



Policy Recommendations

'EU Policy Perspectives' seminar series
Clingendael European Studies programme (CESP)

The EU as a global player: Financing EU's ambitions for 2014-2020

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In the light of the upcoming negotiations on EU's Financial Perspectives, the Clingendael Institute hosted on the 2-3 December 2010 a timely seminar on 'The EU as a Global Player: Financing EU's ambitions for 2014-2020'. Taking place under Chatham rule, contributions were made by all actors in the field; national and European officials, academics and NGOs. This report summarises the main discussions and puts forward some policy recommendations for future negotiations on Heading IV.

1. Revising Heading IV "the EU as a global player"

While the present crisis will not be propitious to any increase of the EU budget, participants to the seminar agreed that some transfers from other headings could benefit Heading IV.²

One of the first issue to be debated was *the budgetisation of the EDF*. There was a general consensus that European Parliament scrutiny over the EDF would bring more democratic legitimacy and coherence to the EU policy vis-à-vis ACP countries. It would also provide more flexibility to EU external action. However some participants pointed out the risk that other parts of Heading IV would be constrained, leading to an overall decrease of the budget for EU external action. Besides this, it would diminish some Member States' contribution and consequently increase others. Net receivers of the budget would have to pay more and thus are less inclined to budgetise the EDF.

A second discussion focused on *internal policies with an external dimension* such as migration or climate change. Justice and Home Affairs (JHA) has for instance no external budget line. However readmission agreements and JHA-related aid are increasingly becoming part of EU external action. Similarly climate change policy has both an internal and external dimensions that influences its priorities and instruments. The EU committed for instance to pay €7,2 billion appropriations over the next three years to third countries as a result of the Copenhagen Summit. The participants discussed whether there was a need to create new instruments for those internal policies with an external dimension. There was no agreement on whether those should be separate instruments or thematic ones, nor on whether it would be possible to integrate such a large amount of money within Heading IV, as for instance with climate change.

¹ The authors would like to thank Karine Sohet for her contribution.

² Wolff, S. and A. Mijs (2010), 'The EU as Global Player: Financing EU's Ambitions for 2014-2020', Clingendael CESP Paper, 29 November 2010.

Overall, the participants were cautious about the adaptation of new competences and/or new instruments to Heading IV. The reason thereof is the possibility of a decrease of an already small Heading IV. Instead the debate focused on how to couple instruments and to blend different financial instruments.

2. Priorities of EU external action

Traditionally, negotiations on the Financial Perspectives start with discussions on the Common Agricultural Policy or the Structural Funds, relegating Heading IV as the last element of the bargain. Besides moving it to the forefront of the debate, this seminar shed some light on the need to discuss the priorities of EU's external action first and developing them into concrete proposals for a new Heading IV.

All the participants agreed that *the fight against poverty*, as described in the Lisbon Treaty, should remain the *EU's number one priority*.

The second priority that was highlighted is the EU's neighbourhood. Since so far reform in the East and the South has been a difficult process, it was suggested that new incentives should be proposed to our neighbours. To stimulate growth in the more projects to streamline the level of wealth should be set up. Also such projects should team up with the four financial institutions (EBRD, EIB, World Bank and IMF³). Tools like visa liberalisation provide incentives to bring about (democratic) reform in these countries. Given that many countries like Ukraine or Turkey will not be considered as developing countries by 2020 anymore, it is also useful to take into account that their interests are likely to shift. EU financial instruments need to be flexible and adaptable to those considerations

Thirdly, the EU should rethink its priorities vis-à-vis the BRICS. The BRICS want to be recognised as equal partners and are starting to contest EU representation in international organisations. With this in mind it will become more difficult to explain to European citizens why for instance China or Latin American countries receive EU development aid. Non-ODA tools such as political dialogue, trade, education, visa and people-to-people contact would have much more leverage. At the same time though, this should not be at the cost of EU and Member State ODA-levels, that need to stick to the 0,7% GNI. Plus, the fight against poverty remains a priority in countries where there is a large Gini gap.⁴ The blending of grants and loans was therefore considered very helpful for it would also keep in mind the type of projects that would be carried out with these funds. The BRICS are essential in the debate about Global Public Goods, the best example being climate change mitigation. Projects could focus for instance on sustainable development.

Fourthly, the re-conceptualisation of the priorities of EU external action needs to be put in the perspective of *the division of labour*. The issue of EU added value versus that of the Member States and vice versa was raised. At the moment the EU is represented in 136 countries and it is not clear whether the aid it delivers is always efficient. It is about avoiding duplication with Member States' projects while respecting the principles set by the Accra agenda. Some participants suggested a specialization, with a focus on only some regions/countries where the EU and/or the Member States can make a difference. The same applies for coordination with

³ Respectively the European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), and International Monetary Fund (IMF).

⁴ The Gini coefficient indicates wealth distribution (within a particular country).

international organisations such as the United Nations Development Fund (UNDP). The role of the European External Action Service (EEAS) will be crucial in that matter. So far, some EC delegations represented an envelope of money for third countries. Strategic issues and foreign policy would be taken to the embassies of the Member States. The new EEAS delegations could focus for instance on their political role while some other delegations could focus on specific topics where the EU can make a difference, like in sustainable development.

Last but not least, *EU external action and its instruments should be flexible*. Political will is needed to provide more flexibility for EU instruments. Such flexibility can be reflected across the different headings, depending on the Member States' willingness to transfer funds to Heading IV or by setting up reserves. Being more flexible might also lead to more effective conditionality in the allocation of funds and therefore extra leverage over the donor countries. It would also help the EU to activate reserve funds in case of emergency situations.

3. Options for alternative Heading IV budgets

Following the discussion on priorities the participants brainstormed on possible new pies for Heading IV. Some similarities and differences between two parallel workshops emerged and are presented below. The two pie charts from workshops A and B that came out can be found in Annex I.

3.1 Similarities

- There was agreement in both groups *not* to budgetise the EDF for reasons mentioned above.
- Besides this, participants agreed to reserve a margin of 5% of flexibility within each instrument. One group also suggested that non-used appropriations could be transferred to other instruments.
- Furthermore, there was a consensus to combine the current Instrument for Stability (IfS) and the Common Foreign and Security Policy (CFSP) into one new instrument under responsibility of the EEAS. Streamlining the procedures and decision-making process in security related areas could pose a challenge however.
- Following the discussion above, the BRICS should be treated as equal 'business' partners. Both groups aligned this issue closely with the discussion about Global Public Goods. Some argued that they should be targeted with non-ODA tools, and that the blending of loans and grants would be a major modality of financing under that instrument, in particular with regard to climate change mitigation. One group also wanted to gradually phase out the BRICS and MICs (Middle-Income Countries) out of the Development Cooperation Instrument (DCI).
- Lastly, the participants have not created a separate instrument for climate change. Some argued that it should however be mainstreamed in geographic instruments and others mentioned a Climate Change Facility outside Heading IV. Certain participants were in favour of a direct contribution from the Member States to a UN fund.

3.2 Differences

- One major divergent opinion between the two groups was the EIDHR (Instrument for Democracy and Human Rights). One group wanted to integrate the instrument horizontally into geographic programmes, and especially into the Country Strategy Partners. Others however wanted to keep this instrument separate and increase it consequently.
- Another difference was how the ENPI and IPA should be dealt with. One group argued that IPA should become part of the Heading I, and thus be considered as structural and cohesion funds. In the other group they wanted an increase in ENPI funds for reasons mentioned above.

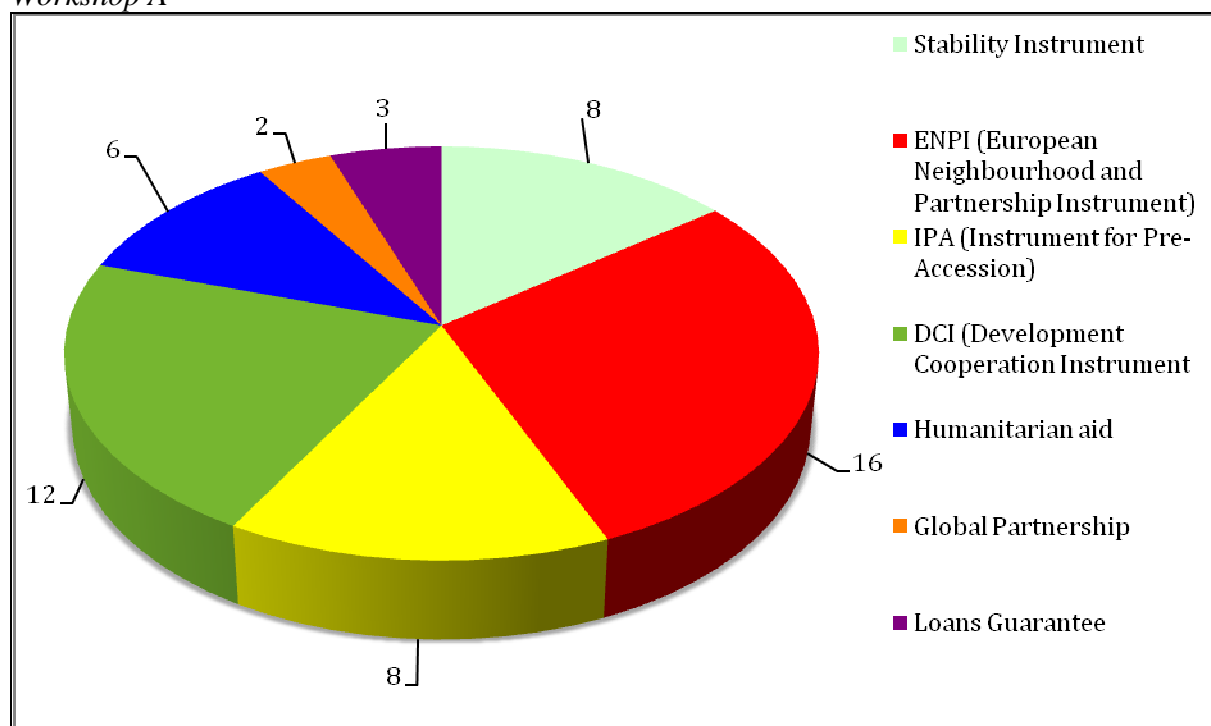
4. Recommendations for future negotiations

In the previous chapters different policy and geographical fields have been discussed and solutions have been provided. The recommendations beneath provide highly important issues that should lead the debate in the right direction.

- 1. The status of the BRICS has changed dramatically in recent years. They are essential players in the field of global public goods. The EU should adjust its external action policy priorities and instruments accordingly.*
- 2. Flexibility is necessary to provide adequate funds in a quick and efficient way.*
- 3. Division of labour must be debated upon in a broader framework. It should be a division in terms of policy fields, players, and should also have a geographical scope. The new EEAS delegations will play a crucial role in that respect.*
- 4. Blending of loans and grants can leverage more funds for development. Thereby it can focus on specific sectors and/or policy areas such as sustainable development.*
- 5. The EU should look for new and alternative tools towards it's neighbourhood to bring about (democratic) reform. Visas or trade can provide strong leverage.*
- 6. The EU should have an instrument devoted to conflict/crisis management, for instance by mixing the instrument for stability and the CFSP line.*

5. Annex I

Workshop A



Workshop B

