

ODI/ONE Private Roundtable: Rethinking the EU's external action budget

14th February 2011, Brussels

Key points:

1. This was the second in a currently planned series of four consultations on the Financial Perspectives 2014-, in London, Brussels, Berlin and Paris. About 30 people participated, incl representatives of 14 Member States.
2. The timetable is already pretty far advanced. The Commission will make proposals on the budget structure within weeks, with subsequent discussion likely to focus on detailed instruments and numbers.
3. No-one expects a significant rise in total spending. There may be a modest increase in the external action budget, mainly to support the External Action Service and the Common Foreign and Security Policy. There will be marginal increases in aid at best.
4. Within the oda budget, much remains to be settled, including the focus and relative size of different instruments, the number and purpose of thematic budget lines, the role of loans and blended finance, and issues to do with transparency and accountability. There is little consensus on these issues.
5. Climate finance is the elephant in the room, with no clear guidance or easy-to-predict outcome.
6. There will be discussion about budgetisation of the EDF, but this is very unlikely to happen before 2020 if at all.
7. It seems clear that the FP discussion is disconnected from the overall aid architecture discussion, and that the comparative advantage and role of the EU are not major factors in the FP negotiation.

1. EDCSP are organizing a series of private roundtables with key officials, politicians and stakeholders to discuss the EU's next multi-annual budget framework, the Financial Perspectives post-2013. The first took place at ODI on 5th October 2010 and focused on the UK's priorities for the upcoming negotiations. The second was held in Brussels, in collaboration with ONE, and had a broader European focus, with officials representing 14 Member States as well as Commission officials, academics and NGOs. In the following weeks, similar events will take place in Berlin and Paris.

2. Simon opened the event by welcoming everybody and providing some context to the event and the issue. He highlighted an overarching strategic issue about aid architecture. At present, EC aid (i.e. ODA delivered through Brussels) amounted to about € 10bn p.a., or 20% of the EU total. If Member States were to meet their overall ODA targets (0.7% of GNI by 2015 for the EU-15 and 0.33% for the EU-12), then ODA overall would double. If the EC were to maintain its market share, then its expenditure, divided between the EDF and the budget, would also have to double, and continue increasing throughout the FP period.
3. Eloise Todd, Director of ONE's Brussels office, outlined the ONE 'red lines' for the next Financial Perspectives, including increasing ODA levels, policy coherence for development, ensuring transparency, increasing flexibility within the budget, and more support for catalytic sectors. Challenges include the political context, the scarcity of information and the relationship between development and the European External Action Service (EEAS).
4. Participants introduced themselves and summarised their priorities. A number of Member States, including the Netherlands, Ireland, Portugal and Germany had written responses to the Commission's consultation on the external actions instruments. Latvia, Lithuania, Estonia, Denmark and Finland had written a joint letter. Almost all Member States were still discussing their positions internally. Those who had publicly outlined their views agreed to circulate to the group with Eloise acting as a focal point.
5. Mikaela gave a brief presentation looking at how development had fared in the current Financial Perspectives, what the Commission was proposing post-2013, and the key challenges for development cooperation. Challenges included:
 - a. The relative size of Heading 4 and, in particular, of the development budget;
 - b. Identifying the right priorities for external action and designing the instrument to reflect those priorities;
 - c. Rethinking priorities and assistance towards the BRICs, creating an instrument for strategic partnerships, and the potential to use blending mechanisms in order to free up more grants for LDCs;
 - d. Dealing with climate finance, either through a separate instrument or through mainstreaming, or through direct contributions from the Member States to the World Bank or UN Fund;
 - e. Focusing the budget on thematic or geographic programmes and rationalising the number of instruments;

- f. Considering separating instruments that were ODA-eligible and those that were not and setting a minimum and maximum share of the external actions budget that had to meet the DAC ODA criteria;
 - g. Financing foreign policy through the CFSP and the Instrument for Stability and the implications of increasing funding for these instruments;
 - h. Considering moving pre-accession to Heading 1 (structural and cohesion funds);
 - i. Ensuring flexibility by increasing margins or reserves or creating a flexibility margin within each instrument;
 - j. Budgetising the EDF.
6. The discussion focused on:
- a. The size of the external actions budget, relative to other areas of spending, as well as in relation to international commitments of reaching the 0.7% target and the EU's credibility in international fora;
 - b. EU added value and its different interpretations;
 - c. The extension of the ODA criteria;
 - d. Development as a soft power tool of the EU;
 - e. Differentiation, in particular towards the BRICS and prioritisation of poorest countries versus the neighbourhood, including the question of whether the EU provide assistance to people or countries;
 - f. EDF budgetisation, which seems unlikely until 2020, but which will still be a key negotiating issue;
 - g. The use of blending;
 - h. Conditionality and incentivisation;
 - i. The importance of thematic programmes as a response to global challenges, the importance of geographical programmes to ensure ownership, but also the need to ensure flexibility through not over-specifying programmes;
 - j. The importance of translating the principles in the Lisbon Treaty into primary objectives for EU external action;
 - k. The challenge posed by the EEAS dealing, in terms of aid diversion to foreign policy objectives;
 - l. Climate finance versus development finance;
 - m. Other actors in delivery, in particular the private sector.
7. The group agreed that the size of the overall EU budget was unlikely to increase, but that potentially, the share of the budget going to external issues might increase, and within that development cooperation (although not significantly). There was also agreement that the case needs to be made for increasing development assistance, and

in particular EU development assistance, as well as the benefits of working through the EU. Of course, whether the share of the EU budget going to development cooperation will be increased will also depend on the definition of ODA, whether the EDF is budgetised, how the new EEAS is financed and how climate finance is managed.

8. In terms of the calendar, the Commission has just completed a public consultation and will be proposing a budget package in June with legislative proposals on the different sectors to follow in December. However, discussions within the Commission, Parliament and Council are already underway and options for budget restructuring are already being decided on within the Commission. The 'details', however, are more open for influence, such as the design of the external action instruments.
9. Simon closed the meeting by summarising the discussion:
 - a. *What we agree on:* The overall EU budget is unlikely to increase but the external share may slightly increase; the 0.7%/0.33% ODA targets remain an aspiration; we need an impact/effectiveness study on EU aid; and managing EU climate finance needs to be prioritized.
 - b. *What we cannot agree on:* Budgetisation of the EDF; which countries should be prioritised for assistance; the number and type of instruments, whether thematic or geographic; and contractuality and mutual accountability.
 - c. *Key issues for the FP negotiations:* Transparency; sectors; making the case; priorities; budgetisation of the EDF; relations with the EEAS; policy coherence for development; priority countries/MICs; gender and human rights; universality or presence; balancing means and ends; role of the EU; overall ODA budget; time pressure; climate finance; politicisation of aid; and blending.
 - d. *Issues for the next 6 weeks:* Make the case; climate finance; more information
 - e. *Issues for the next 6 months:* Policy coherence work progress, instruments design.

SM/MG/EC

February 2011