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Directorate-General for Development and Cooperation – Europeaid
Directorate-General Economic and Financial Affairs
Directorate-General Enlargement

The General Directors

Brussels, **26 OCT. 2012**

Mr Klaus Welle
Secretary-General
European Parliament

Mr Uwe Corsepius
Secretary-General
Council

Subject: EU Platform for Blending in External Cooperation

Dear Mr Welle, Dear Mr Corsepius,

In accordance with Decision No. 1080/2011/EU of the European Parliament and of the Council of 25 October 2011 on the EU guarantee for European Investment Bank (EIB) external lending, the Council and the European Parliament requested the Commission to study and subsequently report upon, the development of an "EU Platform for External Cooperation and Development" with a view to optimising the functioning of mechanisms for the blending of grants and loans in the field of external action. This letter together with its attachment represent the report of the Commission.

Work of the Group of Experts

In 2011, the Commission created and chaired a Group of Experts (GoE) comprising EU Member States, the European External Action Service (EEAS), the EIB, and the European Parliament (as an observer), which has assessed the costs and benefits of establishing the Platform.

The attached Group of Experts final Conclusions Paper is the product of extensive exchanges among the members of this Group of Experts including during five meetings held in Brussels between November 2011 and May 2012. These reflections were enriched by several consultations held with bilateral and multilateral financial institutions and consultations with other stakeholders, notably Civil Society Organisations, beneficiary countries and private sector representatives.

In its conclusions, the Group of Experts unanimously recommends that the EU Platform should be established and should aim to start working in 2012.

Name, Objectives, Scope and Main Tasks of the EU Platform

The Commission agrees fully with the objectives, scope and main tasks as set out in detail in the attached conclusions of the Group of Experts.

There is a wide consensus among the Group of Experts members that the Platform name provisionally proposed in the above Decision, "EU Platform for External Cooperation and Development", is too broad in view of its scope and may therefore lead to misunderstandings. The Commission therefore foresees a name that better reflects the focus of the Platform, namely "*EU Platform for Blending in External Cooperation*" (EUBEC).

The overall objective of the Platform will be to improve the quality and efficiency of EU development and external cooperation blending mechanisms, taking due account of the policy frameworks that govern the EU relations with the different partner countries, notably EU Development, Neighbourhood and Enlargement policies. This includes promoting cooperation and coordination between the EU, EIB and other relevant financial institutions (FIs) and other stakeholders, thereby increasing the impact and visibility of EU external cooperation.

As for scope, the Platform should deal with all regions of the world where the EU is engaged in external cooperation and development. The Platform should have an advisory role only, aiming to provide guidance and recommendations for the harmonisation of key principles regarding blending activities whilst allowing for differentiation by sectors and regions. The Platform should focus on sectors where financial instruments can be most usefully deployed, within and across geographical regions. The Platform should also help to strengthen coherence of blending activities with EU policies.

The Platform should analyse and provide guidance on sectoral issues having a cross-regional dimension and on the development of innovative financial instruments in the external field. The guiding principle would be to focus on EU policy priorities where value added and impact are highest, including in areas of market failure. The Platform should also provide guidance on how to ensure sufficient flexibility in diverse situations such as working with private sector in development, or addressing global challenges such as climate change and economic crises.

A first set of main tasks of the Platform should be to provide guidance to existing blending mechanisms and financial instruments, in order to increase impact and coherence with EU policies and to reduce transaction costs. Second there are tasks linked to common principles, streamlining of agreements, and promotion of cooperation and coordination between the EU, EIB, other financial institutions and other stakeholders. Third there is a range of tasks linked to the development of new financial instruments.

The Platform should engage, in one form or another, all relevant actors in the field of blending in external cooperation. The Platform should be slim and pragmatic. It would be established as a Commission Group of Experts, respecting the rules governing such groups. This approach is aimed at getting the Platform working already in 2012, in order to be able to give relevant guidance regarding the use of financial instruments outside the EU under the new EU financial framework 2014-2020.

Platform Outputs, Structure and Participation

The Commission generally agrees with the outputs, structure and participation as proposed by the Group of Experts and as set out in the attached Conclusions Paper.

Structure

The Platform will not replace the existing blending mechanisms or duplicate existing decision-making structures. Where formal or legal decisions are deemed necessary, it will make recommendations to the appropriate decision-making structures. It will produce recommendations and guidance, directed notably at the governing structures of existing blending mechanisms and at the Platform members. In terms of accountability, the Commission intends to report to the European Parliament and the Council at least annually on the work of the Platform.

The Platform should be composed of two groups: a Policy Group and a Technical Group. The Policy Group (PG) is to be formed of the Commission, EEAS and Member States, with the European Parliament as observer. The PG may invite, as appropriate, further observers to these meetings.

The Policy Group shall provide guidance, informed by the work of a Technical Group (TG) made up of the Commission, the EIB, bilateral and multilateral European financial institutions as members, and other financial institutions that participate in the existing EU blending mechanisms as observers. The TG shall work on topics according to an established work plan. The progress reports or results of TG sessions are presented to the PG for discussion and possible endorsement.

The PG could also meet with TG members in an extended formation. Ad hoc consultation of other stakeholders (notably Civil Society Organisations, beneficiary countries, private sector representatives, or other relevant financial institutions) should take place as necessary, upon request by the PG or upon Commission initiative.

A Commission staffed secretariat will ensure the coordination of sessions of the different groups under the Platform, possibly assisted by staff from the EIB and other participating financial institutions. Occasional conferences with a wide group of stakeholders could also be scheduled as appropriate, which could be used to promote visibility and transparency of the work and results of this EU initiative.

The Commission should formally chair both the Policy Group and the Technical Group. However, the Commission is ready to exploit the possibility to appoint a Member State to chair a PG meeting on ad hoc basis. In the same logic as for the PG, the Commission welcomes a chance to nominate on an ad hoc basis the EIB or another European financial institution to chair TG sessions, for instance when a topic is within its core area of expertise. The Commission is eager to stimulate the financial institutions' ambition and willingness to drive forward specific topics.

Participation

On participation in the Policy Group, the Commission is of the opinion that a formal separation between both groups, with all financial institutions participating in the Technical Group, is necessary. Member States should also be represented in the PG by government officials and not by staff of their bilateral financial institutions. The

Commission also fully supports the conclusions of the GoE, which foresee that the PG may invite, as appropriate, further observers to its meetings, as well as the possibility for the PG to meet with TG members in an extended formation, for instance for an exchange on technical proposals worked out by the TG.

The Commission strongly supports an active role of all financial institutions participating in EU blending facilities in the proposed EU Platform. Sharing experience and technical expertise is key in further developing and improving the EU approach to blending. We therefore need a structure that effectively encourages, promotes and facilitates all relevant financial institutions to make a significant contribution in terms of their expertise and resources to further the objectives of this Platform.

Platform establishment

As already highlighted above, the quicker the Platform can be established to carry out its foreseen tasks, the greater is its potential role in providing guidance to the existing blending mechanisms and financial instruments and in assisting to the design of new ones in the next MFF.

The Commission fully agrees with the large consensus among Group of Experts participants to start with the work of the EU Platform as soon as possible, and would therefore like the establishment process to move forward quickly. This can be achieved by setting up the Platform as a Commission Group of Experts without additional legal structures being required.

In this context, we would like you to indicate whether you have any objection to the above approach as proposed by the Commission. At the same time we would like to invite Member States and the European Parliament for the first session of the Policy Group which is provisionally planned for 14 December 2012.

Yours sincerely,



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DG DEVCO

Marco BUTI
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Stefano SANNINO
Director-General
DG ELARG

In absence of the Director-General
Joost Korte
Deputy Director-General

Enclosure: Conclusions Paper of the Group of Experts

Cc: David O'Sullivan (European External Action Service)