthen their institutions and build up capacity in the sector to create the enabling environment for investments, as well as capacity for operation and maintenance to improve sustainability. The WF can give assistance to these countries through TA, NGO-support as well as support cooperation between ACP and EU public institutions.

Under this activity, there is the possibility to join existing funds and initiatives from IFIs and MS, like for example the Public Private Infrastructure Advisory Facility (PPIAF) and the Global Partnership on Output Based Aid (GPOBA).

**Integrated water resources management**

This activity concentrates on supporting the development of integrated management of water resources with a focus on the national and river basin levels in ACP countries. For transboundary basins (which concerns the African Continent), as a starting point, the identification of priority activities in selected basins is carried out under the leadership of AMCOW, supported by the working group on IWRM of the Water Initiative. The outline of a work programme has been agreed during the Panafrican Water Conference in December 2003, from which a detailed Strategy and Work Programme for 2004-05 is being jointly prepared.

Support activities may address the preparation of IWRM plans, improvement of data collection and dissemination in river basins, water quality monitoring, and assistance to regional organisations (such as ECOWAS, SADC), existing river basin initiatives, support to related research capacity building and use of EU-ACP research cooperation and involve collaboration with existing mechanisms like the Global Water Partnership (GWP).

**Monitoring and evaluation**

Regular monitoring and evaluation of projects financed by the Water Facility will be carried out. This includes also the evaluation and attendance of Steering Committees of the funds and facilities the Water Facility might join. It could also include support to ACP countries to
improve their monitoring capacity, in the framework of international processes established to monitor the water and sanitation sector and the achievement of the MDGs.

**Support to the investment projects and related TA**

It is mainly here that the facility will use flexible and where possible innovative methods to finance water and sanitation projects and programmes. Priority will be given to countries that have a well-developed sector programme or that are in the process of getting one. Ideally all programmes should fit within a sector wide approach (SWAP), driven by the recipient country.

Co-financing of the public sector investment programme with MS, EDFIs and IFIs will represent a substantial part of this activity. Most projects will be funded with a mix of grants and loans. The financial and economic analysis and social consideration will determine how much the subsidy level should be to make the project sustainable. The grants under the WF will be primarily used to co-finance projects and programmes targeted to providing access to water and sanitation for the low-income customers and socially disadvantaged areas (peri-urban areas, small towns and villages). The public sector is not only limited to the central government but also to sub-sovereign bodies, like local governments, municipalities, water authorities.

To stimulate the private sector investments, the Water Facility can contribute to Public Private Partnerships (PPP) or Private Sector Participation (PSP) initiatives, both at international and local level through the development of new financial tools. There are numerous innovative ways to leverage private and commercial funding and the Commission is presently in discussion with Member States, (EIB), European Development Finance Institutions (EDFI) and International Finance Institutions (IFI) on how to achieve the best results. Some possibilities that have come out of the discussions are: support to the EIB’s Investment Facility for high risk projects and to the EDFIs through co-financing, risk (currency exchange⁴, political) guarantee funds, transaction advice, preparatory studies.

There are also a number of existing funds in the investment sector to which the Water Facility could contribute. Some of them are: GuarantCo, the Emerging Africa Infrastructure Fund and the African Water Facility (AWF). Due to similarities with the Water Facility, the African Water Facility deserves special attention and support. It has recently been created by the African Ministerial Council of Water (AMCOW) and will be hosted by the African Development Bank.

**5. MANAGEMENT OF THE ACP-EU WATER FACILITY**

In order to allow an adequate reaction to rapidly growing needs and expectations, a pragmatic and flexible identification-appraisal-decision and implementation procedure needs to be devised.

The management will have to reflect the overall political approach underpinning the Water Facility. In the **first place**, ownership of the ACP partners and their right of initiative is crucial in the process. **Secondly**, the implementation procedure should adhere to the overriding objective to contribute to the realisation of the MDG’s, and in particular to

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⁴ Refer also to the Devaluation Liquidity Backstopping Facility of the Camdessus Report
promote the access of the poor to water and sanitation. This requires, **thirdly**, that an optimum use is made of grant funding and a maximum leverage effect is aimed at. This implies that the grant element of the project should be limited to financing needs that can not be covered by non-grant funding (European Investment Bank (EIB), European Development Finance Institutions (EDFIs), International Finance Institutions (IFIs), commercial loans, private investment, local public resources).

Moreover, in the preparation and implementation of projects to be financed from the Water Facility, maximum use will be made of the expertise available outside the Commission. These are available in particular through expert groups (both EU and ACP), collaboration with EIB and other development finance institutes, and where appropriate private sector and NGOs. This reliance on outside expertise should never compromise the role and responsibilities of the Commission.

The Commission will consult and liaise with the multi-stakeholder advisory group(s) established in the context of the EU Water Initiative on the overall priorities for the use of the Water Facility and any other issues of a policy and strategic nature.

The Water Facility will be used to co-finance investment projects and related technical co-operation as well as institution building and other non-project technical assistance operations in view of the necessary improvement of sector strategies, regulations and institutions in the water sector, integrated river basin management, promotion activities, monitoring and evaluation, etc.

5.1. **Institution building and non investment related TA**

Part of the facility will be put aside for this type of TA. Activities will be programmed in the context of the water initiative, focussing on priority measures for its implementation. These measures include activities to define the adequate sector policies and regulatory framework, institution building programmes, support to sector reform, integrated river basin management, promotion activities and monitoring and evaluation. The programme will be prepared by the Commission in close co-operation with the ACP partners, in the context of the New Partnership for African Development (NEPAD), the AU, the African Ministerial Council on Water (AMCOW), regional economic organisations, as well as similar organisations for the Carribean and Pacific, and discussed with the MS in the context of the Water Initiative.

A financing proposal covering the overall TA programme will be approved by the EDF Committee and implemented, using for each operation the most suitable ACP implementing authority (e.g. African Development Bank, Inter-American Development Bank, NGOs). Implementation will be supervised by the devolved EC delegation.

Finally, it should not be excluded to join, with resources from the EU/ACP Water Facility, existing facilities or funds, like the African Water Facility, the Emerging Africa Infrastructure Fund, etc.

5.2. **Investment projects and related TA**

It is envisaged to implement the Water Facility through the selection of projects or wider programmes, rather than through an elaborate programming exercise. Selected projects and programmes will have to be proposed by a public authority of one of the ACP states (promotor) and be coherent with national sector policies and/or wider river basin management schemes where they exist.
Based on the general principles outlined in this Communication, the envisaged procedure can be described as follows:

(1) The Commission will launch one or several call(s) for proposals that – inter alia will.

   (a) Identify the different type of interventions that can be financed.

   (b) Define the eligibility criteria.

   (c) Define the selection criteria. Among the criteria five major elements will be taken into account:

      • Realisation of the WSSD and MDGs targets and EU Water management in Developing Countries Policy (access to water, basic sanitation and hygiene by the poor) including social, economic and environmental impact.

      • Coherence with sector policy and with integrated river basin management schemes.

      • Maximum effect of grant financing with a view to a maximum return (i.e. poverty alleviation) on the grant funding made available.

      • Implementing capacity of the partners.

      • Maturity of the intervention.

   (d) The EDF Committee will be consulted on the call for proposal before its launch.

(2) Public authorities of one (or more in case of regional activities) of the ACP states (“promotor”) may introduce proposals. This includes authorities at local, municipal, regional, national, cross border level. National Authorising Officer will be informed but need not give a formal approval.

   – Each project proposal would ideally include a European partner. This could be the EIB and/or a European Development Finance Institute, a private company, an NGO or a local authority (for community based and decentralised projects). However, this would not exclude projects with a regional or local partner having a well proven capacity for project definition and implementation. The partner must commit himself to assist the promoter to develop the project and to co-finance its realisation. The project proposal will include a description of the envisaged project and its results as well as the outline of a financial plan. It will demonstrate the need for a grant contribution in order to realise the projects poverty alleviation objectives. The financial plan will distinguish between cost of project preparation and actual implementation.

   – A project, already fully prepared and ready for implementation can also be submitted for co-financing. In this case the first phase (project preparation) can be omitted.
– A project proposal could be submitted by the promoter without the partner(s) having been identified, in which case the Water Facility could act both as clearing house but also finance the cost of the transactional activities required to realise the project.

(3) The proposals received following the call are analysed in order to build up a pipeline of projects.

The proposals received following the call are analysed in order to build up a pipeline of projects. The analysis will be carried out by a group of independent experts submitting the results of their analysis to the Commission. The analysis will focus on the technical merits and the social (such as job creation) and environmental impact as well as on the proposed financing arrangements and will include an assessment of the size of the grant financing that would appear justified for final project preparation and/or actual realisation of the project. In principle both project preparation and realisation will have to be co-financed by the National Authority responsible and/or the partner.

In principle three types of projects could be identified in this process. There are in order of priority:

(a) **Projects ready for immediate implementation** where the Water facility would co-finance the implementation and possibly some of the management and supervision costs.

(b) **Design and build projects** where the Water Facility could co-finance, both the project preparation and design as well as the actual implementation. In a first phase only a decision on the co-financing of project preparation TA is taken.

(c) **Transactional TA** where there is a need to assist the promoter in determining the optimal technical, financial and organisational set up of the project as well as in finding appropriate partners for implementation. Once this phase is completed and promoter and partner have agreed on a project concept, a proposal for co-financing can be introduced (a or b).

The Commission will on the basis of the assessment from the independent experts, negotiate with the implementing partners the proposed project and its financial plan in order to maximise the social and environmental impact. On that basis a co-operation arrangement can be concluded with the partners, setting out the arrangements and responsibilities for implementation as well as the necessary financing agreement for the co-financing of the preparatory phase and, where appropriate, an agreement in principle to explore in a second phase the possibility of co-financing the realisation. The financing agreement will also include the normal conditions for the Commission’s financial support. Project preparation and implementation will be the responsibility of the relevant National Sovereign or Sub-sovereign Authority and the partner promoter. The Commission commitment to co-finance the realisation will be made subject to a successful completion of the project preparation.

Following the normal procedures, the EDF Committee will be asked for an opinion on each financing proposal for a group of investment projects, after successful conclusion of the co-financing negotiations.
The Commission will conclude financing agreements with the implementing partners (national/local authority and financial institution/NGO). These agreements can refer to the agreed co-operation arrangements and include the conditions for the payment of the Community funding. The co-financing agreement will furthermore define the requirements for Commission monitoring and audit of the operations as well as applicable procurement procedures for realising the project. These procedures will always have to respect the principles of open tendering, equal access and cost effectiveness.

The payment of EC funding will be based on key milestones defined in the financing agreement. When appropriate, funding of “Output Based Aid” can be envisaged. A final payment will be released only at the successful completion of the project following the normal conditions.

(4) Special arrangements will be developed for the co-financing of smaller community based projects. In the first place the call for proposals will have to include appropriate conditions for this type of projects. Co-financing criteria and financing agreements will have to be adapted to the nature of the partners concerned. Where applicable, job creation will be encouraged through labour intensive methods. In the case of Africa, management of this type of projects can be envisaged in the context of the African Water Facility recently created by AMCOW and managed by the African Development Bank.

Organisational arrangements

The organisational structure for the management of the Water Facility will be based within the Commission, staffed with officials and with the possibility to attract outside expertise. The officials in the team will be responsible, in close co-operation with their colleagues in the EC Delegations, for the negotiation of the co-financing deals and the finalisation of the financing proposals.

At this stage the intention is that the management of the WF will be done through the use of existing human resources in the concerned services.

A small percentage of the Water Facility will be used to contribute to the financing of administrative expenditures for the management of the ACP/EU Water Facility, including inter-alia: recruitment of external experts and promotion activities, organisation of seminars and work-shops, monitoring and evaluation, etc.

6. MOBILISATION OF THE FUNDS

The only possibility to finance the Water Facility under the EDF is to release the conditional billion under the 9th EDF. Resources available under the 6th, 7th, 8th and 9th EDF have almost completely been allocated to countries, regions, intra-ACP co-operation and the Investment Facility. The state of implementation of EDF-resources in 2003 and forecasts for the period 2004 - 2007 show that available resources will indeed be committed until the end of 2007. A replenishment of the Water Facility can be foreseen from 2008 onwards under the successor of the 9th EDF, i.e. the Community Budget - in case budgetisation of the EDF.

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5 Disbursement of public funding is tied to the services or outputs actually delivered.
6.1. **Lack of unallocated resources**

Even though relatively important amounts are available for co-operation with ACP-countries, these resources are not freely available for just any purpose. Prior to commitments (and financing decisions), EDF-resources are earmarked in so-called allocations, which are firm pledges (amounts fixed in the Cotonou Agreement, or by notification from the Community to beneficiaries, or by decision of the ACP-EC Council of Ministers). As annex 1 shows, most of the resources of the 6th to the 9th EDF (a total amount of € 44.9 billion) have been allocated. Only € 199 million are currently still available in reserves for new allocations (see in annex 1 column “allocations-total”, row “reserves for long-term development”). We expect in the future further decommitments from horizontal instruments that will replenish the reserves in the order of €150 million. Proposals are in the making for the use of these funds, such as the setting-up of a peace-support facility (€ 125 million from unallocated resources and a similar amount by shaving off country allocations), the financing of deconcentration (devolution of responsibilities to Commission delegations, € 90 million) and extra resources for regional/intra-ACP co-operation.

Resources available for new allocations are therefore insufficient to finance the Water Facility.

6.2. **Context of the conditional one billion €**

The ninth European Development Fund (EDF) for ACP-countries has three components: grants under the long-term development envelope (€ 10 billion), grants under the envelope for regional co-operation and integration (€ 1.3 billion) and the Investment Facility (€ 2.2 billion)6. Of the total amount of € 13.5 billion, EU Member States have decided to keep € 1 billion in reserve until an evaluation of the degree of realisation of commitments and disbursements of EDF-resources. This overall performance review is foreseen for 20047. The conditional billion is reflected in the EDF-accounts as a proportional reduction of the three envelopes. Amounts effectively available from the entry into force of the 9th EDF are therefore € 9.259 billion for long-term development, € 1.204 billion for regional co-operation and € 2.037 billion for the Investment facility.

Taking into consideration that the 9th EDF only entered into force on April 1st 2003, its state of implementation is still relatively low. It is however specified in the 9th EDF financial protocol that 9th EDF resources, together with balances remaining from previous EDF, will cover the period up to end 2007. The performance review should therefore focus not only on the degree of realisation of commitments and disbursements but also refer to the needs for the period up to end 2007.

6.3. **Assessment of commitments and disbursements**

At the beginning of the year 2003, the total amount of the 6th, 7th and 8th EDF was €32.389 billion. Out of this amount, €29.6 billion had been committed, leaving an amount of €2.75 billion available for new commitments. Together with fresh 9th EDF resources - €12.5 billion available since April 2003 – the total amount available for new commitments for the period

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7 In accordance with Declaration XVIII annexed to the Final Act of the Cotonou Agreement and with the Internal Agreement Between Representatives of the Governments of the Member States, meeting within the Council, on the financing and administration of Community Aid under the Financial Protocol to the ACP-EU Partnership Agreement, Article 2(2).
2003-2007 was thus €15.25 billion. Since the entry into force of the Cotonou Agreement, uncommitted resources under the old EDFs have been transferred to the 9th EDF (so far €2.24 billion), but most of these resources remain allocated to the same countries and regions (and intra-ACP co-operation) as under the old EDFs. As indicated above, only €199 million are still available under reserves.

During negotiations prior to the conclusion of the Internal Agreement between Member States - where the amount of the 9th EDF was fixed - the Commission announced its intention to reach a level of implementation (commitments and disbursements) in the order of €3 billion per year. The Commission confirms this objective for the period 2003-2007 and considers its realisation to be feasible. The following table shows the forecasts of commitments and disbursements under the 6th, 7th, 8th and 9th EDF, based on the Commission Communication “European Development Fund – Estimates of decisions, payments and contributions to be paid by Member States for 2003 and 2004” (COM/2003/720)\(^8\).

### Table 1: Implementation of EDF-resources

<table>
<thead>
<tr>
<th>Resources:</th>
<th>Cumulation</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>- EDF 6,7,8</td>
<td>32,389</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- EDF 9</td>
<td>12,500</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Total</td>
<td>44,889</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commitments</td>
<td>29,639</td>
<td>3,146</td>
<td>3,219</td>
<td>4,276</td>
<td>2,605</td>
<td>2,408</td>
</tr>
<tr>
<td>To be committed</td>
<td>15,250</td>
<td>12,104</td>
<td>8,885</td>
<td>4,609</td>
<td>2,004</td>
<td>-0,404</td>
</tr>
<tr>
<td>Payments</td>
<td>21,327</td>
<td>2,458</td>
<td>2,458</td>
<td>2,826</td>
<td>3,146</td>
<td>2,998</td>
</tr>
<tr>
<td>To be paid</td>
<td>23,562</td>
<td>21,105</td>
<td>18,647</td>
<td>15,821</td>
<td>12,675</td>
<td>9,677</td>
</tr>
</tbody>
</table>

The table shows that according to current forecasts, 9th EDF-resources for ACP-countries will be fully absorbed\(^9\) during the period 2003-2007. Forecasts for 2003 are confirmed by real execution data for 2003, which indicate a level of commitments of €3.7 billion and of payments of €2.4 billion.\(^{10}\)

### 6.4. Proposal on the release of the conditional one billion €

On the basis of the above analysis and in accordance with Article 2.2 of the Internal Agreement for the 9th EDF, the Commission proposes that the conditional billion be released. In respect of the provisions of the 9th EDF Financial Protocol as well as Article 2.1 of the Internal Agreement, the conditional billion should be spread proportionally over the three envelopes (€741 million to long-term development, €96 million to regional co-operation, €163 million to the Investment Facility).

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\(^8\) Data on commitments and disbursements in the communication COM/2003/720 refer to the global EDF, including resources for ACP countries, Overseas Countries and Territories and Implementation costs. Resources for ACP countries represent 98.3% of total EDF-resources. Forecasts for commitments and disbursements for ACP countries are obtained by applying a factor 0.983 on the amounts mentioned in the communication.

\(^9\) Commitments in the table are gross commitments, excluding decommitments. This explains the negative “uncommitted” amount in 2007.

\(^{10}\) Preliminary data at 5-1-2004. EDF accounts for 2003 are closed at the end of January 2004. Updated information including annex 1 attached to this communication can be made available after the closure of the accounts.
By its nature, the proposed Water Facility must be a horizontal instrument and should thus be financed from intra-ACP co-operation, which is part of the envelope for regional co-operation. In order to create the €1 billion Water Facility, the following steps are necessary:

- After a positive decision of the EU-Council on the release of the conditional billion, consultation of the group of ACP countries on the principle of using these resources for the Water Facility.

- In accordance with article 12 of Annex IV to the Cotonou Agreement, the Community can earmark the extra €96 million from the envelope for regional co-operation to intra-ACP co-operation and notify accordingly the ACP-Council of Ministers. This implies a Commission decision after consultation of EU Member States through the EDF-Committee. Such a decision will exhaust the regional co-operation envelope and thus create the legal basis for the next step.

- On the basis of paragraph 8 of the Financial Protocol (Annex 1 to the Cotonou Agreement), the ACP-EC Council of Ministers can decide to transfer the extra resources from the long-term development envelope (€741 million) and the Investment Facility (€163 million) to the envelope for regional co-operation and to use these resources for intra-ACP co-operation. This implies the following steps: (i) Commission proposal on a draft decision to be taken by the ACP-EU Council of Ministers, (ii) adoption by the EU-Council, (iii) adoption by the ACP-EU Council of Ministers. This decision should also contain a formal financing request for the Water Facility, which is a prerogative of the ACP Council of Ministers in accordance with article 13(2) of annex IV to the Cotonou Agreement.

- Once the above steps are agreed, the Commission will present a financing proposal with detailed implementation modalities to the EDF-Committee and take a financing decision for the creation of the Water Facility. It can act as implementing body in accordance with Article 14(2) of Annex IV to the Cotonou Agreement.

7. CONCLUSION

Based on the justifications given in this Communication, and in order to support the future development of the EU Water Initiative in ACP countries, the Commission asks the EU Council to endorse its recommendations and to agree on:

- the release of the conditional 1 billion € of the 9th EDF, by adopting the draft decision outlined in Annex 2.

- the position to be taken by the Community in the ACP/EU Council of Ministers on the creation of an ACP-EU Water Facility, by an agreement of principle\(^\text{11}\) to the draft decision outlined in Annex 4.

\(^{11}\) The draft decision in Annex 4 can only be taken after the Commission decision described in Annex 3, which is to follow the EU-Council decision on the conditional billion in Annex 2.
ANNEXES

ANNEXES 3.1, 3.2 and 4 are enclosed for information purposes. They do not prejudice the draft decisions which will be presented formally by the Commission after the Council decision concerning the release of the conditional amount of €1 billion (Annex 2).

Annex 1: EDF resources for ACP countries – situation at 31-10-2003

Annex 2: Draft Proposal for a Council decision concerning the release of the conditional amount of €1 billion under the ninth European Development Fund for cooperation with African, Caribbean and Pacific countries.

Annex 3.1: Note to the Members of the EDF Committee on the increase of the intra-ACP allocation for a contribution to the ACP-EU Water Facility.


Annex 4: Draft Proposal for a Council decision on the position to be adopted by the Community within the ACP/EU Council of Ministers regarding a decision on the use of the reserve of the long-term development envelope as well as resources from the Investment Facility on the ninth European Development Fund for the establishment of an ACP-EU Water Facility.

Annex 5: List of acronyms
### Annex 1: EDF resources for ACP countries – situation at 31-10-2003

#### I. OLD EDFs (6th, 7th and 8th)

<table>
<thead>
<tr>
<th>Situation on 1st April 2003</th>
<th>Transfers since 1st April 2003</th>
<th>Total (contracts)</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Indicative Programmes</td>
<td>13,858,570,233.72</td>
<td>-1,336,451,577.54</td>
</tr>
<tr>
<td>Regional cooperation</td>
<td>3,874,058,711.50</td>
<td>-387,588,924.88</td>
</tr>
<tr>
<td>Structural Adjustment Facility</td>
<td>2,087,386,344.58</td>
<td>-43,517,226.35</td>
</tr>
<tr>
<td>Interest-rate subsidies</td>
<td>469,472,429.59</td>
<td>0.00</td>
</tr>
<tr>
<td>Risk capital</td>
<td>2,720,000,000.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Emergency aid</td>
<td>724,213,164.32</td>
<td>-7,396.86</td>
</tr>
<tr>
<td>Aid for refugees</td>
<td>301,052,831.43</td>
<td>-1,565,854.00</td>
</tr>
<tr>
<td>Stabex</td>
<td>3,808,593,430.63</td>
<td>-1,303,409.76</td>
</tr>
<tr>
<td>Sysimai</td>
<td>728,693,853.32</td>
<td>-18,260,265.00</td>
</tr>
<tr>
<td>Transfer from previous EDF</td>
<td>521,016,280.05</td>
<td>-87,177,688.49</td>
</tr>
<tr>
<td>Utilisation of interest income</td>
<td>38,150,000.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Heavy indebted poor countries</td>
<td>1,225,000,000.00</td>
<td>-125,000,000.00</td>
</tr>
<tr>
<td>9th EDF national transitional measures</td>
<td>1,290,000,000.00</td>
<td>-392,791,000.00</td>
</tr>
<tr>
<td>9th EDF regional transitional measures</td>
<td>25,000,000.00</td>
<td>-16,500,000.00</td>
</tr>
<tr>
<td>9th EDF intra-ACP transitional measures</td>
<td>60,000,000.00</td>
<td>0.00</td>
</tr>
<tr>
<td>General reserve</td>
<td>28,396,984.55</td>
<td>-28,396,984.55</td>
</tr>
</tbody>
</table>

**Total 1.** 32,389,204,303.69  -2,238,590,396.39  30,150,613,907.30  29,872,975,347.02  25,829,870,098.44  22,819,999,845.51

#### II. 9th EDF

<table>
<thead>
<tr>
<th>Situation on 1st April 2003</th>
<th>Transfers since 1st April 2003</th>
<th>Total (contracts)</th>
</tr>
</thead>
<tbody>
<tr>
<td>National allocations</td>
<td>8,523,200,000.00</td>
<td>1,885,826,118.99</td>
</tr>
<tr>
<td>CDE, CTA &amp; JPA</td>
<td>643,000,000.00</td>
<td>-59,101,000.00</td>
</tr>
<tr>
<td>Reserves for long term development</td>
<td>384,950,000.00</td>
<td>-185,072,715.98</td>
</tr>
<tr>
<td>sub-total long-term development</td>
<td>9,072,150,000.00</td>
<td>1,381,622,402.11</td>
</tr>
<tr>
<td>Intra-ACP cooperation</td>
<td>300,000,000.00</td>
<td>853,487,978.64</td>
</tr>
<tr>
<td>Other Regional cooperation</td>
<td>643,000,000.00</td>
<td>907,450,015.64</td>
</tr>
<tr>
<td>Reserve for regional cooperation</td>
<td>261,000,000.00</td>
<td>-261,000,000.00</td>
</tr>
<tr>
<td>sub-total regional cooperation</td>
<td>1,204,000,000.00</td>
<td>856,937,948.24</td>
</tr>
<tr>
<td>Total 2.</td>
<td>10,276,150,000.00</td>
<td>2,238,590,396.39</td>
</tr>
<tr>
<td>Payments</td>
<td>706,819,000.93</td>
<td>28,458,234.51</td>
</tr>
</tbody>
</table>

**Total 3.** 12,500,000,000.00

#### III. CONSOLIDATED SITUATION

<table>
<thead>
<tr>
<th>Situation on 1st April 2003</th>
<th>Transfers since 1st April 2003</th>
<th>Total (contracts)</th>
</tr>
</thead>
<tbody>
<tr>
<td>National allocations</td>
<td>23,581,375,273.72</td>
<td>136,503,340.96</td>
</tr>
<tr>
<td>CDE, CTA and JPA</td>
<td>164,000,000.00</td>
<td>-99,101,000.00</td>
</tr>
<tr>
<td>Reserves for long term development</td>
<td>384,950,000.00</td>
<td>-185,072,715.98</td>
</tr>
<tr>
<td>Regional cooperation</td>
<td>4,962,058,711.50</td>
<td>5,615,907,711.50</td>
</tr>
<tr>
<td>Reserve for regional cooperation</td>
<td>261,000,000.00</td>
<td>-261,000,000.00</td>
</tr>
<tr>
<td>Interest rate subsidies (EDF 6 to 8)</td>
<td>469,472,429.59</td>
<td>469,472,429.59</td>
</tr>
<tr>
<td>Risk capital (EDF 6 to 8)</td>
<td>2,720,000,000.00</td>
<td>2,720,000,000.00</td>
</tr>
<tr>
<td>Structural adjustment facility</td>
<td>2,807,386,344.58</td>
<td>-43,517,226.35</td>
</tr>
<tr>
<td>Emergency aid</td>
<td>724,213,164.32</td>
<td>-7,396.86</td>
</tr>
<tr>
<td>Aid for refugees</td>
<td>301,052,831.43</td>
<td>-1,565,854.00</td>
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<tr>
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<td>3,808,593,430.63</td>
<td>-1,303,409.76</td>
</tr>
<tr>
<td>Sysimai</td>
<td>728,693,853.32</td>
<td>-18,260,265.00</td>
</tr>
<tr>
<td>HIPC (EDF 7 and 8)</td>
<td>1,225,000,000.00</td>
<td>-125,000,000.00</td>
</tr>
<tr>
<td>Utilisation of interest income</td>
<td>38,150,000.00</td>
<td>0.00</td>
</tr>
<tr>
<td>General reserve</td>
<td>28,396,984.55</td>
<td>-28,396,984.55</td>
</tr>
</tbody>
</table>

**Total 4.** 42,665,354,303.69  -42,665,354,303.69  0.00  30,579,416,150.25  25,858,328,332.95  22,825,030,581.11
ANNEX 2

Brussels,

COM (2004)

Draft Proposal for a

COUNCIL DECISION

crossing the release of the conditional amount of € one billion under the ninth European Development Fund for co-operation with African, Caribbean and Pacific countries
EXPLANATORY MEMORANDUM

1. Introduction

The Financial Protocol attached as Annex 1 to the ACP-EC Partnership Agreement, signed in Cotonou on 23 June 2000, establishes in its paragraph 2 a ninth EDF for African, Caribbean and Pacific countries of a total amount of up to €13.5 billion. As specified in the EU Declaration on the Financial Protocol - Declaration XVIII under the Final Act of the ACP-EC Partnership Agreement – within the overall amount of €13.5 billion, only €12.5 billion were made available upon the entry into force of the Financial Protocol (April 1st 2003). The remaining €1 billion is to be released on the basis of a performance review of the EDF by assessing the degree of realisation of commitments and disbursements. This performance review is to be undertaken in 2004, on the basis of a proposal from the Commission, in accordance with Declaration XVIII attached to the ACP-EC Partnership Agreement as well as Article 1(2) of the Internal Agreement between Representatives of the Governments of the Member States on the Financing and Administration of Community Aid under the Financial Protocol to the ACP-EC Partnership Agreement.

The Commission proposes that the conditional amount of €1 billion be released and used for the establishment of an ACP-EU Water Facility.

2. Assessment of commitments and disbursements

At the beginning of the year 2003, the total amount of the 6th, 7th and 8th EDF was €32.389 billion. Out of this amount, €29.6 billion had been committed, leaving an amount of €2.75 billion available for new commitments. Together with fresh 9th EDF resources - €12.5 billion available since April 2003 – the total amount available for new commitments for the period 2003-2007 was thus €15.25 billion. Since the entry into force of the Cotonou Agreement, uncommitted resources under the old EDFs have been transferred to the 9th EDF (so far €2.24 billion), but most of these resources remain allocated to the same countries and regions (and intra-ACP co-operation) as under the old EDFs. Only €199 million are still available under reserves.

During negotiations prior to the conclusion of the Internal Agreement between Member States - where the amount of the 9th EDF was fixed - the Commission announced its intention to reach a level of implementation between €3-3,5 billion per year. The Commission confirms this objective for the period 2003-2007 and considers its realisation to be feasible. The following table shows the forecasts of commitments and disbursements under the 6th, 7th, 8th and 9th EDF, based on the Commission Communication “European Development Fund – Estimates of decisions, payments and contributions to be paid by Member States for 2003 and 2004” (COM/2003/720 of 21-11-2003)12.

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12 Data on commitments and disbursements in the communication COM/2003/720 refer to the global EDF, including resources for ACP countries, Overseas Countries and Territories and Implementation costs. Resources for ACP countries represent 98.3% of total EDF-resources. Forecasts for commitments and disbursements for ACP countries are obtained by applying a factor 0.983 on the amounts mentioned in the communication.
Table 1: Implementation of EDF-resources (amounts in billions of Euros)

<table>
<thead>
<tr>
<th>Resources</th>
<th>Cumulation</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>- EDF 6,7,8</td>
<td>32,389</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- EDF 9</td>
<td>12,500</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Total</td>
<td>44,889</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commitments</td>
<td>29,639</td>
<td>3,146</td>
<td>3,219</td>
<td>4,276</td>
<td>2,605</td>
<td>2,408</td>
</tr>
<tr>
<td>To be committed</td>
<td>15,250</td>
<td>12,104</td>
<td>8,885</td>
<td>4,609</td>
<td>2,004</td>
<td>-0,404</td>
</tr>
<tr>
<td>Payments</td>
<td>21,327</td>
<td>2,458</td>
<td>2,725</td>
<td>2,826</td>
<td>3,146</td>
<td>2,998</td>
</tr>
<tr>
<td>To be paid</td>
<td>23,562</td>
<td>21,105</td>
<td>18,647</td>
<td>15,821</td>
<td>12,675</td>
<td>9,677</td>
</tr>
</tbody>
</table>

The table shows that according to current forecasts, 9th EDF-resources for ACP-countries will be fully absorbed\(^{13}\) during the period 2003-2007. Forecasts for 2003 are confirmed by real execution data for 2003, which indicate a level of commitments of € 3.7 billion and of payments of € 2.4 billion.\(^{14}\)

3. **Proposal on the release of the conditional billion**

On the basis of the above analysis and in accordance with Article 2.2 of the Internal Agreement for the 9th EDF, the Commission proposes that the conditional billion be released and used for the creation of the ACP-EU Water Facility. In respect of the provisions of the 9th EDF Financial Protocol as well as Article 2 of the Internal Agreement, the conditional billion should be spread proportionally over the three envelopes (€741 million to long-term development, €96 million to regional co-operation, €163 million to the Investment Facility).

By its nature, the proposed Water Facility must be a horizontal instrument and should thus be financed from intra-ACP co-operation, which is part of the envelope for regional co-operation. In order to create the €1 billion Water Facility, the following steps are necessary:

- After a positive decision of the EU-Council on the release of the conditional billion, consultation of the group of ACP countries on the principle of using these resources for the Water Facility.

- In accordance with article 12 of Annex IV to the Cotonou Agreement, the Community can earmark the extra €96 million from the envelope for regional co-operation to intra-ACP co-operation and notify accordingly the ACP-Council of Ministers. This implies a Commission decision after consultation of EU Member States through the EDF-Committee. Such a decision will exhaust the regional co-operation envelope and thus create the legal basis for the next step.

- On the basis of paragraph 8 of the Financial Protocol (Annex 1 to the Cotonou Agreement), the ACP-EC Council of Ministers can decide to transfer the extra resources from the long-term development envelope (€741 million) and the Investment Facility (€163 million) to the envelope for regional co-operation and to use these resources for intra-ACP co-operation. This implies the following steps: (i) Commission proposal on a

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\(^{13}\) Commitments in the table are gross commitments, excluding decommitments. This explains the negative “uncommitted” amount in 2007.

\(^{14}\) See footnote 10.
draft decision to be taken by the ACP-EU Council of Ministers, (ii) adoption by the EU-Council, (iii) adoption by the ACP-EU Council of Ministers. This decision should also contain a formal financing request for the Water Facility, which is a prerogative of the ACP Council of Ministers in accordance with article 13(2) of annex IV to the Cotonou Agreement.

- Once the above steps are agreed, the Commission will present a financing proposal with detailed implementation modalities to the EDF-Committee and take a financing decision for the creation of the Water Facility. It can act as implementing body in accordance with Article 14(2) of Annex IV to the Cotonou Agreement.
Proposal for a

COUNCIL DECISION

concerning the release of the conditional amount of € one billion under the ninth European Development Fund for co-operation with African, Caribbean and Pacific countries

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 310 in conjunction with the second subparagraph of Article 300(2) thereof,

Having regard to the ACP-EC Partnership Agreement signed in Cotonou on 23 June 2000.

Having regard to the Internal Agreement on the financing and administration of Community Aid under the Financial Protocol to the ACP-EC Partnership Agreement, signed on 18 September 2000, and in particular Article 2 (2) thereof,

Having regard to the proposal from the Commission,

Whereas:

(1) In accordance with Paragraph 1 of the Financial Protocol to the ACP-EC Partnership Agreement the period covered by the Financial Protocol is a five-year period commencing 1 March 2000. Paragraph 5 of the Financial Protocol however specifies that its overall amount, supplemented by the transferred balances from previous EDFs, will cover the period of 2000-2007.

(2) In accordance with article 2(2) of the Internal Agreement, as well as the EU Declaration on the Financial Protocol, attached as Declaration XVIII to the ACP-EC Partnership Agreement, out of the total amount of € 13.5 billion of the ninth European Development Fund (EDF) for African, Caribbean and Pacific Countries (ACP), only € 12.5 billion were released upon the entry into force of the Financial Protocol to the ACP-EC Partnership Agreement on April 1st 2003. This amount is broken down in three envelopes: € 9,259 billion for long-term development, € 1,204 billion for regional co-operation and integration and € 2,037 billion for the Investment facility.

(3) In accordance with Article 2(2) of the Internal Agreement an amount of € 1 billion may be released only following a performance review undertaken by the EU Council in 2004, on the basis of a proposal from the Commission. Paragraph 7 of the Financial Protocol to the ACP-EC Partnership Agreement as well as Declaration XVIII specify that this performance review shall be an assessment of the degree of realisation of commitments and disbursements.

(4) The level of commitments and disbursements at the end of the year 2003 in conjunction with forecasts for the period 2004-2007 presented by the European Commission indicate that ninth EDF-resources for ACP-countries can be fully committed.
On 19 May 2003 the EU Council acknowledged the need to mobilise a significant amount of resources for water and sanitation and asked the Commission to draw up practical proposals for discussion within the EU and the ACP-EC Council of Ministers.

HAS DECIDED AS FOLLOWS:

Article 1

The amount of € 1 billion referred to in Article 2(2) of the Internal Agreement shall be released and be distributed as follows:

1. € 741 million to the envelope for support for long-term development, referred to in Article 2(1)(a) of the Internal Agreement as well as Paragraph 3(a) of the Financial Protocol, bringing this envelope to a total amount of € 10 billion.

2. € 96 million to the envelope for regional co-operation and integration, referred to in Article 2(1)(b) of the Internal Agreement as well as Paragraph 3(b) of the Financial Protocol, bringing this envelope to a total amount of € 1.3 billion.

3. € 163 million to the Investment Facility, referred to in Article 2(1)(c) of the Internal Agreement as well as Paragraph 3(c) of the Financial Protocol, bringing this envelope to a total amount of € 2.2 billion.

Article 2

The Council invites the Commission to prepare the necessary proposals for the creation of an ACP-EU Water Facility of € 1 billion under the ninth EDF.

Article 3

This decision shall be communicated to the ACP Council of Ministers.

Article 4

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

Done at Brussels,

For the Council
The President
Note to the Members of the EDF Committee

Subject: Use of the EDF for new initiatives - Increase of the 9th EDF intra-ACP allocation for a contribution to the ACP-EU Water Facility

Introduction:

The methodology defining allocations for regional co-operation under the ACP-EC Partnership Agreement was discussed during the meeting of November 2000 and further in April and May 2001. Since then, in accordance with the methodology adopted, the Commission has notified allocations to programming regions for a total amount of € 700 million. It has also notified an amount of € 300 million for intra-ACP co-operation to the ACP Council of Ministers.

In June 2002, the EDF Committee agreed to a Commission proposal to increase the allocation for intra-ACP co-operation by € 60 million, from the reserves of the 6th and 7th EDF, in order to finance a contribution to the Global Fund to Fight HIV/Aids and Malaria.

In November 2002, the Commission informed the EDF Committee of its intentions to use funds from the EDF for new initiatives. As a first step, after consultation of the EDF-Committee, the Commission decided in May 2003 to use the reserve of the 9th EDF envelope for regional co-operation for a second increase of the intra-ACP allocation by € 204 million, for initiatives in the health sector and for capacity building. Furthermore, the ACP-EC Council of Ministers decided in May 2003 to transfer € 335 million from the reserve under the 9th EDF long-term development envelope to the intra-ACP allocation, for a debt reduction initiative. As a third step, the Commission now proposes to further increase the intra-ACP allocation by € 96 million from the reserve of the 9th EDF envelope for regional co-operation and integration. (This reserve was replenished with the same amount by a decision of the EU-Council on the release of the conditional billion under the 9th EDF.)

Proposal:

The European Community plays an active role in the EU Water Initiative launched during the WSSD. This initiative has the objective to make substantial contributions to poverty reduction, the main objective of both the ACP-EC Partnership Agreement signed in Cotonou on 23 June 2000 and the Community Development Policy. The focus is on the achievement of the Millennium Development Goals and targets fixed at the World Summit on Sustainable Development (WSSD) on access to safe water and basic sanitation for the poor.
The EDF being the major source of funding of Community Aid to ACP countries, (any further) contributions to new initiatives for the benefit of ACP countries should come from the EDF. The amount earmarked for intra-ACP co-operation under the 9th EDF is too limited to cover all initiatives. The 9th EDF reserves should therefore be mobilised.

The Commission proposes to the EDF Committee to ensure support from the Community to the Water Initiative by transferring the funds remaining under the 9th EDF reserve for regional co-operation (€96 million) to the allocation for intra-ACP co-operation and to use these funds for the establishment of an ACP-EU Water Facility. The objective of this Facility is to significantly increase funding to achieve the targets on access to water and sanitation for the poor in ACP countries, and to use development aid as a catalyst to leverage additional financial resources. The proposed increase of the allocation for intra-ACP cooperation by €96 million will lead to full absorption of the envelope for regional co-operation and integration.

In parallel, a further increase of the intra-ACP allocation will be necessary to cover the needs for the proposed ACP-EU Water Facility. This can only be done by mobilising resources from the reserves from the long-term development envelope and resources from the Investment Facility, which have also been replenished by the EU-Council decision on the release of the conditional billion under the 9th EDF. For this purpose, a decision by the ACP-EC Council of Ministers is under preparation in parallel, on the transfer of €741 million from the reserve of the 9th EDF long-term development envelope and €163 million from the 9th EDF Investment Facility, to the allocation for intra-ACP co-operation, to be used for the establishment of an ACP-EU Water Facility. This will lead to a total amount of €1 billion for the Water Facility. A detailed financing proposal will be prepared and submitted for opinion to the EDF Committee, in accordance with the provisions of the Internal Agreement.

Subject to a positive opinion from the EDF Committee, the Commission will take a formal decision on the increase of the intra-ACP allocation by €96 million and notify this supplementary amount to the ACP Council of Ministers.
ANNEX 3.2
Draft Proposal for a
COMMISSION DECISION
of[...]
amending Commission decision N° C(2001)1578/2 of 15-6-2001 on allocations to regional programmes and to intra-ACP co-operation under the financial protocol of the ACP-EC Partnership Agreement

MEMORANDUM TO THE COMMISSION

The European Community plays an active role in the EU Water Initiative launched during the World Summit on Sustainable Development (WSSD). This initiative has the objective to make substantial contributions to poverty reduction, the main objective of both the ACP-EC Partnership Agreement signed in Cotonou on 23 June 2000 and the Community Development Policy.

In accordance with the Cotonou Agreement and the Internal Agreement between EU Member States, the Commission’s services have proposed to the EDF Committee to ensure support from the Community to the Water Initiative by transferring the unallocated resources remaining under the 9th EDF reserve for regional co-operation (€96 million) to the allocation for intra-ACP co-operation and to use these funds for a contribution to an ACP-EU Water Facility. The EDF Committee has expressed a positive opinion on this proposal at its ... meeting in ... 2004.

By decision C(2001)1578/2 of 15 June 2001, the Commission determined allocations to regional programmes and to intra-ACP co-operation under the financial protocol of the ACP-EC Partnership Agreement. Under this decision € 700 million were reserved for indicative resource allocations to regions and € 300 million for intra-ACP co-operation. €204 million were kept as a general reserve15.

By decision C(2002)2567 of 11 July 2002, the Commission decided to increase the allocation for intra-ACP co-operation under the ACP-EC Partnership Agreement by € 60 million, which originated from the general reserves of the sixth and seventh EDF. This supplementary allocation allowed for a financing decision on the contribution from the EDF to the Global Fund to Fight HIV/Aids and Malaria.

By decision C(2003)1508 of 12 May 2003 the Commission decided a second increase of the allocation for intra-ACP co-operation by €204 million, from the unallocated resources under the 9th EDF reserve for regional co-operation and integration, allowing for a contribution to new initiatives in the health sector and for capacity building.

15 The 9th EDF Financial Protocol foresees an amount of €1,300 million for regional co-operation. However, taking into consideration that €1 billion of the total amount of the 9th EDF (€13,5 billion) were conditioned by a performance review in 2004, the real amount available for regional co-operation was only €1,204 million. The real reserve was therefore €204 million and not €300 million as mentioned in the respective Commission decision.
By decision N° 2/2003 of 16 May 2003 the ACP-EC Council of Ministers decided to transfer € 335 million from the unallocated resources under the reserve of the 9th EDF long-term development envelope to the intra-ACP allocation, allowing for a new contribution to the debt reduction initiative in favour of Highly Indebted Poor Countries.

The attached draft decision proposes a fourth increase of the allocation for intra-ACP cooperation by €96 million, from the unallocated resources under the 9th EDF reserve for regional co-operation and integration. (This reserve was replenished with the same amount by a decision of the EU-Council on the release of the conditional billion under the 9th EDF.) It will lead to full absorption of the envelope for regional co-operation.

Under these circumstances, the ACP-EC Council of Ministers can take appropriate measures in accordance with paragraph 8 of the 9th EDF Financial Protocol, which can be applied when funds provided for in any of the instruments of the Cotonou Agreement are exhausted. A proposal has been prepared in parallel for a decision by the ACP-EC Council of Ministers on the transfer of €741 million from the reserve of the 9th EDF long-term development envelope and €163 million from the 9th EDF Investment Facility, to the allocation for intra-ACP co-operation, to be used for the establishment of an ACP-EU Water Facility.

The Commission is asked to adopt the enclosed decision on the increase of the intra-ACP allocation by €96 million.
COMMISSION DECISION

amending Commission decision N° C(2001)1578/2 of 15-6-2001 on allocations to regional programmes and to intra-ACP co-operation under the financial protocol of the ACP-EC Partnership Agreement

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to the ACP-EC Partnership Agreement signed in Cotonou on 23 June 2000,

Having regard to the Internal Agreement on the financing and administration of Community Aid under the Financial Protocol to the ACP-EC Partnership Agreement, signed on 18 September 2000, and in particular Article 16 thereof,

Whereas:

(1) By decision C(2002)2567 of 11 July 2002, the Commission adopted an increase of €60 million of the allocation for intra-ACP co-operation under the ACP-EC Partnership Agreement, from unallocated resources from the 6th and 7th EDF.

(2) By decision C(2003)1508 of 12 May 2003, the Commission adopted an increase of €204 million of the allocation for intra-ACP co-operation from unallocated resources under the 9th EDF reserve for regional co-operation and integration.

(3) By decision N° 2/2003 of 16 May 2003 the ACP-EC Council of Ministers decided to transfer €335 million from unallocated resources under the 9th EDF reserve for long-term development to intra-ACP co-operation.

(4) The Internal Agreement between Representatives of the Governments of the Member States, meeting within the Council, on the financing and administration of Community Aid under the Financial Protocol to the ACP-EC Partnership Agreement mandates the Commission to establish the indicative grant allocations to regions on the basis of the criteria defined in the ACP-EC Partnership Agreement. In accordance with Article 16 of the Internal Agreement, the EDF Committee has been consulted on an increase of €96 million of the allocation for intra-ACP co-operation from the reserve for regional co-operation and integration under the 9th EDF.

HAS ADOPTED THIS DECISION:

Article 1

The first sentence of Article 2 of Decision N° C(2001)1578/2 is replaced by the following:

“€660 million are reserved for intra-ACP co-operation, of which €600 million are taken from the 9th EDF and €60 million from unallocated resources of the 6th and 7th EDF.”
Article 2

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

Done at Brussels,[…]

For the Commission

[…]

Member of the Commission
ANNEX 4
Draft Proposal for a
COUNCIL DECISION
on the position to be adopted by the Community within the ACP-EC Council of Ministers regarding a decision on the use of the reserve of the long-term development envelope as well as resources from the Investment Facility of the ninth European Development Fund for the establishment of an ACP-EU Water Facility
(presented by the Commission)

MEMORANDUM TO THE COMMISSION

The European Community plays an active role in the EU Water Initiative launched during the World Summit on Sustainable Development (WSSD). This initiative has the objective to make substantial contributions to poverty reduction, the main objective of both the ACP-EC Partnership Agreement signed in Cotonou on 23 June 2000 and the Community Development Policy.

In accordance with the Cotonou Agreement and the Internal Agreement between EU Member States, the Commission’s services have proposed to the EDF Committee to ensure support from the Community to the Water Initiative by transferring the unallocated resources remaining under the 9th EDF reserve for regional co-operation (€96 million) to the allocation for intra-ACP co-operation and to use these funds as a contribution to an ACP-EU Water Facility. The EDF Committee has expressed a positive opinion on this proposal at its ... meeting on ...2004.

This proposal leads to full absorption of the envelope for regional co-operation. Under these circumstances, the ACP-EC Council of Ministers can take appropriate measures in accordance with paragraph 8 of the 9th EDF Financial Protocol, which can be applied when funds provided for in any of the instruments of the Cotonou Agreement are exhausted.

Against this background, the Commission proposes that the Council adopt the enclosed decision on the transfer of €741 million from the unallocated resources under the reserve of the 9th EDF long-term development envelope and €163 million from the 9th EDF Investment Facility, to the allocation for intra-ACP co-operation, to be used for the establishment of an ACP-EU Water Facility. Together with the above mentioned increase of €96 million of the intra-ACP allocation, this will lead to a total amount of €1 billion for the Water Facility.

A proposal for a Council decision on the position to be adopted by the Community within the ACP-EC Council of Ministers regarding the use of unallocated resources under the reserve of the 9th EDF long-term development envelope as well as resources from the 9th EDF Investment Facility is attached to this memorandum. The Commission is asked to adopt this proposal for a Council Decision, in order to allow the above activities to be implemented.
Proposal for a

COUNCIL DECISION

on the position to be adopted by the Community within the ACP-EC Council of Ministers regarding a decision on the use of the reserve of the long-term development envelope as well as resources from the Investment Facility of the ninth European Development Fund for the establishment of an ACP-EU Water Facility

(presented by the Commission)
EXPLANATORY MEMORANDUM

The European Community plays an active role in the EU Water Initiative launched during the World Summit on Sustainable Development (WSSD). This initiative has the objective to make substantial contributions to poverty reduction, the main objective of both the ACP-EC Partnership Agreement signed in Cotonou on 23 June 2000 and the Community Development Policy.

The EDF being the major source of funding of Community Aid to ACP countries, (any further) contributions to new initiatives for the benefit of ACP countries should come from the EDF. The amount earmarked for intra-ACP co-operation under the 9th EDF is too limited to cover all initiatives. The 9th EDF reserves should therefore be mobilised.

In accordance with the Cotonou Agreement and the Internal Agreement between EU Member States, the Commission’s services have proposed to the EDF Committee to ensure support from the Community to the Water Initiative by transferring the unallocated resources remaining under the 9th EDF reserve for regional co-operation (€96 million) to the allocation for intra-ACP co-operation and to use these funds for a contribution to an ACP-EU Water Facility. The EDF Committee has expressed a positive opinion on this proposal at its meeting on 2004.

This proposal leads to full absorption of the envelope for regional co-operation. Under these circumstances, the ACP-EC Council of Ministers can take appropriate measures in accordance with paragraph 8 of the 9th EDF Financial Protocol, which can be applied when funds provided for in any of the instruments of the Cotonou Agreement are exhausted.

Against this background, the Commission proposes that the Council adopt the enclosed decision on the position to be adopted by the Community within the ACP-EC Council of Ministers regarding the transfer of €741 million from the reserve (unallocated resources) of the 9th EDF long-term development envelope as well as €163 million from the 9th EDF Investment Facility, to the allocation for intra-ACP co-operation, to be used for the establishment of an ACP-EU Water Facility.
Proposal for a

COUNCIL DECISION

on the position to be adopted by the Community within the ACP-EC Council of Ministers regarding a decision on the use of the reserve of the long-term development envelope as well as resources from the Investment Facility of the ninth European Development Fund for the establishment of an ACP-EU Water Facility

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 310 in conjunction with the second subparagraph of Article 300(2) thereof,

Having regard to the proposal from the Commission,

Whereas:

(1) At its 2509th session on 19 May 2003 the EU Council acknowledged the need to mobilise a significant amount of resources for water and sanitation and asked the Commission to draw up practical proposals for discussion within the EU and the ACP-EC Council of Ministers.

(2) Article 15 of the ACP-EC Partnership Agreement signed in Cotonou on 23 June 2000 establishes an ACP-EC Council of Ministers with powers to take decisions in accordance with the Agreement and Paragraph 8 of Annex I to that Agreement (Financial Protocol) allows the ACP-EC Council of Ministers to take appropriate measures if funds provided for in any of the instruments of the Agreement are exhausted.

(3) Funds from the 9th EDF envelope for regional co-operation and integration are exhausted. The Community's position within the ACP-EC Council of Ministers should therefore be established with a view to its adopting a decision on the Community's contribution to the establishment of an ACP-EU Water Facility, from the reserve of the long-term development envelope and from the Investment Facility of the ninth EDF.

HAS DECIDED AS FOLLOWS:

Article 1

The Community shall take the following position within the ACP-EC Council of Ministers on the use of the reserve of the 9th EDF long-term development envelope and resources from the Investment Facility for the establishment of an ACP-EU Water Facility, based on the attached draft decision of the ACP-EC Council of Ministers.

Done at Brussels, […]

For the Council
The President
[…]

40
ANNEX
Draft

DECISION OF THE ACP-EC COUNCIL OF MINISTERS

on the use of the reserve of the long-term development envelope as well as resources from the Investment Facility of the ninth European Development Fund for the establishment of an ACP-EU Water Facility

THE ACP-EC COUNCIL OF MINISTERS,

Having regard to the ACP-EC Partnership Agreement signed in Cotonou on 23 June 2000, and in particular Paragraph 8 of its Annex I,

Whereas:

(1) The European Commission notified to the ACP Council of Ministers the increase of the 9th EDF intra-ACP allocation by 96 million and proposed that these resources be used for a contribution to an ACP-EU Water Facility.

(2) To ensure support for the implementation of the EU Water Initiative in ACP countries, it is appropriate to allocate further supplementary resources to intra-ACP co-operation for a total amount of 904 million. However, the envelope for regional co-operation and integration as defined in Paragraph 3(b) of annex I (Financial Protocol) to the ACP-EC Partnership Agreement is exhausted. The necessary resources must therefore be transferred from unallocated resources of the 9th EDF long term development envelope and from the Investment Facility, referred to in Paragraph 3(b) and (c) of the Financial Protocol.

(3) Article 15 of the ACP-EC Partnership Agreement signed in Cotonou on 23 June 2000 establishes an ACP-EC Council of Ministers with powers to take decisions in accordance with the Agreement.

HAS DECIDED AS FOLLOWS:

Article 1 – Establishment of an ACP-EU Water Facility

An amount of €904 million, consisting of €741 million from the reserve of the 9th EDF long-term development envelope and €163 million from the 9th EDF Investment Facility, shall be transferred to the intra-ACP allocation under the envelope for regional co-operation and integration, and used for the establishment of an ACP-EU Water Facility.
Article 2

In accordance with Article 13(2) of Annex IV to the ACP-EC Partnership Agreement, the ACP Council of Ministers requests the Commission to finance support for the ACP-EU Water Facility from intra-ACP co-operation for a total amount of €1 billion.

Done at

For the ACP-EC Council of Ministers

The President
ANNEX 5

LIST OF ACRONYMS

ACP   Africa Caribbean Pacific
AfDB  African Development Bank
AMCOW African Ministerial Council on Water
AU    African Union
AWF   African Water Facility
CSP   Country Strategy Paper
EC    European Commission
ECOWAS Economic Community of West African States
EDF   European Development Fund
EDFI  European Development Finance Institutions
EECCA Eastern Europe Caucasus and Central Asia
EIB   European Investment Bank
EU    European Union
GAERC General Affairs and External Relations Council
GPOBA Global Partnership on Output Based Aid
GWP   Global Water Partnership
IFI   International Finance Institutions
IWRM  Integrated Water Resources Management
MDG   Millenium Development Goals
MFI   Multilateral Finance Institutions
MSF   Multistakeholder Forum
NEPAD New Partnership for African Development
NGO   Non Governmental Organisation
NIP   National Indicative Programme
ODA   Official Development Assistance
PPIAF Public Private Infrastructure Advisory Facility
PPP   Public Private Partnership
PRSP  Poverty Reduction Strategy Paper
<table>
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<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>PSP</td>
<td>Private Sector Participation</td>
</tr>
<tr>
<td>RIP</td>
<td>Regional Indicative Programme</td>
</tr>
<tr>
<td>SADC</td>
<td>Southern Africa Development Community</td>
</tr>
<tr>
<td>SWAP</td>
<td>Sector Wide Approach</td>
</tr>
<tr>
<td>TA</td>
<td>Technical Assistance</td>
</tr>
<tr>
<td>WF</td>
<td>Water Facility</td>
</tr>
<tr>
<td>WSSD</td>
<td>World Summit on Sustainable Development</td>
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