Background Paper on the post 2020 Debate and its implications for OCTs

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Author: Jean-Michel Salmon

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ICE on behalf of the European Commission

ICE - International Consulting Expertise
150, Chaussée de La Hulpe
B-1170, Brussels, Belgium

Tel: +32.2.792.49.05
Fax: +32.2.792.49.06
www.ice-org.eu

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Foreword

This document is the Final version of the Background Paper (BP) on the post 2020 debate and its implications for OCTs.

It is built on the previous circulated versions, i.e. the Advanced Draft as of mid-January 2018, and the Draft Final version as of end March 2018, and benefits from the stakeholders comments made inter alia through the validation workshop as of April 4th 2018.

Its structure roughly remains under the provisory outline (table of contents) presented during the inception phase and amended soon after (December 2017 – January 2018).

Its first part provides for an in-depth review of the available documentation on the post 2020 debate through six main themes to be covered as per the mission ToRs and BP agreed outline. Each of these six themes is successively presented together with its at-first-sight derived ‘individual’ implications for OCTs. Its contents have been slightly updated with the addition of more recently released documents on the EU Multiannual Financial Framework (MFF – the second theme of this reviewing exercise), namely the communication of the Commission dated February 14th 2018 on a new MFF, followed by the joint Letter of President Juncker and Commissioner Oettinger to their colleagues as of 1st of March 2018 on the first MFF orientations as presently viewed by the Commission. The latter incorporates some important step forward with regards to the future EU financial support to OCTs.

The BP second part starts with the presentation of the main implications of the post 2020 debate for the OCTs, based on a structured desk analysis of the OCT-EU relation – past, present and future – followed by the stakeholders’ views on the same (OCTs, Members States with which they have a special relationship, the European Commission and European Parliament). It then derives OCTs’ possible strategic priorities for the post 2020 framework. Finally some insights are provided into the post 2020 OCTs-EU relationship negotiations process.
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List of acronyms

ACP  Africa, Caribbean, Pacific
BP   Background Paper
BRICs Brazil, Russia, India, China
BVI  British Virgin Islands
CAP  Common Agricultural Policy
CETA Comprehensive Economic and Trade Agreement (Canada-UE)
EAGF European Agricultural Guarantee Fund
EBA  Everything But Arms
EC   European Commission
EDF  European Development Fund
EFIs External Financial Instruments
EP   European Parliament
ERDF European Regional Development Fund
ESF  European Social Fund
EU   European Union
GDP  Gross Domestic Product
GSP  Generalized System of Preferences
HQs  Headquarters
JPP  Joint Position Paper
LDC  Least Developed Countries
MEP  Member of European Parliament
MFF  Multiannual Financial Framework
MS   Member States
MTR  Mid-term review
OAD  Overseas Association Decision
OCTs Overseas Countries and Territories
OCTA Overseas Countries and Territories Association
OECS Organization of Eastern Caribbean States
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<td>ORs</td>
<td>Outermost Regions</td>
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<td>POSEI</td>
<td>Programme d’options spécifiques pour l’éloignement et l’insularité</td>
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<td>SPD</td>
<td>Single Programming Document</td>
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<td>TA</td>
<td>Technical Assistance</td>
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<td>TCI</td>
<td>Turks and Caicos Islands</td>
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<td>Treaty on the Functioning of the European Union</td>
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<td>Technical Working Group</td>
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<td>UNFCCC</td>
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EXECUTIVE SUMMARY

The post 2020 debate relates to a potentially largely renewed set of EU policies and corresponding instruments, in the context marked by the Brexit and some significant change in the global order. This report takes stock, on mid-March 2018, of the most relevant elements of the post 2020 debate (Part One; under a total of six themes) and provides insights into their potential implications and the possible responses to be proposed for the OCTs-EU partnership (Part Two).

1. Under the UN Framework Convention on Climate Change (UNFCCC) opened for signature in Rio de Janeiro on June 1992, the year 2015 saw the adoption of the set of Sustainable Development Goals (SDGs), of the Addis Ababa Action Agenda (AAAA), and signature of the Paris Agreement. The Green Climate Fund (GCF) is the new global fund created to support the efforts of developing countries to respond to the challenge of climate change. The European Commission has been instrumental in shaping this global Agenda, and sustainable development has been mainstreamed into the Europe 2020 strategy (for a smart, sustainable and inclusive growth). More recently, the European Commission underlined that the 2030 Agenda and SDGs are an anchor of EU policy both internally and externally. This could lead to some new way of building the EU budget, in terms of budget Headings and sub-headings.

The UN framework on SDGs and Climate Change is not any longer related to developing countries only, but concerns all human societies including developed countries. This is in line with OCTs having long been insisting on putting the focus of their cooperation with the EU on some enlarged sustainable development issues such as greening the economy, innovation or blue economy, supposedly more appropriate to their more developed country status. With the European Commission ambitioning to be a frontrunner in implementing the 2030 Agenda, OCTs (alongside ORs) could be viewed as showcases of the EU capacity to deliver SDGs and fight against climate change in the particular context of small remote tropical islands under the territory of EU Member States.

2. The European Commission white paper on the Future of EU27 by 2025 distinguishes five scenarios: (i) Carrying On; (ii) Nothing but the Single Market (Doing Less Together); (iii) Those Who Want More Do This (Some do more); (iv) Doing Less More Efficiently (Radical redesign); where the EU focuses on some core policies that become more integrated, (v) Doing Much More Together. The European Commission also published on 2017 five reflection papers related to the social dimension of Europe, harnessing globalization, deepening the Economic and Monetary Union, European Defence, and finally the Future of EU Finances.

The current Multiannual Financial Framework (MFF) amounts to just under 1.1 trillion € (around 1% of the EU28 GNI) for a seven years period (2014-2020). In addition to the MFF, some specific financial instruments are established, including the European Development Fund (EDF) for the cooperation between the EU and the ACP countries, which is funded outside the budget.

The European Commission is in the view that simpler and more flexible EU financial rules are needed in face of changing and unexpected circumstances. The boundaries between external and internal policies are increasingly blurred by recent events (terrorism, migration surges). In this context, the European Commission envisages to establish EU Trust funds also
for actions within the EU Territory, for emergency, post-emergency or thematic actions. It also emphasizes the need for allowing the application of only one set of rules to hybrid actions or in the case of combination of measures or instruments, with a view to avoiding the application of different rules and procedures.

The negotiations of the next MFF are due start now, with the general figures to be agreed in May 2nd, 2018 and the legislative proposals to implement it soon after. External action is expected to take a higher share of the future EU budget, and the numerous External Financial Instruments (EFIs), which include the Instrument for Greenland, could be rationalized under a reduced number, if not into a single global fund.

The different scenarios for the future of the EU have potential implications on the possibility or not to maintain the overall financial envelope the EU is using to support the OCTs’ development and the way it is implemented. In a post Brexit context (see below), the full re-nationalization of this support (locating it back exclusively within interested EU Member States’ remit, i.e. Denmark, France, Netherlands) would run contrary to the OAD which has no end date. There is uncertainty concerning the future of EDF: will it be budgetised or not, and merged or not within a bigger instrument? Against this backdrop, the establishment of a new stand-alone EU financial instrument is a further option to support OCTs sustainable development (see below), already discussed long ago (back in the late 90’s). This option has drawn the attention of European Commission President Juncker and Commissioner Oettinger in their recent Letter to their colleagues (as of March 1st, 2018). Lastly, EU Trust funds could provide for a useful vehicle aims to maintain UK financial support to OCTs, and/or to allow other donors to contribute, possibly under a thematic approach. It would also allow the using of a single set of rules in case different EU instruments (for OCTs, for ORs and/or for ACP countries or other countries) are jointly used.

3. In the November 2016 joint communication on “A renewed partnership with the countries of Africa the Caribbean and the Pacific”, the European Commission and the EEAS have been careful to separate the issue of the partnership with that of its financing, i.e. the perspectives on the EDF, which was not dealt with in this document. The Cotonou Partnership Agreement (CPA) expires in February 2020. Negotiations between the parties for their post 2020 relations have to start no later than 1st September 2018. The joint communication provides for a preferred option which takes the form of one “umbrella agreement” at the All-ACP level, accompanied by three regional “pillars” (protocols), dedicated respectively to Africa, the Caribbean and the Pacific, which would remain open to other countries. The draft negotiations mandate as proposed by European Commission on December 12th, 2017 enshrines this approach, calling for regional “compacts” and for the “close” or “special” links with the Outermost regions and/or the OCTs The effective degree of devolution to the regional sides that the new partnership will bring is yet to be known: it could be either limited (the ‘conservative scenario’) or, conversely, decisive. The ACP position calls for a substantial move with the revision of the Georgetown Agreement, the constitutive Act of the ACP Group, as it aims to provide for formally structured relations with regional and continental groupings, provided this does not diminish the integrity and solidarity of the ACP as a group.

In this context, OCTs should look at their possible integration within the future legal arrangements, both at the ACP-EU Agreement level and at the level of the revised Georgetown Agreement establishing the ACP Group. This move towards a well-established ACP-EU institutional new framework for interested OCTs could be considered hand in hand
with some innovative financial instruments, with a view to substantially easing the programming of common projects.

As for the funding of regional cooperation initiatives comprising of ACP States, ORs and OCTs (and even beyond, to other neighbouring countries, according to the principle of “outreach”), some innovative mechanism attached to the future ACP-EU Agreement could be envisaged, aims to decompartmentalize existing separate EU funds (ACP EDF, OCT EDF, ERDF for ORs, etc.). Such a mechanism would preferably come with its single and simple own regulation, possibly under a Trust Fund approach, or else, at least making the most of the flexibilities brought by the “external receipts” principle and the “passerelle clauses”, both usually attached to the EU programmes or projects.

4. **Multilateralism** has been somewhat weakened recently, with the rise of emerging countries, mainly under the BRICs, which are seeking more boldly global leadership. Meanwhile the EU is pursuing its agenda of negotiating/revising its FTAs with many parts of the world, which continues to potentially impact OCTs’ interests, as in the case of Saint-Pierre and Miquelon with the CETA. In this context, developing countries are seeking their own paths to development and international cooperation, and can choose among many more partners. In the global fora, the pendulum has somewhat moved towards the upper middle-income countries (UMICs), which can be said to be both EU allies - necessary partners on, say, climate change, global financial stability and for a safer world - and EU competitors in the world markets.

In addition to ensure that the European Commission is taking good care of their interests in its FTA negotiations, **OCTs**, without losing in any way the advantages of their special relationship with the EU, might envisage to initiate or to enhance their dialogue with the relevant emerging powers, especially with regard to the regional dimension of their sustainable development.

5. The **Brexit process** has huge financial implications: the UK is a net contributor to the EU budget, with a net contribution 8.6 billion £ in 2016. Maintaining the same amount in absolute terms for the post 2020 EU budget would require the EU27 MS to compensate for the net lost. This annual gap of around € 10-12 billion is roughly equivalent of 0.1% of the EU27 GNI. If they do not, then some painful zero-sum games will have to be played by EU decision-makers in the future MFF: where to increase, to protect from cuts, have proportional cuts (related to the lost UK net contribution) or disproportionate cuts (e.g. larger than the net loss). The Brexit will also have obvious substantial dynamic effects on the balance of power within EU institutions, especially at the Council level. It is of course much too early to shape the contours of the future EU-UK partnership. In particular, the UK would have the option to abound to any future ACP-EU cooperation financial instrument (or budget line within a larger EFI), and thus maintain its ‘EU way’ of supporting ACP countries – provided the EU is in favour of this - or conversely to fully re-nationalize this support on its side. Using the “external receipts” budget principle, the former choice (still going a joint EU-UK route) could be implemented whatever form the future EU financial instrument takes, be it budgetised or not. Similarly, some common UE-UK financial ad hoc instrument could be decided on, possibly through a Trust fund for the ACP-EU-UK cooperation at the all ACP level and/or, possibly, at the level of the regional compacts.

**UK OCTs**, or UKOTs, have a lot to lose with the Brexit, in terms of the many advantages they derive from their special relationship with the EU. Among these the most obvious are the
free access to the EU market for their goods and services, the EU financial support under the OCT-EDF, time-limited movement or permanent residency right across the EU. It is hard to foresee how the UK will replicate the above-mentioned advantages of the OCT-EU partnership through a return to a national approach.

6. There are at present nine EU Outermost Regions (ORs). The special situation of the ORs has been recognised by the EU for more than 25 years. As integrated regions within the EU territory, they implement EU policies, which means that they respect EU rules and disciplines and, in exchange, benefit from EU funds, including under the agricultural policy as well as under the economic, social and territorial cohesion policy, the two biggest financial ‘pots’ (around 70% together) of the EU budget at present. As for the rules and disciplines, this includes the application of EU common policies as illustrated by the EU trade policy including the Common External Tariff (CET) of the EU Customs Union, which means quasi-free import of goods originating from many countries in the world, as a consequence of the many FTAs signed by the EU, together with the quasi-free imports of EU goods. In addition to their individual envelopes, ORs also benefit from the so called INTERREG programmes under the EU Territorial Cooperation Policy funded through the cohesion policy. All in all, the total EU support to ORs for the 2014-2020 period amounts to around € 13.3 billion, i.e. not far from €400 per inhabitant per year. The European Commission has released a new communication on ORs on late October 2017: “for a stronger and renewed strategic partnership with the EU’s ORs”. Acknowledging that “their development is fragile”, and that their specific characteristics impede their full participation to the EU single market, the Commission states that “there is a clear need to improve efforts” through “a more robust and better tailor-made approach”.

It is often tempting for OCTs to search for inspiration from the specific treatment the ORs benefit from at EU level. However, their different status in EU law cannot be overlooked. OCTs are not subject to EU law (apart from the fourth part of the TFEU and the OAD). It derives from this that they cannot benefit from most EU internal policies, such as the cohesion policy and the agricultural policy. This said, the analysis of some specific characteristics of ORs (remoteness and low accessibility combined with small size) and their consequences for their sustainable development can legitimately be extended to OCTs, as well as to some ACP SIDS. Whereas it is clear enough that the EU response to OCTs challenges cannot be established with the same financial means, at least the same analytical logic should prevail, notably regarding to their limited capacities to access the EU programmes to which they are in principle eligible (i.e. Horizon 2020, LIFE, COSME, Erasmus): exactly like the ORs, OCTs needs some dedicated support in this regard.

The OCT-EU partnership appears to be at crossroads. In the weeks prior to the 2018 OCTA Ministerial Conference and of the 16th OCT-EU Forum, OCTs were on the process of identifying their objectives with a view to speaking under a single unified voice... any scattered response from their side would have much reduced the probability of an appropriate outcome of negotiations and led to a disappointing, if not a dismal, one. Along the way, OCTs strive to maintain alive the spirit of “the same EU family”. The February 2017 Joint position paper (JPP) presented by OCTs and their Member States was a step forward in the right direction. Yet, while being fundamental at the highest political level, it was limited in analysis and too general for setting concrete negotiations objectives. In its 2016 Resolution on the future of ACP-EU relations beyond 2020, the European Parliament called for “the introduction of a dedicated instrument for all OCTs which is in keeping with their
special status and their membership of the European family”, as well as “closer cooperation between ACP countries and OCTs, with a view to fostering inclusive and sustainable development in their respective regions and integrating OCTs more fully into their regional environments”.

The visible consensus on the substantial progress made by the OCT-EU relationship under the present 2014-2020 framework (with the new OAD), could lead either to a defensive strategy for the post 2020 period, or to an offensive one, depending on where the emphasis was put: preserving the acquis (together with better seizing the many available opportunities under OAD), or further built on it, to attain a better outcome. The latter ambition would be based on the large assets (e.g. oceans, biodiversity) OCTs bring to the EU family, for the management of which they nevertheless have too limited means; also in the view of the contributions OCTs will make in terms of the EU MS commitments at UN level on both SDGs and the fight against climate change.

Given existing scenarios for the EU future/budget including discussions on EDF, and the divergence between EU MS on the financial way forward (with a substantial risk of reduced total EU financial means), one first overarching goal for OCTs would be to secure a renewed financial support from the EU with territorial envelopes at least equivalent in real terms to that of 2014-2020. Under which channel this renewed support would be provided remains uncertain at this stage – a decision tree is used in this paper to shed some more light on the related prospects, distinguishing between the following elements: if the financial support to OCTs is maintained alongside the financial cooperation with the ACP countries, or not (the latter being preferred); if this support is budgetised or not; if so, under a stand-alone instrument or not, etc. Outcomes are classified under a traffic lights approach. Some other objectives are recalled from the analysis made above.
Introduction section

“Europe only moves forward when it is bold”
EC President Juncker, State of the Union Speech, Brussels, 13 September 2017

‘We need a budget to achieve our aims. The budget for us is therefore not an accounting tool, but a means to achieve our political goals.’
EC President Juncker, Conference ‘EU budget focused on results’, Brussels, 22 September 2015

The post 2020 debate relates to a potentially largely renewed set of EU policies and corresponding instruments to attain EU objectives in accordance to EU Treaties. It will coincide with the next EU Multiannual Financial Framework (MFF) which lays down the maximum annual amounts (‘ceilings’) which the EU may spend in different political fields (‘headings’) over a period of at least 5 years. The next MFF is likely to cover the 2021-2028 period. Alongside MFFs also go EU financial instruments established to implement EU policies, both internal and external – some funds, including the European Development Fund (EDF), being established outside the EU budget. Each of these instruments comes with its own regulation. The last two to three years of a MFF are used to prepare the following MFF, with a varying in-depth revision of the instruments and their accompanying regulations, together with the potential negotiations of new ones. 2018 will be a year of acceleration of negotiations and decision, with the next MFF (budget figures) agreed in May and soon after the legislative proposals to implement it.

The preparation of the next MFF is influenced by the ongoing Brexit negotiations, with the UK usually contributing to around 10% of the EU budget (e.g. with a gross contribution of 13.1 billion £ for 2016). Negotiations of the Brexit modalities have started with a view to ending up with a formal exit as of March 2019, with some possible delay.

The post 2020 period also corresponds to the end of the Cotonou Partnership Agreement (CPA) between the Africa, Caribbean and Pacific (ACP) States and the EU, which was signed in 2000, with a duration of 20 years. The ACP-EU relationship has been long established, starting with the Lomé Convention, initiated in 1975 and subsequently continued till 2000, when it was substantially modified under the newly signed CPA. It remained based on two main pillars, i.e. financial cooperation and economic & trade cooperation, to which a third one was added more recently to emphasize democratic governance and the fight against poverty. As for the financial cooperation, ACP countries and regions are supported through the EDF, with national and (increasingly larger over time) regional envelopes. As mentioned above, the EDF is a specific financial instrument within the EU financial framework - for historical reasons, it had been set as an ad hoc fund (outside the EU budget) as from the first Lomé Convention. The CPA expire end 2020, and a new framework for the ACP-EU relationship is under preparation. The old debate relative to the EDF budgetisation has also been revived – the European Parliament recently officially recalled again its long support for such a process.

In addition to these two very important elements of context for the OCTs-EU future relationship, some other international settings should also be considered, since they will also impact on EU policies and the potential cooperation of OCTs with other partners. At UN level, the year 2015 introduced the framework of the SDGs (2015-2030) in replacement of the MDGs (2000-2015), enlarging the scope of both themes and countries concerned. Also
worth taking into account is the UN Framework Convention on Climate Change (UNFCCC) and the Green Climate Fund.

Against this background, OCTs are in a very singular position both vis-à-vis the EU institutional setting and in terms of their international relations, given their special (constitutional) relationship they have with an EU Member State (Denmark, France, Netherlands, or UK).

OCTs are “associated”, not “integrated”, with the EU. This means that most EU policies do not apply to them; only the fourth part of the TFEU (made up of 7 articles – articles 198 to 204) is applicable to them, and this fundamental legal arrangement is further implemented through a Council Decision, namely the OAD: last one as of December 2013, which has no end date.

Whereas some OCTs are much less developed, some other ones have been reaching a high level of development and well-being, based inter alia on the success of their tourism and financial services sectors\(^1\), or else on their exploitation of their natural resources endowment.

Not being an integrated part of the EU, neither are they full independent States. Still, some OCTs are full member of some ACP ‘Regional Organizations’\(^2\), mainly corresponding to some grouping of neighbouring independent states with a specific policy agenda, often including economic and trade integration. The specific neighbourhood of some other OCTs must be also be kept in mind (North and South Atlantic), especially in relation to FTAs under negotiations or signed by the EU (with Canada, MERCOSUR, etc.).

For the same historical reasons, the OCTs-EU cooperation has been following the lines and instruments of the ACP-EU relationship, both in terms of financial cooperation (eligibility to EDF) – and of trade regime.

As for the latter however, from 2008 onwards an important difference has been established. The non-reciprocal openness of the EU market for ACP goods was put to an end, and ACP States were led to opt for the signature of an Economic Partnership Agreement (EPA) with the EU, or to fall back into the GSP treatment\(^3\). As for OCTs, they still benefit from a guaranteed free access to the EU market for their goods and citizens, while keeping a right to protect their own markets according to the EU fundamental law, in accordance to their development needs\(^4\). For OCTs located in the Caribbean and the Pacific, they remain free to join or not the EPA in their region – none of them decided yet to do so, though.

Regarding financial cooperation under EDF, some OCTs benefit from a territorial envelope – depending on their income and development levels - and are all eligible to the so-called regional envelope (together with ‘Reserve B’ and the EIB Investment Facility). Greenland

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\(^1\) Some present a GDP per capita up to € 30 000 to €40 000, thus above the EU average.

\(^2\) E.g. Montserrat is a full MS of both CARICOM and the OECS, alongside Caribbean States. French Polynesia and New Caledonia recently (on mid 2017) became full members of the Pacific Forum, alongside Pacific States. Also worth noting is the associate membership of Anguilla, Bermuda, BVI, Cayman Islands and TCI of CARICOM, and also of Anguilla and BVI of the OECS.

\(^3\) Which means, for ACP Countries belonging to the LDCs grouping, the possibility to remain under a similar non reciprocal open access to the EU market, under the EBA initiative.

\(^4\) These rights are given by the TFEU, respectively Article 200.1 and Article 200.3.
benefits from a separate budget line under the EU budget. Altogether, this amounts to an EU financial support of more than 570 m€\(^5\) for the benefit of the OCTs under EDF11.

OCTs, being ‘associated’ and not ‘integrated’ with the EU, are not part of the EU Territory; still their classic aspiration to be considered as belonging to the same ‘European family’ has been recognised by the EU\(^6\). This has led to the recent decision to acknowledge their eligibility to EU horizontal programmes. In that context, some OCTs like to look towards EU outermost regions as a source of illustration of what specific measures they could also benefit from under their specific relationship with the EU, at least in terms of the spirit of their partnership.

OCTs have long asked for a continued access to EU funding from a dedicated instrument. By the same token, they have raised the European Commission attention that the priority area chosen for the ACP-EU relationship, namely the fight against poverty, was not any more relevant for OCTs, which on average face other challenges, closer to the developed economies status, e.g. greening growth and fighting against climate change, developing the blue economy, etc. These themes are now reflected in UN SDGs (2015-2030) for all countries, while they were not under the former MDGs (2000-2015) UN umbrella – the latter had been established solely for the developing countries.

This emphasis put on “being within the same family” led, as from the new OAD (December 2013), to a new spirit for the OCT-EU relationship, henceforth based on reinforced dialogue on common challenges and opportunities, among which innovation in sectors such as renewable energies, biodiversity. This progress must be consolidated, and even fortified.

Now, in face of the forthcoming post 2020 period, and of the above mentioned ongoing negotiations, challenges faced by OCTs are huge, and need to be looked at very carefully, in order to identify the appropriate answers with a view to building and seizing the right opportunities brought by their relationship with the EU, in relation to their sustainable development and growth needs.

In a jumble the following strategic questions with direct implications for OCTs need to be considered:

- Will the EDF remain a separate EU ad hoc fund or conversely will it be budgeted? If budgeted, will it be merged with other EU external financial instruments (EFIs) into a single EFi?
- Will OCTs still benefit from EU financial support after 2020? Under which instrument? With which financial volumes?
- Can the renewed strategic partnership of the EU with Outermost regions be inspiring the partnership with OCTs? In which ways?
- How could OCTs seize more of the opportunities brought by the 2013 OAD, including with regard to their eligibility to EU programmes?

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\(^5\) 229.5 m€ for the territorial envelopes, 100 m€ for the regional envelope, 21.5 m€ for the Reserve B, 5.0 m€ under the EIB Investment Facility, to which must be added the specific Greenland envelope of 217.8 m€.

\(^6\) The whereas (S) of the OAD reads « (...) Moreover, the solidarity between the Union and the OCTs should be based on their unique relationship and their belonging to the same ‘European family ».
- What is the potential scope, in the post Cotonou context, for establishing regional programmes under a common instrument including OCTs, outermost regions and ACP countries?
- How OCTs will be impacted by the Brexit? Will UK OTs still be members of the OCTs grouping - is the UK prepared to contribute to any future EU funding of the OCT-EU cooperation, even if not being an EU Member State anymore? And if yes, under what kind of modalities or options?

This report is structured in two parts.

The first part is aimed at providing OCTs with clear insights into the international context and the ongoing negotiations for the post 2020 period, their state of play and their possible implications for OCTs.

Under Part Two, some light is shed into the road ahead to the post 2020 OCT-EU relationship. After some stocktaking exercise is made as for the current OCTs-EU relationship (which incorporates stakeholders views on it), the OCTs strategic priorities for the post 2020 are discussed in terms of defensive and offensive interests, together with possible outcomes. Finally insights for the post 2020 OCTs-EU relationships negotiations process are derived.
1. Main Elements of the Post 2020 debate and their implications for OCTs

This first Part of the background paper aims to present and analyse trends and issues related to several fundamental elements of the context within which the post 2020 OCTs-EU partnership has to be considered, with a view to better grasping these elements and finally arriving at a clear understanding of what is mostly at stake for OCTs and how they could make the most of the present discussions.

However, many of these elements and issues are intertwined and not always very easy to disentangle; in other words, the analysis had to make choices - different options were possible. We follow a modified version of the revised outline, as it progressively appeared during the reviewing exercise of the available documentation that this slightly adjusted outline was needed to come to a significantly better table of contents, so as to present the substance under a clearer and much pedagogical order.

The EU seems to be presently confronted with major internal and external challenges of an existential nature, whilst the lines between internal and external action are said to be somewhat blurred. Some consider that fundamental reforms are needed, while some other would rather follow a more conservative approach. There is still a lot of diverging views on the agenda.

Our analysis is presented in six successive sections dedicated respectively to the UN Agenda; the future of the EU and the related EU budget issues; the perspectives on post Cotonou and the EDF, the other regional context of OCTs and the emergence of BRICs, the Brexit and finally the EU partnership with the Outermost Regions.

1.1 The UN landscape on sustainable development goals (SDGs) and fight against climate change (UNFCCC)

1.1.1 State of Play

The UN landscape

The UN Framework on SDGs has been developed alongside the implementation of the UN Framework Convention on Climate Change (UNFCCC), which is the international environmental treaty opened for signature at the Earth Summit in Rio de Janeiro on June 1992. Twenty years later, the UN Conference on Sustainable Development (Rio+20) was organized on June 2012. Parties to the UNFCCC meet annually in COPs, which is the supreme decision-making body of the Convention.

This global process resulted more recently with the adoption of the set of Sustainable Development Goals (SDGs, September 2015), to be built upon the Millennium Development Goals (2000-2015), the adoption of the Addis Ababa Action Agenda (AAAA, July 2015), and the signature of the Paris Agreement during the COP21 (December 2015). The Green Climate Fund (GCF) was established a few years before on 2010.
Box 1: The 2030 Agenda – 17 Sustainable Development Goals for the 2015-2030 period7

Goal 1. End poverty in all its forms everywhere
Goal 2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture
Goal 3. Ensure healthy lives and promote well-being for all at all ages
Goal 4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
Goal 5. Achieve gender equality and empower all women and girls
Goal 6. Ensure availability and sustainable management of water and sanitation for all
Goal 7. Ensure access to affordable, reliable, sustainable and modern energy for all
Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
Goal 9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation
Goal 10. Reduce inequality within and among countries
Goal 11. Make cities and human settlements inclusive, safe, resilient and sustainable
Goal 12. Ensure sustainable consumption and production patterns
Goal 13. Take urgent action to combat climate change and its impacts*
Goal 14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development
Goal 15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss
Goal 16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
Goal 17. Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development8

* Acknowledging that the United Nations Framework Convention on Climate Change is the primary international, intergovernmental forum for negotiating the global response to climate change.


The Green Climate Fund (GCF)9 is the new global fund created to support the efforts of developing countries to respond to the challenge of climate change.

It was set up by the 194 countries who are parties to the United Nations Framework Convention on Climate Change (UNFCCC) in 2010, as part of the Convention’s financial mechanism. It aims to deliver equal amounts of funding to mitigation and adaptation, while being guided by the Convention’s principles and provisions.

The Fund has established a direct access modality so that national and sub-national organisations can receive funding directly, rather than only via international intermediaries. To achieve maximum impact, the GCF seeks to catalyse funds, multiplying the effect of its initial financing by opening markets to new investments (following the leverage principle). The Fund’s investments can be in the form of grants, loans, equity or guarantees. It will pay particular attention to the needs of societies that are highly vulnerable to the effects of climate change.

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7 UN Resolution A/RES/70/1
8 Goal 17 includes financing, technology, capacity building, policy and institutional coherence, multi-stakeholder partnerships, data monitoring and accountability.
9 [http://www.greenclimate.fund](http://www.greenclimate.fund)
climate change, in particular Least Developed Countries (LDCs), Small Island Developing States (SIDS), and African States.

The GCF launched its initial resource mobilization in 2014, and rapidly gathered pledges worth USD 10.3 billion. These funds come mainly from developed countries, but also from some emerging countries, regions, and one city (Paris). A total amount of $ 2.2 billion for 43 projects had been approved as of May 2017 (46th session of the Subsidiary Body for Implementation10).

According to the UN, the Addis Ababa Action Agenda (AAAA), adopted on July 2015, “establishes a strong foundation to support the implementation of the 2030 Agenda for Sustainable Development. It provides a new global framework for financing sustainable development by aligning all financing flows and policies with economic, social and environmental priorities”11. The AAAA includes domestic and international, public and private resources; international development cooperation and trade; debt; systemic issues; science, technology, innovation and capacity building; data, monitoring and follow up (ECDPM, Dec 17, single instrument).

Signed on December 2015, the Paris Agreement entered into force on November 2016, when the threshold of ratification by the Parties was reached (172 States out of 197)12.

The EU first response elements

In its 2016 communication on the “Next steps for a sustainable European future. European action for sustainability”, the European Commission recalls that it was itself “instrumental in shaping the global 2030 Agenda” (...) “which the Union has co-shaped together with its partners”.

The European Commission states that “sustainable development has since long been at the heart of the European project. The EU Treaties give recognition to its economic, social and environmental dimensions which should be addressed together (...) Under the current Commission, sustainable development is mainstreamed in key cross-cutting projects as well as in sectoral policies and initiatives. Since 2010, sustainable development has been mainstreamed into the Europe 2020 strategy, confirmed by the current Commission and built around education and innovation (“smart”), low carbon emissions, climate resilience and environmental impact (“sustainable”) and job creation and poverty reduction (“inclusive”)” (EC, 2016, page 2). “The EU is fully committed to be a front runner in implementing the 2030 Agenda and the SDGs, together with its MS, in line with the principle of subsidiarity” (p. 3).

In its 2017 communication on harnessing globalisation, the European Commission states that “The Paris Agreement on climate change serves both to fight climate change, boost the clean energy transition and provide new business opportunities for EU businesses, notably in clean energy technologies. It gives a competitive advantage to those industries that already

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12 http://unfccc.int/paris_agreement/items/9485.php
reduced their carbon footprint. The priority now is to finalise the rulebook for its implementation to ensure that all countries contribute to CO2 emissions reductions".

The European Commission reflection paper on the future of EU finances (2017) reads “The 2030 United Nations Agenda for Sustainable Development and the sustainable development goals (SDGs) are an anchor of EU policy both internally and externally”, and recalls the political commitment of devoting at least 20 % of the EU budget for 2014-2020 to climate action and to achieving 0.7 % of GNI as official development assistance within the framework of the 2030 agenda. In the same paper, the European Commission acknowledges that “the experience of recent years […] suggests a stronger coordination between external and internal policies is needed, including the implementation of the sustainable development goals of the United Nations’ 2030 Agenda and the Paris Agreement on climate action, as well as the implementation of the partnership framework with third countries on migration”.

According to some observers, the universal Sustainable Development Goals (SDGs) could provide a useful starting point and legitimisation of a radically different way of building the EU budget (ECDPM, 2017): in other words, the SDGs could become the organising principle for the entire EU budget 2021-2027, covering all headings both internal and external and not confined to EU Development policy or even to any external instrument.

In its 2016 communication, the European Commission indicates its will to “fully integrate the SDGs in the European Policy framework and current Commission priorities” (…) and states that (p. 3) “the new MFF beyond 2020 will also reorient the EU’s budget’s contributions towards the achievement of the EU’s long-term objectives. And “Looking ahead at the MFF beyond 2020, the Commission will explore how EU budgets and future financial programmes can best continue to adequately contribute to the delivery of the 2030 Agenda and support MS in their efforts (p. 15).

This does not necessarily mean that the next MFF will be wholly structured based on the SDGs framework (more on this in the following section 1.2).

On a less radical tune, in its October 2016 Resolution on the ACP-EU relations beyond 2020, the European Parliament (EP) called for the 2030 Agenda and the SDGs to be placed at the centre of a new ACP-EU agreement (Point 3).

1.1.2 Implications for OCTs

Some important points from the OCTs perspective can already be mentioned here.

Firstly, it is now fully acknowledged that the UN framework on SDGs and Climate Change is not any longer related to developing countries only, but concerns all human societies including developed countries. This is so clearly the case for some independent observers that they even consider that the SDGs framework should be the basis for the establishment of the next EU budget itself - in their view the SDGs framework provide for a good enough narrative in this perspective.

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13 The European Commission states that « All countries, developed and developing alike, have a shared responsibility to achieve the SDGs » (COM 2016, p. 3).
Therefore, this reinforces the usual OCTs’ request that their relationship with the EU should not anymore be focused on the fight against poverty, which was the result of the support brought to them by the EU alongside the ACP countries and regions, i.e. under the EDF.

OCTs have indeed long been insisting on putting the focus of their cooperation with the EU on some enlarged sustainable development issues such as greening the economy, innovation or blue economy, supposedly more appropriate to their more developed economy status and their contemporary spirit of “belonging to the same (EU) family” and of relations between “equal partners”. This has already led to some noticeable related improvements within the last OAD (more on this below, part two of the BP).

Secondly, when the European Commission affirms its full commitment, together with its MS, to be a front runner in implementing the 2030 Agenda and the SDGs (see above), then OCTs (alongside ORs) could be viewed by the EU institutions as heading to become some showcases of the EU capacity to deliver SDGs and fight against climate change in the particular context of small remote tropical islands under the EU Member States’ territory. This line of reasoning is already followed with regard to EU outermost regions: in this regard, one might also take note of the Smart Islands Initiative14 launched by DAFNI, a network of Greek islands15 and of the Political declaration on Clean Energy for EU islands16 signed on May 2017 by the European Commission and 14 EU MS.

In its Resolution as of 27 April 2017 related to the implementation of EDF for the FY2015, the EP (‘whereas O’) recalls that a “fresh attention must be paid to the fact that a large part of the ACP Countries are SIDS; whereas islands, in particular ACP islands, play a new international role, particularly as a result of international negotiations on climate change”.

According to the EC17, participating to such initiatives “will allow ORs to showcase their territories as test beds for new solutions” (see more on issues related to ORs below in section 1.6); this rationale needs be extended to OCTs.

This is in full coherence with the OCTA Strategic Plan (2015-2020) which calls in its Chapter 3 for promoting Strategic Partnerships at the political level, beyond the usual relations with the EU and the EU MS, with territories or organisations sharing specificities with the OCTs and which should be “like-minded groups”, including ORs and SIDS.

The EP in the above-mentioned Resolution also stated (‘Whereas P’) that “OCTs face similar global challenges but, unlike ACP Countries, are part of the EU family and should therefore receive increased attention in the delivery of funds”.

Thirdly, it is worth recalling here that the group of SIDS have been grasping this UN framework to their advantage with a view to making the most of opportunities to be seized from it, given their huge vulnerability to external economic shocks and above all to natural disasters.

For that purpose, they have organized SIDS UN summits under the UNFCCC remit (BPoA 1994, Mauritius Strategy 2005, Samoa Pathway 2014) with a view to raising the global

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15 http://www.dafni.net.gr/en/home.htm
17 SWD(2017)349 final, p. 15).
attention to their specific vulnerabilities and to securing a better access to donors’ support, with some success.

Now, the SIDS specific characteristics (insularity, remoteness, lack of economic diversification, etc.) are also shared by the OCTs and the EU Outermost regions (see below, section 1.6). This may be kept in mind with a view to legitimize some common actions in the process of achieving the SDGs in these entities, across of – or whatever - their political status.

There is a strong momentum for such an approach, in the context of the political impetus given by the EU to the ACP (including SIDS)/ORs/OCTs cooperation, and the perspectives put on a much bigger regionalisation of the post Cotonou EU partnership with the ACP countries, and even beyond the ACP grouping, under the principle of outreach, as proposed by the European Commission and the EEAS within their joint 2016 communication on the renewed partnership with the ACP18 (see below section 1.3).

1.2 Negotiations of the next MFF and related External Financial Instruments (EFIs)

1.2.1 State of Play

Before reviewing the debate on the next EU budget and its accompanying financial instruments, it is relevant to turn first to the broader discussions on the future of Europe.

The European Commission white paper on the Future of EU27 by 2025, published on March 2017, sets out different scenarios for the future, including19:

(i) Carrying On; which roughly relies on a status quo of the EU institutional setting,
(ii) Nothing but the Single Market (Doing Less Together20); which builds on the idea of re-nationalizing many EU interventions,
(iii) Those Who Want More Do This (Some do more); putting more into motion the principle of ‘variable geometry’,
(iv) Doing Less More Efficiently (Radical redesign); where the EU focuses on some core policies that become more integrated,
(v) Doing Much More Together, with an increased EU collective ambition and integration in many areas.

In his 2017 State of the Union speech, the European Commission President Juncker envisages a 6th scenario with five future EU priorities: investment and trade, competitiveness, climate change, fight against terrorism and migration. This 6th scenario can be viewed to be one variant, with more insights, of the 5th, including the unifying/merging of the two positions of President of the Commission and President of the Council.

18 JOIN(2016)52 final.
19 For lack of space these scenarios are not detailed here (please refer to the White Paper Annex 2 for a policy overview of each of these five). We simply give the spirit of them here.
20 Between brackets are mentioned the somewhat modified titles for each scenario, as outlined within the European Commission reflection paper on the future of EU Finances (see below).
Some external views on possible future scenarios for Europe are also available, inter alia from the academics or from some think tank (see below box 2).

**Box 2 - Foreseeing exercises: the case of Elcano Policy Paper**

Simon and Speck (2017) further elaborate on the fundamental question whether “Europe is going to be a geopolitical subject or an object, i.e. an actor in its own right or a playground for great-power competition”. It thus envisages some fictional possibilities sketched out for 2030 in relation to possible futures of the international order.

To provide for a deeper analysis on some crucial elements, the European Commission published on 2017 a series of reflection papers, under the following chronological order: some of the proposed insights will be presented below in the present background paper.

(1) The social dimension of Europe,
(2) Harnessing globalization,
(3) Deepening the Economic and Monetary Union (EMU),
(4) European Defence, and
(5) Future of EU Finances.

**The EU budget under the Multiannual Financial Framework (MFF): present situation & perspectives**

The current MFF, which amounts to just under 1.1 trillion €, expires in the end of 2020.

Representing around 1% of the EU28 GNI, it comes on top of national budgets that are much more substantial (e.g. above 40% of national GNI in some cases). However, it is of course huge in absolute terms, and can have a big impact (spill-over and dynamic effects) when focused on thematic interventions and/or concentrated in geographical areas.

This multiannual framework is a result of complex and highly political negotiations, often marred by controversy, and described as a nightmarish task by some journalists.

The current EU budget is rather strictly delineated into different headings with a split between ‘internal’ spending and ‘external’ spending, the latter being contained within Heading IV.

As can be observed within the table below, spending inside the EU represents an overwhelming part of the total. Two internal EU policies absorb the lion’s share: namely the cohesion policy – the so-called structural funds to support convergence - and the common agricultural policy (CAP); together their share amounts to around 70%.

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21 Simon and Speck (2017) propose 4 scenarios: (1) a failing Europe, where increased internal divisions among MS go alongside more re-nationalization of many EU policies, (2) a strong and united European core, where the EU becomes a multilateral global power, (3) an Atlantic revival where the western countries still dominate international affairs under a Transatlantic alliance (led by the EU, the UK and the US) spurred by some grouping of autocratic emerging countries around China and Russia, and (4) a strong China subverting the European order, playing EU MS against each other and developing a pervasive presence within European economic sectors.

22 In the latter, some more budget related insights are proposed under each of the five scenarios (cf below).

23 In section 1.6 we present the application of these funds to outermost regions (ORs).
EU budget Headings – 2014-2020

<table>
<thead>
<tr>
<th>Headings</th>
<th>Total 2014-2020 (Eur millions 2011 prices)</th>
<th>Percentage of the budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Smart and Inclusive growth</td>
<td>513 563</td>
<td>47%</td>
</tr>
<tr>
<td>1a Competitiveness for growth and jobs</td>
<td>142 130</td>
<td>13.1%</td>
</tr>
<tr>
<td>1b Economic, social and territorial cohesion</td>
<td>371 433</td>
<td>34.2%</td>
</tr>
<tr>
<td>II. Sustainable growth: natural resources</td>
<td>420 034</td>
<td>38.6%</td>
</tr>
<tr>
<td>of which: market related expenditure and direct payments</td>
<td>308 734</td>
<td></td>
</tr>
<tr>
<td>III. Security and Citizenship</td>
<td>17 725</td>
<td>1.6%</td>
</tr>
<tr>
<td>IV. Global Europe</td>
<td>66 262</td>
<td>6.1%</td>
</tr>
<tr>
<td>Administration</td>
<td>69 584</td>
<td>6.4%</td>
</tr>
<tr>
<td>Compensations</td>
<td>29</td>
<td></td>
</tr>
<tr>
<td>Total Commitment Appropriations</td>
<td>1 087 197</td>
<td></td>
</tr>
<tr>
<td>As a % of GNI</td>
<td>1.03%</td>
<td></td>
</tr>
<tr>
<td>Total Payment Appropriations</td>
<td>1 026 287</td>
<td></td>
</tr>
<tr>
<td>As a % of GNI</td>
<td>0.98%</td>
<td></td>
</tr>
<tr>
<td>Margin available</td>
<td>0.24%</td>
<td></td>
</tr>
<tr>
<td>Own Resources Ceiling as a percentage of GNI</td>
<td>1.22%</td>
<td></td>
</tr>
</tbody>
</table>

Source: European Commission (ec.europa.eu/budget/mff/index_en.cfm)

In addition to the MFF 2014-2020, some specific financial instruments are established (see table below), including the European Development Fund (EDF) for the cooperation between the EU and the ACP countries, which is funded outside the budget\(^{24}\).

Special instruments outside the MFF 2014-2020

<table>
<thead>
<tr>
<th>Maximum appropriations</th>
<th>Total 2014-2020 (EUR million 2011 prices)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emergency Aid Reserves</td>
<td>1 960</td>
</tr>
<tr>
<td>European GAF</td>
<td>1 050</td>
</tr>
<tr>
<td>European Union Solidarity Fund</td>
<td>3 500</td>
</tr>
<tr>
<td>Flexibility Instrument</td>
<td>3 297</td>
</tr>
<tr>
<td>European Development Fund</td>
<td>26 984</td>
</tr>
</tbody>
</table>


In a recent ECDPM paper, Bossuyt and Sherriff (2017, p.15) indicate that “the MFF 2014-2020 introduced new measures allowing for shifting available margins between headings ('vertical' flexibility) and years ('horizontal' flexibility). In 2014 and 2015, the budget shifted headings and mobilised over €12 billion for unexpected needs in an unprecedented manner”.

There is indeed a consensus to consider that the boundaries between external and internal policies are increasingly blurred inter alia with the growing issues of migration and terrorism which leads to the imperative of supporting development and security abroad with a view to guaranteeing security and stability within the EU.

The EC, in its mid-term review of the MFF\(^{25}\) (page 10), acknowledges that “recent events in the EU show the need for increased flexibility for funding within the EU. As the boundaries between external and internal policies are increasingly blurred”, the “establishment of EU trust funds also for emergency, post-emergency or thematic actions within the EU (and not

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\(^{24}\) See more insights into the EDF and the issue of its budgetisation in section 1.3.

**only for third countries**\(^{26}\) would also “provide a tool for replying to challenges crossing the borders”. The latter proposition comes along proposals to “pave the way for the preparation of the next generation of spending programmes (post 2020)”. 

Also in relation to mid-term review process, the European Commission acknowledged that “the number of general financial rules as increased sharply over the last 30 years (...) and there is room for further simplification”. “Simpler and more flexible EU financial rules are key in enhancing EU budget’s ability to adapt to changing circumstances and to respond to unexpected developments”. It thus mentions the need for “allowing the application of only one set of rules to hybrid actions or in the case of combination of measures or instruments (...) avoid the application of different rules and procedures”. These two sets of propositions are very interesting for OCTs (see below § 1.2.2).

The European Commission stated, in its **reflection paper on the future of EU Finances**\(^{27}\) that “a variety of new challenges have arisen since the current budget was designed. The refugee crisis, security concerns, cyber-threats and terrorism as well as defence require pan-European responses. The pressure created by these competing demands on finite resources has underscored the urgent need to reflect on what kind of budget is needed for the Europe of the future”.

The European Commission (EC), the European Parliament (EP) and the Council are looking forward to the **next MFF**, the negotiations of which are to be started in earnest in 2018, with the general figures to be agreed on May 2\(^{nd}\) and the legislative proposals to implement it soon after. This is an already **delayed schedule**, since formal discussions have been held back by the slow progress on the Brexit during 2017. The exact span of the next budgetary period is uncertain – seven or five years is yet to be decided, yet most commentators feel it is more likely to be seven years from 2021 to 2027.

As usual, resources will be fought over fiercely – it was particularly the case for the 2014-2020 period, after the financial crisis of 2007-2008 which led to counter-cycling public policies leading to public bigger deficits – and this usual tension is to be reinforced under the Brexit context (see below, section 1.5).

The Reflection paper on the Future of EU Finances gives some more insights regarding the implications of the 5 scenarios for the future of Europe, through summary fiches:

(i) Under the ‘Carrying On’ scenario, financial means would remain stable\(^{28}\);
(ii) Under the ‘Nothing but the Single Market’ (Doing Less Together) one, EU budget would be significantly reduced;
(iii) For the 3\(^{rd}\) scenario “Those Who Want More Do This (Some do more)”, finances would be broadly stable with a potential increase to cover the areas of joint action;
(iv) Under the “Doing Less More Efficiently (Radical redesign)”, a lower volume is expected, including for the cohesion and CAP policies,

\(^{26}\) See below for the rationale and functioning of EU Trust funds established so far for external actions.

\(^{27}\) COM(2017)358 final

\(^{28}\) Mathematically, after the Brexit, maintaining the same amount in absolute terms for the EU budget post 2020 would require the EU27 MS to compensate for the net loss (the net contribution of UK varies around £ 10 billion per year, on a yearly EU budget of around €140 billion). This gap of around € 12 billion is roughly equivalent of 0.1% of the EU27 GNI. Filling it might be seen as already challenging for the 27 remaining EU MS...
(v) Only under the “Doing Much More Together” would a bigger EU budget be expected, raised e.g. from 1.2% to 1.4% of the EU gross national income\textsuperscript{29}.

In a more recent communication released on February 14\textsuperscript{th} 2018 on A new, modern, MFF for a EU that delivers efficiently on its priorities post 2020\textsuperscript{30}, that was prepared in advance of the Informal Leaders’ (EU Council) meeting on 23 February, the European Commission summarizes the elements of the ongoing debate of the future EU budget through the setting out of priorities and policy options to illustrate the choices to be made. Under its section 4. On “modernising the EU Budget”, it insists on:

- the need for some “\textit{further streamlining of rules and procedures}” (with a view to achieve the aim of enhancing performance and simplification),
- the “\textit{key principle}” of “\textit{budgetary flexibility}”, e.g. instead of being reduced through de-committed amounts that end up to overall cancellations (up to 21 to 28 billion € under the current MFF, the future EU budget could include some Union “\textit{reserve}” made up of these cancelled funds as a “\textit{powerful and flexible new tool to tackle unforeseen events and respond to emergencies}”. This reserve would be cross-cutting by its nature.

Obviously enough, these two ideas, if implemented present important, if not crucial, implications for OCTs.

Indeed, as will be further developed below, any streamlining of rules and procedures of financial instruments within the EU budget, especially in the context of their rationalization (see next paragraph on EFIs), may strongly impinge on the detailed modalities of any future EU financial support to OCTs, if budgetised, all the more so if this newly budgetised support comes under a much broader instrument for, say, external action. The usual plea of OCTs to be benefitting from lighter procedures, adapted to their small to nano administrative resources – something they consider they have yet to be fully heard on (more on this below, part two of this BP) - might become less easy to satisfy in such a context.

Yet, OCTs also would have to make sure they can be eligible to - and benefit from – any such reserve instrument (or reserve lines within the appropriate instrument) established under the EU budget ; this could prove possible only if the financial support they receive from the EU comes under the EU budget, for obvious reasons.

Hence some trade-off may emerge here in terms of possible risks and benefits associated with any future budgetisation of the EU financial support to OCTs.

In their informal letter to their colleagues dated March 1\textsuperscript{st} 2018\textsuperscript{31}, the President of the European Commission Juncker and Commissioner Oettinger further unveil some proposed orientations with regard to the perspectives for the future EU budget. They announced that the package adopted on May 2\textsuperscript{nd} 2018 will consist of inter alia a political Communication, policy fiches associated to each major programme, a Staff Working Document presenting

\textsuperscript{29} It is however unclear how this ambition of an increased EU budget is to be realised given the current state of EU MS public finances.

\textsuperscript{30} COM(2018)98 final

\textsuperscript{31} This letter is not an official public document but was made available on the web.
main findings of the Spending Review, a proposal for a Council Decision laying down the MFF. They precise that the related programmes need to be ready by 29 May.

More importantly, the Letter provides for an annex consisting of a table of correspondence between the actual 63 instruments (2014-2020) and some proposed 37 future instruments (2021-2017), maintaining aside a few ones outside the MFF ceilings and some other ones off-budget.

The total number of instruments appears to be almost halved in this sketch, which demonstrates the appetite for rationalisation, especially at the level of EFIs, an issue discussed in the next paragraph.

The correspondence table also shows some important step forward regarding the EU financial support to OCTs, which appears to be positioned under a stand-alone instrument in the future instruments for 2021-2027 (more on this below).

Present and future of External Financial Instruments (EFIs)

The Coherence Report (2017), entitled “Insights from the External Evaluation of the External Financing Instruments”, prepared for the EC, indicates that time has come to make the political and technical choices needed to align EU’s global aspirations with its available financial instruments.

The European Commission recalls, in its reflection paper on future EU finances, that external action should take a higher share of the future EU budget, in four out of the five scenarios of the 2016 white paper, i.e. when spending more on external action is funded under a general budget which is not increased.

It furthers calculates that “at the moment, €96.5 billion supports the EU’s external action, including the extra-budgetary eleventh European Development Fund (€30.5 billion). The EU budget dedicates around 6% of the present MFF to external action, the largest financial envelopes being the Development Cooperation Instrument (€19.7 billion), the European Neighbourhood Instrument (€15.4 billion) and the Instrument for Pre-Accession Assistance (€11.7 billion). €8 billion is programmed for humanitarian aid.”

The existence of a total of nine EU External Financial Instruments (EFIs) is worth recalling here. In addition to the EDF, DCI, ENI and IPA mentioned above, there is the Partnership Instrument (PI), the Instrument contributing to Stability and Peace (IfSP), the European Instrument for Democracy & Human Rights (EIDHR), the Instrument for Nuclear Safety Cooperation (INSC), and the Instrument for Greenland.

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32 Or out of the six scenarios, with the 6th scenario outlined by the President of the European Commission (see above).
33 Please refer again to table above.
34 This shows the special and dominant position of the cooperation with ACP countries within the external action of the EU, with roughly (or a little less than) one third of the total available means (more on this below, section 1.3).
35 Under which the Pan African Programme to implement the JAES is funded with € 845 million for the 2014-2020 period.
36 With an envelope of € 954.8 million to promote EU’s interests worldwide (under the EEAS management).
37 See part two of this BP, section 2.1.
The current external financing architecture is viewed as cumbersome to manage and in urgent need of simplification (Di Ciommo, Sherriff and Bossuyt, 2017). By the same token, instruments are deemed no longer fit to respond to the global aspects of the Agenda 2030 and the Paris Agreement in terms of scale and type of funding and of the required partnerships with the private sector, civil society, non-state actors and more advanced countries.

Many stakeholders call for more coherence, simplicity and flexibility in this context. However, usual calls for more flexibility can be interpreted differently. Most official actors involved in the MFF/EFI negotiations tend to view the ‘benefits’ of flexibility from their institutional perspective. Member States want more say and influence over funding decisions. The Commission wants the flexibility to move quicker, consult less and the ability to have additional resources. Those in EU Delegations want a flexibility that makes it possible to respond to an evolving context (in terms of programming choices, partners, ways of working) whilst avoiding being subjected to rigid ‘HQ’ instructions. The private sector wants the flexibility to access Commission funds more easily, and this applies to security actors and civil society.

According to the European Commission reflection paper on harnessing globalisation, The EU Global Strategy as of 2016 and the New European Consensus on Development as of 2017 widen the scope for EU foreign and development policy to encompass development, global public goods, EU foreign interests and values.

The EU Global Strategy acknowledges that the world has become more connected, contested and complex. It has also become more fragmented. In such a volatile context, Europe has to maintain its role as a global player, together with being more explicitly interest-oriented. This implies ‘principled pragmatism’ in building functional partnerships. It is also recognised that a more integrated and effective EU external action depends on intensifying collaboration with Member States.

Innovations have also been sought at an operational level. To respond to recent crises or major political priorities, EU Trust Funds were created for Africa, Central African Republic, Syria and Colombia38. They may represent a new way for the EU and Member States to act together, with some potential implications for OCTs.

In this context, a number of ideas for an updated EU foreign and development policy financial architecture have been floating around (see Box 3 below), not all of them mutually compatible: create a new and single SDGs instrument for the whole external action of the EU, if not the entire EU budget (see box below), merge the DCI with the EDF under a single development instrument39, a powered up and more encompassing Peace and Security instrument or new partnerships with middle-income countries.

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38 See below our paragraph on EU Trust Funds.
39 This would imply implicit budgetisation of EDF (see section 1.3 on this issue).
Box 3 - Variants under a possible single SDGs instrument for EU external action

<table>
<thead>
<tr>
<th>Scenarios</th>
<th>What does it entail?</th>
</tr>
</thead>
<tbody>
<tr>
<td>“All-in”</td>
<td>A single instrument covering all dimensions of the EUGS, Consensus, EU Neighbourhood and Agenda 2030 with global geographic outreach and diversified funding mechanism.</td>
</tr>
<tr>
<td>“All-in but”</td>
<td>Most EFIs are replaced by a single instrument but a limited number of specific EFIs are maintained outside.</td>
</tr>
<tr>
<td>Geographic Instrument</td>
<td>An instrument focused on the bilateral relations the EU has with the Neighbourhood, Africa, Asia and Latin America, at country and regional level.</td>
</tr>
<tr>
<td>Development Instrument</td>
<td>An instrument focused on poorer and fragile countries still requiring substantial aid funding, yet now covering all relevant aspects of the Agenda 2030 (implying an amalgamation of EDF and DCI).</td>
</tr>
<tr>
<td>Big-Bang Scenario</td>
<td>A ‘super’ instrument for an integrated EU external action that also incorporates the internal dimensions (i.e. the EU’s own interests) and a possible merging of Headings III and IV.</td>
</tr>
</tbody>
</table>

Source: adapted from table page 10 in Di Ciommo, Sherriff and Bossuyt (2017).

However, all these ideas will not end up embarked in the forthcoming European Commission’s draft proposal in May 2018. Looking back at the Annex to the recent above-mentioned Juncker-Oettinger Letter, the option announced therein correspond to the “All-in but” scenario within Box 3 above. It is indeed proposing to merge 12 EFIs, including inter alia the DCI, ENI, PI, EDF (excluding both the African Peace Facility and the present OCT EDF), into a large External Instrument, which would include notably a prominent neighbourhood window and a strong focus on migration, with a 20% unallocated share of the Instrument (a built-in reserve).

EU Trust Funds

As demonstrated by the recent experience, the introduction of EU Trust Funds can bring along a rapid and massive shift of EU funding - from different EU budget lines and the European Development Fund - to a new instrument, with different management mechanisms and changing decision-making processes.

This can also be implemented with a view to pooling money from the EU budget, Member States and other donors to address specific issues. This is illustrated by the EU Africa Infrastructure Trust (EU-AITF), created in 2007, which pools together money from different European Commission financial instruments, resources from the EU Member States, Norway and Switzerland. Its main objective was to promote investment in infrastructure in sub-Saharan Africa through various forms of grants, which are blended with long-term investments by selected development finance institutions. It comprises two different grant envelopes: the regional envelope to promote infrastructure projects with a demonstrable regional impact, the Sustainable Energy for All (SE4ALL) envelope to support regional, national and local energy projects targeting SE4ALL objectives.

According to Hauck et al. (2017), “a trust fund can be country-specific, regional, or global in its geographic scope, and respond to different thematic priorities (...) Amidst pressure to
reinforce the EU’s political visibility, show leadership and added value, and improve the EU’s flexibility to deliver high impact aid in fragile situations, the European Union reviewed its Financial Regulations in 2013 in order to allow the European Commission to create and manage its own Trust Funds (...). EUTFs are mainly designed to leverage the contributions of EU Member States, and to increase the global visibility of European efforts, but they are also open to contributions from non-EU donors, and private entities.”

Box 4 below outlines the principles and process of setting up a European Trust Fund.

**Box 4 - Setting up a European Trust Fund: principles and process**

The legal basis for EU Trust Funds (EUTFs) is laid out in Article 187 of the Financial Regulation (FR) of the EU Budget and in Article 259 of the Rules of Application (RAP) of the new Financial Regulation. Article 187 is also referenced in the 11th EDF Internal Agreement, article 42.

The creation of a Trust Fund should fulfil four conditions: It should stem from a joint initiative between the EC, in cooperation with the European External Action Service (EEAS), and at least one EU Member State, acting as founding partner; It should bring added value to existing EU interventions; It should contribute to increasing the EU’s global visibility and political weight; and It should ensure ‘additionality’ in order not to duplicate other donors’ funds.

Once these conditions are met, the European Commission and founding partner(s) can proceed to draft a Constitutive Agreement, which defines the specific objectives of the Trust Fund and the rules applying to its management and governance. In parallel, the European Commission prepares a Financing decision defining the instruments from which the European Commission will draw its contribution and the amounts, and submits it to the relevant Committee governing the EU funding instrument (e.g., ENI, DCI, EDF, ECHO) for approval.

The Trust Fund must have a limited time-span, although there is a possibility for extension. The preferred modality for implementation is direct management, meaning that the European Commission performs the implementation. Indirect management can only be used for emergency trust funds, which delegate budget implementation to third parties, such as partner countries, international organisations or development agencies of EU member states. Like other EU funds, the EUTFs must abide by the principles of sound financial management, transparency and proportionality, non-discrimination and equal treatment.

**Source**: Hauck and al. (2015, p. 3)

1.2.2 Implications for OCTs

There is still a lot of uncertainty regarding the choices that will be made in relation to the next EU MFF and its related instruments.

As for the OCTs, the appropriate thinking is to consider the different possible outcomes and analyse their individual potential implications. From what was developed above, three levels of reasoning can be suggested: the scenarios for the EU future and their related EU budget implications; the propositions for the future of EFIs and finally some additional proposals that stem from the MFF mid-term review.

As for the 5 (or 6) scenarios on the Future of the EU:

- **Scenario 1 (Carrying On; with at best a stable EU budget)**: the minimal objective here will be for the OCTs to maintain their overall envelope, whatever the instrument (next EDF or else);
- **Scenario 2** *(Nothing but the Single Market - Doing Less Together - with a reduced EU budget):* this could prove the dismal scenario for OCTs, leading to a full re-nationalization of the support they so far received from the EU. However, this would run contrary to the OAD which has no end date and calls for EU financial support to OCTs (cf. sections 2.1 and 2.2);

- **Scenario 3** *(Those Who Want More Do This - Some do more – with a stable EU budget and some additional funding for joint actions):* here, OCTs could call on to their MS to select the cooperation with OCTs as a privileged area for joint action, in addition to the EU support, for example in the context of the Brexit;

- **Scenario 4** *(Doing Less More Efficiently - Radical redesign – with a reduced EU budget):* for OCTs, this outcome would be similar to the second scenario above, if the OCT-EU cooperation is no longer considered as a needed policy by a majority of EU MS...

- **Scenario 5 and 6** *(Doing Much More Together, with an increased budget):* this is of course under this scenario that the best outcomes for OCTs could be envisaged, with an enhanced OCT-EU cooperation under many thematic priorities, as will be discussed below (part two of the BP), notwithstanding the Brexit. The implications of the latter for the OCTs (see below, section 1.5) could be accommodated through several possible ways.

As for the Propositions regarding the future of EFIs:

- Merging the EDF with the DCI or within a bigger external instrument – this would put the OCTs under the general EU budget, except if a specific instrument for OCT-EU cooperation is finally created. If not, the OCTs would have to secure the momentum recently gained within the European Commission institutions – thanks inter alia to the OAD – so that their share in the future common development instrument is not endangered in the short to the long run, especially if the EU development policy remained much focused on the fight against poverty\(^{40}\).

- If a single SDGs instrument is adopted for the whole external action, some contradictory forces could be at play. On the one hand, this could progressively become detrimental to the OCTs, since the instrument would now be targeted to so many objectives and partners, and a line of financing the OCTs could be more at risk through time, especially in a Council with few interested MS.... In the other hand, within a SDGs instruments made for the whole external action, it could be easier to legitimate the support to OCTs\(^{41}\) compared with the same attempt within an instrument limited to development policy\(^{42}\).

- If a specific (stand-alone) instrument for OCT-EU cooperation is established, crucial will be its modalities enshrined within its regulation: some appropriate simple rules will have to be preferred (more on this below, section 1.3 and Part two).

Additional proposals made by the European Commission within the MFF mid-term review:

\(^{40}\) As for the relationship of the EU with the middle income countries, see section 1.4.

\(^{41}\) Particularly with regard to greening interventions including in relation to climate change.

\(^{42}\) Given the higher income range of OCTs on average... let us recall here that the OECD-DAC only acknowledges three OCTs as eligible to ODA (Monsterrat, Saint Helena Ascension and Tristan da Cunha, Wallis and Futuna). [http://www.oecd.org/dac/stats/documentupload/DAC%20List%20of%20ODA%20Recipients%202014%20final.pdf](http://www.oecd.org/dac/stats/documentupload/DAC%20List%20of%20ODA%20Recipients%202014%20final.pdf)
- Trust Funds for **internal** action as well as for **external** action, not limited to emergency or crisis management but more broadly open to **thematic** interventions: this could prove a very interesting way for OCTs, which are neither integrated EU regions, nor third sovereign states\(^43\). In the Brexit context, an EU Trust Fund could provide for a useful vehicle to maintain UK financial support to OCTs, together with some EU and EU MS contributions – not necessarily limited to EU MS having a special relationship with OCTs, but open to other EU MS\(^44\), and possibly also to some other donors, national\(^45\) or else, e.g. thematic or pluri/multilateral\(^46\). Ambitions related to outreach and regional integration (see below section 1.3) could be well served this way.

- Using a single set of rules for joint EU instruments: this would ease a lot the ERDF-EDF co-sourcing of projects or programmes, which has proved very difficult to operationalize (see below section 1.6 on ORs). In the absence of the creation of a joint ERDF-OCT EDF-ACP EDF programme, the possibility to follow a single regulation when mixing funds would be a huge progress for stakeholders.

Actually, these two last proposals envisaged within the mid-term evaluation of the MFF 2014-2020 could be jointly considered, which would lead to the possible creation of (a) regional thematic fund(s), e.g. climate change, biodiversity, renewable energy... (all SDGs related themes) under a EU Trust Fund approach, under which OCTs, ORs, neighbouring countries (ACP and/or not ACP) would be all beneficiaries, and to which several different donors could contribute.

### 1.3 Post Cotonou EU Relationships with the ACP countries and the future of EDF

#### 1.3.1 State of Play

In their **November 2016 joint communication on “A renewed partnership with the countries of Africa the Caribbean and the Pacific”**, the European Commission and the EEAS have been careful to separate the issue of the future of the ACP-EU relationship from the perspectives of its sourcing under EDF.

We follow the same methodological line below, starting with the former issue, while recalling that the latter must be looked at in the context of the reflections on the next MFF and the related EFIs (as developed above, in section 1.2).

**Perspectives for the ACP-EU partnership: the EC/EEAS views**

The Cotonou Partnership Agreement (CPA), covers over 100 countries: 79 in Africa, 16 in the Caribbean and 15 in the Pacific, with a total population of some 1.5 billion people, in their relationship with the EU28. It will expire in February 2020. Negotiations between the parties for their post 2020 relations have to start no later than 1\(^{st}\) September 2018 (Article 95.4 of

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\(^{43}\) So there are somewhere between internal and external, yet belonging to the same European family: many citizens from OCTs (e.g. from French and Netherland OCTs) are full citizen of the related EU MS, thus EU citizen...

\(^{44}\) e.g. EU MS friends of islands (see above, in section 1.1, the ‘Clean Energy for EU Islands initiative)

\(^{45}\) Countries neighbouring OCTs, i.e. Canada, Australia, New Zealand, or among the BRICs (China?)

\(^{46}\) Commonwealth aid, Green Climate Fund...
the CPA). To many observers, this provides for a strategic opportunity to rejuvenate the partnership, taking into account the many changes that characterise the global context.

The EU’s draft negotiating mandate is currently under discussion, after the European Commission adopted its Recommendation for a Council Decision on the same on December 12th 2017. This proposed mandated includes a reference to OCTs and outermost regions (more on this below, § 1.3.2) and more generally builds on the above mentioned joint communication, which set out the ideas and proposed a renewed political partnership with the ACP countries, based on the UN 2030 Agenda, and on six “specific priorities” – “main building blocks”:

1. **Promote peaceful and democratic societies, good governance, the rule of law and human rights for all**
2. **Spur inclusive sustainable growth and decent jobs for all**
3. **Turn mobility and migration into opportunities and address challenges together**
4. **Promote human development and dignity**
5. **Protect the environment and fight against climate change**
6. **Join forces in the global arena on areas of common interests**

The joint communication provided the preferred option by the European Commission which takes the form of one umbrella agreement at the All-ACP level, also comprising of three protocols at regional level, dedicated respectively to Africa, the Caribbean and the Pacific, on the basis of the principles of subsidiarity and complementarity, with an opening for a closer involvement of other (non ACP) countries (see figure 1 below). The draft mandate uses the terminology of “regional compacts”.

The umbrella will define the common values, principles, essential elements, and interests that underpin the cooperation between the parties, building on the significant acquis of the CPA. It would also include specific mechanisms for cooperation on the global agenda.

The three regional compacts would build on and integrate existing ones (e.g. Joint Africa EU Strategy) and set the priorities and actions focussed on the specificities of the agenda of the partnership with each of the three regions.

The joint communication made clear the rejection of both the option of abandonment of a specific ACP partnership, which would mean the loss of a positive acquis, including in terms of political capital, and the opposite option of a renewal with limited change, which would not treat weaknesses of the current CPA, as analysed in its evaluation exercise prepared by the European Commission staff.

Two less preferred options were also mentioned:

- a substantially revised partnership along the lines of CPA 2010 revision: it would fail to embark more recent dynamics at continental and sub-continental (regional) levels,

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47 Which states that eighteen months before the end of the total period of the agreement, the Parties shall enter into negotiations in order to examine what provisions shall subsequently govern their relations. Signed on 23 June 2000, in covers a period starting on 1st March 2000.
49 SWD(2016)250 final, 15 July.
- three fully separated partnerships - one with Africa, one with the Caribbean, one with the Pacific - which is not desired by ACP partners, as they wish to maintain some common partnership with the EU, and could lessen unity at international fora.

Figure 1: Towards a renewed political partnership – The umbrella

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The joint communication also states that the “legal status of the future partnership plays an important role for its implementation (...) It is “in the EU’s political interest to reaffirm its longstanding commitment by anchoring the new partnership in a legally-binding agreement. At the same time, the new partnership should remain flexible and agile to adapt to its own progress and the ever-changing environment. This is particularly relevant for the regional pillars”.

The further analytical developments made by the communication on the regional pillars are noteworthy: “the partnership should properly take into account the regional specificities and partners’ own development frameworks and the different priorities of the EU’s common agenda with partners in Africa, the Caribbean, and the Pacific. For each of the regions, the priorities can be tailored to the circumstances and fine-tuned by specifying the related objectives and actions that are envisaged”.

This is so even if it could be considered that Economic Partnership Agreements (EPAs) with Africa, as well as with the Pacific, have shown limited progress in terms of countries coverage, whereas the implementation of the Cariforum-EU EPA might be late in implementation50.

Under the section 3.2 “EU priorities tailored to the regions”, the joint communication elaborates some long paragraphs dedicated to each of the three forthcoming pillars, starting with the African and the related the Joint Africa-EU Strategy (JAES). Hereunder are extracted the proposed elements for the Caribbean and the Pacific within respectively Box 5 and Box 6.

50 In the absence of well acknowledged EPA monitoring systems, let alone a common EPA monitoring methodology across ACP regions, this can become an ever ending debate between the supporters of EPAs and its critics to know if the glass is half empty or half full.
Box 5 - EU priorities tailored to the Caribbean

It is first recalled that through its outermost regions, and associated OCTs, the EU is also physically part of the Caribbean. The Caribbean Joint EU strategy51 is also mentioned as a basis for this regional pillar. Successive priority areas are detailed with their related objectives:

a. Peace and human security, democracy, the rule of law, good governance and human rights – Objectives are inter alia protection and promotion of human rights and democratic practices, key for the region’s stability and prosperity. It is also noted important in view of the number of associated overseas countries and territories and of the EU outermost regions.

b. Regional integration, inclusive sustainable growth, trade and job creation - All countries, except Haiti, have transitioned to a status of middle to high-income. Nevertheless, the economies are generally characterised by narrow domestic markets, high level of debts, an undiversified productive base, which limit their resilience to external shocks. It is thus needed to strengthen wider regional and south-south initiatives with Latin America and with the EU outermost regions and associated OCTs in order to facilitate closer hemispheric cooperation and trade

c. Human development

d. Climate change and sustainable management of natural resources

Caribbean countries are all SIDS characterised by low-lying coastal territories, highly exposed to natural disasters including earthquakes, hurricanes, and the impact of climate change, including rising sea levels caused by climate change. Being highly vulnerable to the effects of climate change and having at the same time a narrow economic base, they lack the resilience to cope with the rising impacts of natural disasters, biodiversity degradation, or water scarcity. Caribbean islands are also heavily dependent on imported fossil fuels while they have abundant natural resources and opportunities to develop renewable energy sources

Specific objectives under d. above are the following ones:

- Facilitate dialogue and common approaches in order to strengthen resilience and capacity of the Caribbean region to mitigate and adapt to the consequences of, and threat posed by, climate change and disasters, including in the area of disaster risk reduction.
- In view of the implementation of the Paris Agreement, enhance the development of renewable power generation and energy efficiency measures through transfer of best practices and promotion of investment opportunities in clean energy infrastructure and technologies.
- Support the implementation of policies that contribute to creating a green and blue economy and encourage sustainable production and consumption patterns.
- Protect and restore land and marine biodiversity and coastal ecosystems for the preservation of biodiversity, as well as the sustainable use of its natural resources, including through nature-based solutions and ecosystem services.
- Enhance cooperation in the area of water resources management, including providing access to safe water, sanitation and increase water use efficiency; improve waste management systems, recycling and re-use.

It is striking that these specific are all much relevant also for ORs and for OCTs, which sounds like a definitive call for common programmes and some jointly implemented actions, as it appears in many parts of this background paper.

Source: Joint Communication JOIN(2016)52 final.

Here also, the regional pillar is deemed to be building on the basis laid down in the EU strategy for a strengthened partnership with the Pacific. It is recalled that the large number of island nations in the regions and their huge maritime territories make the Pacific an important player for the EU in tackling global challenges. Pacific countries and territories share some major challenges, particularly with respect to their vulnerability to natural disasters and climate change, as well as some general development objectives linked to their small size and geographic isolation.

The Pacific is recalled to be also home to about 500,000 citizens. Besides supporting OCTs worldwide, the EU supports the integration of OCTs within the Pacific region, with a view to maximising their potential contribution to the sustainable development of their region and also to benefit from regional integration. New Caledonia and French Polynesia were admitted in September 2016 as members to the Pacific Island Forum, the main regional political body for the Pacific.

The renewed EU Pacific partnership should recognise and support Pacific countries’ efforts regarding regional integration, not only within the Pacific region itself but also – where aimed for by individual countries – into the Asia-Pacific region, notably with ASEAN as well as helping Pacific countries deal with security challenges that may emerge over the coming decades.

Successive priority areas are detailed with their related objectives:

a. **Good governance, human rights and gender**

b. **Inclusive sustainable growth**

   Besides very large fisheries interests, there are further oceanic resources and great opportunities in sustainable blue and green economy. Improving international ocean governance to ensure the sustainable use of oceanic resource. Other part of private sector need to be supported, including tourism.

c. **Climate change and sustainable management of natural resources**

Under c., the specific objectives are the following:

- Improve preparation for and recovery from natural disasters, such as tropical cyclones, to build up resilience against these occurrences.
- In view of the implementation of the Paris Agreement, enhance the development of renewable energy generation and energy efficiency measures through transfer of best practices, including in the area of maritime transport, and the promotion of investment opportunities in clean energy infrastructure and technologies.
- Support the implementation of policies that contribute to creating a green economy (e.g. through sustainable rural development and climate change resilient agriculture and forestry) and encourage sustainable production and consumption patterns.
- Enhance environmental protection and sustainable use of natural resources, including in waste management and in water, sanitation and health.
- Protect and restore land and marine biodiversity and coastal ecosystems for the preservation of biodiversity, as well as the sustainable use of its natural resources and ecosystem services.

Once again, these last specific objectives specific are all much relevant for all islands, across their legal status (ACP SIDS, ORs and OCTs), as was already observed in the Caribbean – specific objectives are, logically enough, very similar between the two insular regions.

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52 JOIN (2012) 6 final.
To some observers, the EU is following a conservative approach, proposing a limited reform that largely keeps the ACP construction intact, i.e. it is “putting some new wine in old bottles”. According for example to Bossuyt (2017), it is hard to see how this cooperation framework, restricted to former colonies of EU MS (or, if opened to some non-ACP States, still organized around them) and based on traditional donor-recipient relations, can be made fit for purpose to deal with the global nature of the Agenda 2030. He indicates that several EU MS are not convinced that this rather conservative approach is a solution for a coherent EU external action and effective partnerships with the countries and regions involved.

Furthermore, it is not yet clear where exactly the ACP regional integrations organisations (RIOs), including the so-called RECs54 in Africa, would fit into this scheme as they have yet no formal place and role in the present ACP-EU institutional structures55.

In the Caribbean, the use of existing mechanisms is foreseen, possibly in closer association with the more prominent EU-CELAC processes (which include the Caribbean).

For the Pacific, regionalised ACP-EU ministerial council would provide the required political steering, at the level of Pacific Forum, most probably.

Bossuyt further considers that the EU stroke a compromise between two objectives – maintaining the ACP group and related political capital, while also modernising EU development policy action and deepening regionalisation on modern grounds (effective economic dynamics) – and ended up with a ‘half-baked’ reform proposal, with the risk that the regional sides do not finally get the driving seat.

However, there is some evidence that the wind of change is blowing within the EC, starting with the evolution of DEVCO’s Chart56, while the regional dimension took some increasing importance within the successive EDF programmes. Under EDF11, the regional envelope amounts to € 3 334 million57 (after €782 million for EDF8, €904 million for EDF9 and €1 783 million for EDF10).

This trend has been observed while the EU progressively embarked some lessons learnt from successive support periods, including through comments made by the European Court of Auditors as well as external actors (e.g. Mamaty, 2012, Herrero, 2016). The innovative financial approach, through the growing call for and use of blending funds, is worth recalling here.

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54 These are the Regional Economic Communities officially acknowledged by the African Union as ‘Building blocks » of the process of African economic integration (leading to a continental FTA).
55 See below the ACP position which foresees some change within the legal fundamental text of the ACP Group (the Georgetown Agreement) in this regard.
56 The intra-ACP coordination unit has been spread over a number of regional units in DEVCO (D-Africa relations, East and Southern Africa, E-West and Central Africa, F-Asia, Central Asia, Middle East/Gulf and Pacific, G-Latin America and Caribbean.
57 See below table for some details on regional allocations under EDF11.
Table: Overview of EDF11 regional allocations across the ACP

<table>
<thead>
<tr>
<th>EDF11 regional programmes</th>
<th>Total per regional indicative programme (€ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td></td>
</tr>
<tr>
<td>Central Africa</td>
<td>350</td>
</tr>
<tr>
<td>Eastern and Southern Africa and Indian Ocean (ESA-IO)</td>
<td>1 332</td>
</tr>
<tr>
<td>West Africa</td>
<td>1 150</td>
</tr>
<tr>
<td>Caribbean</td>
<td>346</td>
</tr>
<tr>
<td>Pacific</td>
<td>166</td>
</tr>
<tr>
<td>Total</td>
<td>3 344</td>
</tr>
</tbody>
</table>

Source: Herrero (2016).

Finally, at this stage, one should not be over pessimistic by concluding that the degree of change the European Commission proposition would trigger: analysts should not count their chickens before they are hatched! Bossuyt himself notes: “The reality however is that many key players, including the African Union, regional actors and the majority of member states are yet to enter on stage”. But he still considers that ACP Countries focus too much on what they have to lose, whereas they may preferably look to what they could finally gain, going the regional route first and foremost, even if with more uncertainty.

This is the classic issue of negotiations spirit, between a defensive and an offensive approach. The real weight of the ACP Group in the global economy/Multilateral Trade System/geopolitical global landscape is relatively low though, despite the high number of States they gather: this leads them to remain cautious and somewhat defensive.

As a matter of fact, if the ACP Group loses its collective leverage, Africa would probably remain high on the international agenda for obvious reasons, but Caribbean islands, and even more, Pacific islands, may end up with less support. This is so because smallest entities always risk falling in benign neglect. It is therefore important to turn now to the ACP view and position.

The ACP ‘Aide mémoire’ as of March 2017[^58] calls for a “radically transformed relationship that serve mutual interests in the context of Agenda 2030 and the SDGs” (paragraph 2). However, the other successive points rather plot a less radical solution, but still with some interesting novelties through a new regional spirit and process.

Its §6 reads “it is as a unified, transregional entity, that the ACP group proposes to negotiate a successor to the CPA. Maintaining a single negotiating framework is essential to safeguard the consistency and solidarity of the Partnership”.

According to §7, “a revised Georgetown Agreement, the constitutive Act of the ACP Group, will identify the scope and functions for formally structured relations with regional and continental groupings of developing countries[^59] in keeping with the principles of subsidiarity, complementarity and proportionality. New modalities of regionalization in intra ACP relations and in a future ACP-EU Partnership could be examined provided this does not diminish the integrity and solidarity of the ACP as a group”.

[^59]: See Box 7 below.
In §8, the ACP is firmly of the view that the future ACP-EU partnership agreement be construed as a single legal undertaking, so as to safeguard cohesion, consistency and facilitate ratifications by the Parties of the Agreement.

§9 states that a post 2020 agreement with the EU should maintain the geographic and geopolitical character of the ACP Group structured in the six regions of West, Central, East and Southern Africa, the Caribbean and Pacific. In this all-ACP trans-regional configuration, regional pillars within an over-arching institutional structure will enable synergies from Intra-ACP mechanisms and programmes (...).

Under §10, a post 2020 agreement with the EU should maintain a legally binding agreement that is essential for predictability, transparency and mutual accountability. These are fundamental for development cooperation effectiveness in keeping with the Paris Principles in ways that political declarations or strategies cannot accomplish (...).

§11 states that the dedicated, multi-annual protocol on development finance cooperation of the EDF has proven to be an effective mechanism to ensure a guaranteed and predictable amount of ODA consistent with EU commitments and ACP development needs (...) A dedicated development finance mechanism should thus be an essential feature of a post Cotonou Agreement.

Under §12, EPAs are said to have generated tensions and resulted in a degree of differentiation between ACP countries and regions, as well as in negative consequences on regional integration processes. It states that Preferential trading arrangements that are more development oriented should be an essential feature of the post Cotonou ACP-EU Partnership.

§13 recalls that the attainment of middle income status by a majority of ACP States requires that the future Partnership Agreement offers structural support for debt management, trade facilitation measures and innovative development financing, beyond traditional ODA resources.

Box 7 - Forthcoming revision of the Georgetown Agreement of the ACP Group

Within the paper “Towards the ACP we want” (ACP Group, 1 May 2017), some Preliminary Drafting Instructions for the Review of the Georgetown Agreement are detailed, including on regional integration and cooperation. It reads (...) It has been discussed extensively in the report of the Eminent Persons Group and also in the final report of the Ambassadorial Working Group on the Future Perspectives of the ACP Group of States that regional integration and cooperation can also help to overcome some of the numerous challenges facing ACP States, such as the small size of their domestic markets and geographic isolation. Cooperation at regional levels can help Members to reap the benefits of economies of scale, foster competition, and create space for additional domestic and foreign investment. Cross-border infrastructural developments and communication networks facilitate movement of persons and create new commercial opportunities. These enable the establishment and extension of national and regional value chains that support improved productivity and diversification of production and exports. The legislative drafter may therefore want to create a provision solely for regional pillars within the Georgetown Agreement. This means that the legislative drafter will have to review all of the Articles of the Georgetown Agreement, to see where it will possibly fit best.
EDF11 has a budget of €30.5 billion, representing 32% of the EU’s total external relations budget - encompassing both the EU budget and the EDF (Herrero, 2016).60

Budgeting or not the EDF has been a recurring issue for over 30 years – Box 8 below recalled the 2003 proposition tabled by the European Commission which launched the round of negotiations related to the MFF 2007-2013 in this regard.

The main argumentation for it is related to coherence, efficiency, and democratic oversight of the European Parliament.

The main arguments against is that an outside EU budget EDF enhances the unique features of the specific ACP-EU relationship. More tactically, another argument against, which was used in the negotiations of the 2014-2020 MFF, is that an EDF outside the budget increases the total amount of EU Overseas Development Assistance (ODA), because of – by then - strong political opposition from some net contributors EU countries of ‘growing’ the overall EU budget beyond 1% of the EU GNI.

What are the perspectives for the EDF in the post 2020 framework?

Four scenarios have been floated: the two first ones imply to maintain the existence of a separate EDF61, whereas the two other ones see it merged within a bigger development or external instrument.

- Status-quo: EDF maintained outside the EU budget,
- A “separate” budgetisation, meaning it enters the budget but keeps its standing alone feature,
- A merger with the DCI within a broader development instrument within the EU budget,
- A merger with all (or many other) EFIs under a large external financial instrument62 within the EU budget.

In its reflection paper on the future of EU finances (2017), the European Commission states that “the incorporation of the European Development Fund (EDF) in the EU budget and the MFF has also often been discussed as an option to enhance the unity of the budget and its accountability. Such an option may also have drawbacks, as some of the present activities may not be supported by EU budget rules, for instance the African Peace Facility (...)”63.

The paper also indicates that any budgetisation of the EDF would mean that the overall volume of the MFF would have to be increased correspondingly – in other words this should

60 See section 1.2 above.
61 To some observers (e.g. Bossuyt, 2017), the maintained all-ACP approach, under the umbrella solution (see above), conveys a justification for continuity in the aligned EDF, and potentially even the way it is resourced (outside the budget)
62 See section 1.2 above.
63 The Treaty on the EU (Article 41.2) do not yet allow the EU budget to cover for « operating expenditure » (...) « for such expenditure arising from activities having military of defence implications ». The idea on an ‘off budget’ European Peace Facility has been floated in the speech by HRVP F. Mogherini on December 13th, 2017. https://eeas.europa.eu/headquarters/headquarters-homepage/37355/speech-hrvp-federica-mogherini-building-vision-forward-action-delivering-eu-security-and_en
not be done at constant EU budget, i.e. not at the expense of the other spending chapters of the MFF.

As the past experience shows, it is not guaranteed that EDF budgetisation would occur even if proposed by the Commission, and even if the **EP, in its 2016 Resolution (point 24)**, has called for it (conditioned inter alia by a guaranteed ring-fencing of developing funds to maintain the level of financing for developing countries).

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**Box 8 - EDF budgetisation: the European Commission proposition back in 2003**

Many present pros and cons on a substantial change were already on the table in previous discussions on EDF (Mackie et al. 2004), e.g. when the European Commission tabled a proposal to the EP and the Council with a view to fully integrating the cooperation with ACP Countries in the EU budget, as from the then next MFF of 2007-201364.

According to the European Commission by then, EDF budgetisation would contribute to the following goals:

- countering perceptions of “political marginalisation” of the ACP;
- strengthening the democratic legitimacy of cooperation with the ACP;
- improving the effectiveness of EU aid to ACP countries;
- permitting a faster response to evolving needs and priorities;
- enhancing efficiency and harmonisation of procedures and practices and reducing transaction costs of development aid.

The European Parliament was already said to be a traditional supporter of budgetisation, as is the European Court of Auditors. EU member states were by and large divided or undecided, yet the issue of increased coherence of EU external actions was already raised, together with democratic control and transparency65, efficiency and quality of aid, and security of assistance.

**Nota Bene:** interestingly enough, the 2003 Communication explicitly indicated, within its first footnote, that “references made in this document to the ACP countries will include reference to the OCTs”, but made no specific analysis to OCTs within this document.

The orientation announced by President Juncker and Commissioner Oettinger in early March 2018 (see section 1.2 above) should be recalled here: they propose to move the EDF (excluding the African Peace facility and the OCT EDF) under a much larger external instrument under the EU budget, merging 12 present EFIs.

It remains to be seen if (i) this move will be consolidated within the European Commission official MFF package of next May 2018, and above all if this package will be endorsed, later on, by the EU Council.

**1.3.2 Implications for OCTs**

Regarding the future of the ACP-EU partnership, the umbrella institutional approach is now well entrenched into the discussions, corresponding to a modus vivendi between the EC/EEAS and the ACP Group. The key issue is now related to the degree of devolution of the

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64 COM(2003)590 final, *Towards the full integration of co-operation with ACP countries in the EU budget.*

65 Recalling EDF is the only EU financial instrument that is not subject to the full democratic control of the EP – the Parliament does not currently adopt the appropriations for the EDF, as these are contributed voluntarily by MS outside the budget, still according to a specific formula, which is different from the EU budget one.
decision-making process which will be reached within the future partnership: this is yet uncertain and will probably remain so for some time still, even once the new Agreement will be signed. Indeed this will be the result of a political process, as much as of a set of legal provisions, in terms of implementing the new provisions in the short to the long run.

Actually, the EU’s draft negotiating mandate, as referred to above in § 1.3.1, includes some direct references to OCTs and outermost regions (see details in box 9 below).

These references are rather on a general spirit, calling for the post Cotonou agreement to recognise the close / special links OCTs have in their respective regions – alongside ORs where relevant - and their role in regional integration, within the sections on each regional compact. Within the paragraphs dedicated to the key sectors for investment and private sector development, on the subparagraph related to connecting people and places, the draft mandate further calls for concrete measures to enhance cooperation and integration, in both the Caribbean and Pacific compacts. Finally, specifically within the Pacific compact, it calls, in relation to Trade cooperation, for concrete measures to enhance cooperation and integration with the EU’s Overseas Countries and Territories (OCTs).

OCTs and interested Member States might consider the need to provide for more detailed elements to be embarked within this draft mandate on their most priority objectives, e.g. a common instrument or vehicle to ease the funding of regional cooperation initiatives between OCTs/ORs/ACP States and beyond, as discussed elsewhere in this report.

Box 9 - EU’s draft negotiating mandate of negotiation on a post Cotonou Agreement between the EU and the ACP countries: Abstracts with references made to OCTs

- Main References made within the Communication

5. OTHER ELEMENTS

(p.8) EU-Caribbean Compact
Section 1 (Basis for Cooperation) presents the objectives and principles for the EU-Caribbean Compact, which builds on and replaces the Joint Caribbean EU Partnership Strategy. Importantly, it recognises the Caribbean’s close links with the Outermost Regions (ORs) and the Overseas Countries and Territories (OCTs).

(p.9) EU-Pacific Compact
Section 1 (Basis for Cooperation) presents the objectives and principles for the new EU-Pacific Compact. Importantly, it recognises the EU’s special links with the Overseas Countries and Territories (OCTs).

- Main references within the Document annexed to the Communication

3. EU-AFRICA COMPACT
Part 1 BASIS FOR COOPERATION
(p.14) The Agreement will recognise the special links between the EU’s Outermost Regions (ORs) and the Overseas Countries and Territories (OCTs) and many African countries.

4. EU-CARIBBEAN COMPACT
Part 1 BASIS FOR COOPERATION

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The Agreement will recognise the close links the EU's Outermost Regions (ORs) and the Overseas Countries and Territories (OCTs) have with the Caribbean countries and their role in regional integration.

Key sectors for investment and private sector development
(... To this effect, the Parties will take concrete measures, inter alia, to:
(...)

on connecting people and places,

• enhance cooperation and integration with the EU's Outermost Regions (ORs) and Overseas Countries and Territories (OCTs)

5. EU-PACIFIC COMPACT
Part 1 BASIS FOR COOPERATION
(p. 34) The Agreement will recognise the close links the EU's Overseas Countries and Territories (OCTs) have with Pacific countries and their role in regional integration.

Key sectors for investment and private sector development
(... To this effect, the Parties will take concrete measures, inter alia, to:
(...)

on connecting people and places,

• enhance cooperation and integration with the EU's Overseas Countries and Territories (OCTs);

Trade cooperation
(... To this effect, the Parties will take concrete measures inter alia to:

• enhance cooperation and integration with the EU's Overseas Countries and Territories (OCTs);

In this context, OCTs (and ORs) should look in particular at their possible integration within the future legal arrangements, both at the ACP-EU Agreement and at the level of the Georgetown Agreement establishing the ACP Group, which revision is foreseen.

More precisely, at both institutional levels, the OCTs’ (and ORs’) should be rightly incorporated within the institutional architecture for dialogue, implementation, etc. within each of the two concerned compacts (the Caribbean and the Pacific) of the future ACP-EU umbrella Agreement. This should be done, building on their actual (or updated) full and/or associate membership of the related regional organisations (CARICOM/CARIFORUM, PACIFIC FORUM).

This move towards a well-established ACP-EU institutional new framework for interested OCTs (and ORs) should be considered hand in hand with some innovative financial instruments, with a view to substantially easing the programming of common projects.

This is obviously related to the perspectives for EDF and the four floated scenarios for its future (status-quo, separate budgetisation, merger with the DCI within a broader development instrument, merger with all EFIs under a single external financial instrument) – only under the first one, the EDF would survive escaping budgetisation.

OCTs need to start from their own perspective here, being proactive – and only reactive as a second-best approach (see the related decision tree within section 2.2 below).
Referring back to their long-established request for a specific instrument outside the EDF, this would imply the pursuit of a territorial financial envelope under a new instrument, say the “Overseas SDGs fund” (OSDG), which could come under the EU budget - as for the present Greenland budget line – or not, depending on the outcome of many other related discussions (MFF, Brexit, etc.). If it comes under the EU budget, then this would raise new questions such as would it be a separate instrument, or a simple line within a broader one? – in which case the issue of ring-fencing it would be crucial. Then to which future Heading of the EU budget the OSDG Fund or budget line would be attached?

Then, OCTs would also be eligible to the financial instrument(s) attached to the regional compacts of the future ACP-EU Agreement, whatever its (their) legal form. An important aspect here would be also that the future financial framework provides for some common “ACP/OCTs/OR/+” programme aims to avoid the inextricable difficulties associated with the mixing of ERDF-EDF, as experience shows. The EU Trust Fund approach could play a powerful role in this regard67: the feasibility of such a solution needs to be further explored.

1.4 Other OCT regional neighbouring contexts and emergence of BRICs

1.4.1 State of Play

According to the European Commission in its reflection paper on harnessing globalisation, “In 2025, 61 % of the world’s 8-billion population will be in Asia, predominantly in China and India. Europe’s relative share of the world population will decline, with the EU-27 accounting for 5.5 % (…) By 2050, no single European country will be among the top eight economies by size”.

Interest-driven behaviour has always been the rule in international relations, but multilateralism has been somewhat weakened more recently, with the rise of emerging countries, mainly under the BRICs, which has yet to be fully reflected in some international institutions governance (i.e. Bretton Woods Institutions). Actually, the BRICs more boldly seek global leadership, as acknowledged by the European Commission in its above-mentioned paper.

Meanwhile, the EU is pursuing its agenda of negotiating/revising FTAs with many parts of the world68, which continues to potentially impact OCTs’ interest, as in the case of the CETA69 for Canada neighbouring Saint-Pierre and Miquelon. Long stalled FTA negotiations with MERCOSUR have been revived, and the EU-Mexico FTA is being revised. The FTA with ASEAN countries is already in force and the European Commission proposed on 2017 to open trade negotiations with Australia and New Zealand. All these trade agreements come alongside EPAs with the ACP regions.

In this renewed context, developing countries are seeking their own paths to development and international cooperation and can choose among many more partners (Di Ciommo, Sherriff and Bossuyt, 2017). According to Geenhill et al. (2013), “over the last decade the aid

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67 See above the rationale for EU Trust Funds.
68 It is noteworthy in this regard that from now on, the European Commission will systematically publish negotiating mandates to be proposed to the Council.
landscape has changed dramatically. In 2000, development assistance was overwhelmingly provided by traditional donors. Today, this is being complemented by the growth of other forms of funding, including from non-DAC\textsuperscript{70} donors (such as China and Brazil), climate finance funds, social impact investors, philanthropists and global funds, as well as less concessional flows”\textsuperscript{71}.

Thus, in global fora, the pendulum has moved somewhat to the other side, that of Middle-Income Countries (\textbf{MICS}) or even more strictly speaking to Upper MICs (\textbf{UMICs}). This is one of the reasons why the Doha Development Agenda (DDA) has long stalled at the WTO, since some of the MICs (e.g. Brazil) would lead positions not compatible with the EU or US ones, while their emergence as powerful global economic actors would prevent western countries to be too generous in terms of concessions made to the developing countries through SDT provisions that would need to be extended to... BRICs.

Yet, as stated in the Coherence Report, the set of EU instruments is so far not fit to implement the EU Global strategy, including the aim to establish mutually-beneficial partnerships with the rising number of UMICs.

To the contrary, from the beginning of the present decade, the EU increasingly followed the principle of differentiation in its development policy, which aims to focus aid on the poorest and most fragile contexts, resulting in a tightening of the EU support for MICs. According to Di Ciommo (2017)\textsuperscript{72}, a much visible consequence is that some countries in Latin America and Asia suffered bilateral aid cuts or became ineligible. White and Ilan (2016) further indicate that while the process of differentiation was said to be not yet fully applied to the ACP countries, still the observed trend confirms that the share of EDF11 resources, in comparison to EDF10, has been reduced for ACP MICs and HICs\textsuperscript{73}. Yet the middle-income cut-off is quite arbitrary, and moreover, the majority of today’s poor in the world live paradoxically in MICs\textsuperscript{74}.

In this context, MICs can be said to be both EU allies - necessary partners on, say, climate change, global financial stability and for a safer world - and competitors in the world markets, according to Di Ciommo (2017), who further states that “European policymakers underline that MICs can mobilise domestic resources and access international financial markets. They are technologically more advanced than other developing countries and have national capacities to build upon. Some more advanced MICs overtook the poorest European countries in the latest Human Development Index ranking. European politicians find difficult to justify aid to those countries after years of austerity and rising inequality in the EU”.

As for the BRICs being partners for the achievement of global public goods, it is usually acknowledged that US President Trump’s decisions which tend to isolate the US in some

\textsuperscript{70} DAC refers to the Development Aid Committee of the OECD, thus concerning OECD member states.


\textsuperscript{72} Di Ciommo, M., “Finding the middle ground: Is the EU changing its engagement with middle-income countries?”. Talking Points Blog, 6 November 2017.

\textsuperscript{73} Their share lessened respectively from 5 to 2% and from 2% to 0.1%. Even middle income SIDS have seen their share strongly reduced, e.g. Mauritius with a slash by 5 (from 0.5% of EDF10 to 0.1% of EDF11).

\textsuperscript{74} The strong internal income inequalities in higher income MICs is part of the explanation, together with the relative size of some countries where poors remain numerous (India and to a much lesser extent, China).
international fora, have also strengthened collective EU resolve on diverse issues including making common cause with China on climate change.

1.4.2 Implications for OCTs

In addition to ensure that the European Commission is taking good care of OCT’s interests in its FTA negotiations (as for ORs, see section 1.6 below), there might be a possibility for OCTs, without losing in any way the advantages of their special relationship with the EU, to turn to initiate or enhance their dialogue with the relevant emerging powers.

This rather general idea could be more concretely developed when it comes to the regional dimension of their sustainable development (including SDG 7 on the access to affordable, reliable, sustainable and modern energy for all), trying to embark some emerging countries support to the future regional instruments that could be put in place in their post 2020 relationships with neighbouring countries, especially at the level of the regional compacts of the future ACP-EU partnership. Here again any form of island initiatives is useful to build on, be it the AOSIS at the UN level, or, as already mentioned above, the Clean Energy for EU islands at EU level75.

1.5 Brexit Process

1.5.1 State of Play

On November 23th, 2016 UK voters, with a short majority (51.9%) decided in favour of the UK leave from the EU, the ‘Brexit’; this prompted the Prime Minister to step down. Five month later, on 29 March 2017, the United Kingdom triggered the Article 50 of the TEU to begin its withdrawal from the EU.

Article 50 provisions provide for a negotiation period of up to two years, after which the treaties cease to apply. Therefore the actual UK withdrawal is scheduled to occur in March 2019. Negotiations officially began on 19 June 2017 between the British Secretary of State for Exiting the European Union and the European Chief Negotiator for the United Kingdom Exiting the European Union.

A first phase of negotiations was concerning the withdrawal arrangements. The EU27 negotiations guidelines include three agreements on respectively the so-called "divorce bill", the rights of EU citizens living in the UK, and the Irish border within the withdrawal phase, as a prerequisite to move to the second phase of negotiations on transitional arrangements, together with the framework for the future relationship. The first phase was closed on December 2017. On December 20th, The European Commission published a draft of the negotiating directives76 providing for a transition period – to be started when the UK exits the EU in March 2019 and be closed not later than 31 December 2020 (corresponding to the end of the present MFF). This negotiating mandate was approved by the EU General Affairs Council by January 29th 2018. As of March 19th 2018, a Draft Agreement between the European Commission and the UK was unveiled77, which provide for the above mentioned

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75 To illustrate, China now makes an annual contribution to the budget of the Indian Ocean Commission (of €100 000).
transition period, during which the UK will have to abide by all EU rules but will not have any say in deciding them.

**Brexit financial implications**

Great Britain is a large contributor to the EU budget, with a gross contribution of around £15 billion; it “gets back public sector receipts” of less than £5 billion (see box 9 and graph below, left side), which leads to a net contribution £8.6 billion in 2016, notwithstanding the well-known rebate obtained since 1984.

Mathematically after the Brexit, maintaining the same amount in absolute terms for the EU budget post 2020 would require the EU 27 MS to compensate for the net lost. This gap of around €12 billion is roughly equivalent of 0.1% of the EU27 GNI. If they do not, then some painful zero-sum games will have to be played by EU decision-makers in the future MFF: where to increase, or to protect from cuts, or to have proportional cuts (related to the UK not compensated net contribution) or disproportionate cuts (e.g. larger than the net loss).

The Brexit will also have obvious substantial dynamic effects on the balance of power within EU institutions, especially at the Council level.

**Box 9 - Gross and Net UK contributions to the European budget, million GBP**

![Graph of UK payments to EU budget]


**Future EU-UK relationship**

It is of course much too early to shape the contours of the future EU-UK partnership.

For the UK, this will have to be considered as an element of its foreign and trade policies. Besides, as was emphasized by the EU Chief Negotiator, Britain must complete

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78 When PM Mrs Thatcher insisted to get such a rebate or to leave the EU. It equates to approximately two thirds of the UK’s net contribution: hence without this rebate, the net UK contribution would have more than doubled over the years. According to some estimates, this saved the UK £85.9bn up to 2015, which in today’s (2015) money amounts to £115.4bn [http://www.eu-facts.org.uk/sceptics-handbook/the-value-of-mrs-thatchers-rebate-and-the-cost-of-mr-blairs-gesture/](http://www.eu-facts.org.uk/sceptics-handbook/the-value-of-mrs-thatchers-rebate-and-the-cost-of-mr-blairs-gesture/).

negotiations with 168 countries to replicate or roll over more than 750 international trade or aviation agreements; this has to be done before the Brexit transition period ends (end 2020). According to the EU Chief Negotiator, the UK red lines in the negotiations for the post transition period rule out any solution other than a free trade deal, on the sort of CETA, or a no deal outcome.

However, this is negotiating tit for tat games and there is obviously a shared will to build a strong future bilateral partnership. Paragraph 6 of the EU mandate reads “The European Council reconfirms its desire to establish a close partnership between the Union and the United Kingdom”. UK Prime Minister in her Florence speech on September 2017 offered cooperation with the EU “unprecedented in its breadth, taking in cooperation on diplomacy, defence and security, and development”.

What all this will imply for the future way the UK will opt for to establish its financial support to developing countries, especially to ACP countries, is much too early to say. The same applies for the UK-OCTs future relationships. Will the UK prefer to go exclusively its own way (fully nationalizing its ODA), or to remain partially active under a joint approach with the EU? If it opts for the latter, it will first have to check if such a future joint EU-UK approach is also desired by the EU, since it “takes two to tango”. In case both sides agree on such a way, then the UK could make contributions to the related EU financial instrument/programme/project, using the “external receipts” budget principle. Or, for its contribution to be more visible, the UK government may like to call for an instrument with a co-label, e.g. an EU-UK Trust Fund.

According to some observers though, UK politics around Brexit are quite unstable and there is no clear reason why future choices for cooperation with the EU on foreign and development policy will escape this. Ultimately, there is no clear reason why after they leave the EU, UK decision-makers would like to operate alongside the EU as for their financial support to developing countries, including ACP ones. This issue needs also to be raised with regards to OCTs, may be under a specific thinking.

1.5.2 Implications for OCTs

UK OCTs, or UKOTs, have a lot to lose with the Brexit, in terms of the many advantages they derive from their special relationship with the EU, as described nicely within the recent report which was produced for UKOTA by P. Clegg (2016). Among these, the most obvious are the free access to the EU market for their goods and services; the EU financial support under the OCT-EDF; the time-limited movement of people or the permanent residency right across the EU.

80 According to The EU Chief Negotiator, the UK’s red lines over (i) jurisdiction from the ECA, (ii) free movement of workers and regulatory autonomy rules, together with (iii) a privileged access on EU financial services market, rules out the sort of access that Norway, Iceland and Liechtenstein enjoyed as members of the European Economic Area. Similarly, Britain’s demands would prevent it having the same access as Switzerland, Ukraine and Turkey.

81 Such an approach has already been used in the context of the DCI implementation.

82 These advantages are reviewed below, within Part two, section 2.1, with the SWOT analysis of the OCTs-EU relationship.

83 Depending on whether they have full British citizenship or not. Even in the former case, this is a strong advantage since it allows for enabling business and educational opportunities.
The Great Repeal Bill white paper published on 30 March 2017 dedicates a whole but short Chapter (Chapter 5) on the issue of Crown Dependencies and Overseas Territories.

It reads (§5.1) “The Crown Dependencies and the Overseas Territories, including Gibraltar, are not part of the UK for the purposes of EU law, nor are they separate members of the EU. However, they do have differing special statuses under the EU treaties”; (§5.4) “The EU treaties apply to a very limited extent in the other UK Overseas Territories (which are granted associate status under Part IV and Annex II of the TFEU) (...). For that reason the issues addressed in this White Paper in relation to preserving EU law do not arise for these territories to the same extent as they do for the Crown Dependencies and Gibraltar” and finally (§5.6) “The Government is committed to engaging with the Crown Dependencies, Gibraltar and the other Overseas Territories as we leave the EU. We will continue to involve them fully in our work, respect their interests and engage with them as we enter negotiations, and strengthen the bonds between us as we forge a new relationship with the EU and look outward into the world. This includes technical engagement on any implications of the Great Repeal Bill for their jurisdictions”.

A junior minister at the Department for Exiting the European Union, is responsible for managing the relationship between the overseas territories and Parliament in their discussion with the EU27.

Yet it is hard to see how the UK will replicate the above-mentioned advantages or acquis of the OCT-EU partnership solely on its national side, especially at the financial level, since the record so far of the national UK budget support to UKOTs shows it is limited to a few territories with obvious needs, e.g. Montserrat, and not extended to more developed UKOTs.

Of course, the UK and UE could agree on the pursuit of the special OCTs-UE relationship in the post Brexit world, and negotiate on modalities. Here, as for the possible UK participation to the post Cotonou EU-ACP relationship, possible practical ways will depend on the political and technical choices made on the future EDF, as well as on the commitments the UK are willing to make, etc. Obviously enough though, this is not the most urgent matters for UK and EU negotiators... which does of course not prevent UKOTs stakeholders from being pro-active. Quite the contrary!
1.6 The stronger and renewed strategic partnership with the EU’s Outermost Regions (ORs)

1.6.1 State of Play

They are at present nine ORs. The special situation of the ORs has been recognised by the EU for more than 25 years. Since 2009 and the Lisbon Treaty, as per Article 255.1 of the TFUE, the provisions of the Treaties shall apply to ORs in accordance with Article 349, which allows “the Council, on a proposal from the Commission and after consulting the European Parliament, to adopt specific measures aimed, in particular, at laying down the conditions of application of the Treaties to those regions, including common policies”.

Therefore, as integrated regions within the EU territory, they implement EU policies, which means that they respect EU rules and disciplines and, in exchange, benefit from EU funds, including under the agricultural policy as well as under the economic, social and territorial cohesion policy, the two biggest financial ‘pots’ of the EU budget so far.

As for the rules and disciplines, this includes the application of EU common policies as illustrated by the EU trade policy including the Common External Tariff (CET) of the EU Customs Union. Therefore, with the many FTAs the EU has already signed or is negotiating (with more than a hundred countries in the world), the ORs cannot count on any customs duty on their own with a view to beefing up their public finances.

Concerning the cohesion policy, i.e. the support provided by the EU cohesion policy and the so called “structural funds” (ERDF, ESF, YEI, EMFF and EAFRD), it is worth recalling that ORs are eligible to them only under the common rule, i.e. mainly if their income per capital level is under the threshold of 75% of the EU average. In other words, they do not benefit from structural funds as ORs, per se. There is a noticeable exception to the latter principle, though, with the specific additional allocation with an ‘aid intensity of EUR 30 per inhabitant’.

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84 Guadeloupe, French Guiana, Martinique, Mayotte, Reunion Island and Saint Martin (France), Canary Islands (Spain), the Azores and Madeira (Portugal).
85 Declaration n°26 attached to the Maastricht Treaty, 1992, which led to Article 299.2 of the Amsterdam Treaty, 1997.
86 Under a dedicated scheme on agricultural measures, in the name of POSEI (Programme d’options spécifiques à l’éloignement et l’insularité), which allows, under the European Agricultural Guarantee Fund (EAGF), direct payments to agricultural producers, not subject to some important features of the 2003 CAP reform (decoupling and degressivity). The total annual allocations for POSEI programmes during the 2014-2020 period is € 653.04 million, leading to a multiannual budget of more than € 4.5 billion.
87 These two policies amount at more than 70% of the present EU budget.
88 French ORs still are allowed to rise the so-called ‘duck dues’, but this had to be transformed into an internal tax instrument, with a view to respecting the principle of free circulation of goods within the EU. Hence local products are also subject to this taxation, but with some possible reduced rates, in full respect of the provisions established by a dedicated EU Council decision.
89 More precisely, the present Regulation (no 1303/2013) for the 2014-2020 period distinguishes three categories of (NUTS2) regions: “less developed regions” (income per capita less than 75% of the EU average, “transition regions” (between 75 and 90% of EU average) and “more developed regions” (above 90% of the EU average (Article 90). This is done on the basis of figures for the period 2007-2009 and relates to the EU27 for the same reference period (hence with Britain but not Croatia). A major part of the resources are earmarked for the “less developed regions”.
per year\textsuperscript{91} during the 2014-2020 period which is allocated to (NUTS2) ORs\textsuperscript{92}, as well as to the northern sparsely populated (NUTS2) regions ("northernmost\textsuperscript{93} regions) of Finland and Sweden\textsuperscript{94}.

More than € 8.5 billion have been set aside for the ORs under the 2014-2020 for the above-mentioned structural funds – for a total population in ORs amounting to around 4.5 million inhabitants, this leads to an average EU support of around €250 per inhabitant per year\textsuperscript{95} through the structural funds. It is also worth recalling here that the structural funds are subject to the principles of mandatory co-financing and of “decommitment”.

In addition to their individual envelopes, ORs also benefit from the so called INTERREG programmes under the EU Territorial Cooperation Policy funded through the ERDF. ORs are concerned with two windows: (i) Cross Border\textsuperscript{96} (3 programmes) and (ii) Transnational (3 programmes), with programmes individual allocations ranging from € 12 to 126.5 million EUR\textsuperscript{97} for the 2014-2020 period.

Subject to the ERDF regulation, these programmes are the dedicated instruments for the cooperation of ORs with their neighbouring states and territories, including OCTs. More broadly, when it comes to cooperation between ACP, ORs and OCTs, one needs to look at the available evidence of mixing ERDF with EDF (or of mixing ACP EDF with OCTs EDF in joint ACP-OCTs programmes/projects), which remained somewhat elusive so far, for several reasons - a too complex procedural exercise\textsuperscript{98} and, possibly and in some cases, a lack of effective political will beyond ‘lip service’, when the gains to be seized by regional cooperation actors (both private and public) appear to be too limited in the context of small islands, or to be beyond the usual short term considerations of most decision-makers and stakeholders. To illustrate: a recent initiative by the EUD in Barbados has been to launch a study “to develop a framework for an effective platform for structured and continuous CARIFORUM/FCORs/OCTs dialogue at the political and technical level”, in the context where

\textsuperscript{91} Article 92.1 (e) of the Regulation. For the previous 2007-13 period, the related amount was 35 EUR per inhabitant per year.

\textsuperscript{92} To “offset their structural social and economic situation together with the handicaps resulting from the factors referred to in Article 349 TFEU” (whereas no5 of the Regulation)

\textsuperscript{93} The substantive “northernmost” is used by the EU Regulation no 1301/2013 as of 17 December 2013 on the ERDF and specific provisions, Article 11.

\textsuperscript{94} To “offset the severe and natural or demographic handicaps referred to in Article 2 of Protocol No6 to the 1994 Act of Accession”. (whereas no 6 of the Regulation)

\textsuperscript{95} A detailed presentation of the EU funding in the ORs is available in the Commission Staff Working Document SWD(2017)349 final, accompanying the recent European Commission communication on ORs.

\textsuperscript{96} European Cross-Border cooperation, known as Interreg A, usually supports cooperation between NUTS III regions from at least two different Member States lying directly on the borders or adjacent to them. Transnational cooperation, known as Interreg B, involves regions from several countries of the EU forming bigger areas. Interregional cooperation, known as Interreg C, works at pan-European level, covering all EU Member States, and more. It builds networks to develop good practice and facilitate the exchange and transfer of experience by successful regions. It showcases what regions do well, to the benefit of those still investing.

\textsuperscript{97} SWD(2017)349 final.

\textsuperscript{98} According to DG REGIO, new rules put in place for 2014-2020 were designed to make it easier to develop joint ERDF-EDF projects, and a detailed Note for Guidance as of November 2014 has been issued jointly with DEVCO with a view to ease the process. http://ec.europa.eu/regional_policy/index.cfm/en/newsroom/news/2014/11/commission-boosts-cooperation-between-outermost-regions-and-neighbours. It remains to be seen to what extent this will translate into concrete results. Anyhow this is a very old issue, which can be traced back to the 2000 European Commission first communication on the ORs...
related decisions made in the past twelve years did not materialized or did not yield enough results\textsuperscript{99}.

All in all, the total EU support to ORs for the 2014-2020 period amounts to around € 13.3 billion\textsuperscript{100}, i.e. not far from €400 per inhabitant per year.

Looking forward to the next programming period, there are some renewed issues for the future of the cohesion policy that need to be discussed, such as the future criteria for eligibility to the next structural funds.

Several times in the past, anticipating that some ORs would quickly exceed the income threshold, especially in the context of EU enlargement (which lessens the EU income per capita average), some ORs and their MS pushed forward the idea of a secured access by the ORs to the structural funds either directly (not condition to their income range, under a waiver to the standard rule) or through the application of a set of criteria (using, for example, the unemployment rate in addition to the income level). More recently, the European Commission stated that the current system of allocation of the [structural] funds could be revised. New criteria could be added, for instance linked to the challenges Europe faces, from demographics and unemployment to social inclusion and migration, from innovation to climate change (2017, the European Commission Reflection paper on Finances). In other words, an option would be to opt for, say, a composite index of sustainable development, in relation to the much floated SDGs framework.

The European Commission has released a new communication on ORs a few months ago, on late October 2017, “for a stronger and renewed strategic partnership with the EU’s ORs”.

Acknowledging that ORs development is “fragile”, and that their specific characteristics impede their full participation to the EU single market, the Commission states that “there is a clear need to improve efforts” through “a more robust and better tailor-made approach”.

Among many commitments made by the European Commission after each thematic analysis, the following statements are worth noting here, in direct or indirect relation to OCTs:

- Under the issue of Biodiversity: Building on the experience of the BEST initiative, there is a need to consider providing specific support for the conservation of biodiversity and the sustainable use of the ecosystems services, including for climate adaptation in the outermost regions and Overseas Countries and Territories in the new EU programmes.
- Under the issue of Regional Cooperation:
  • Consider targeting new EU investments on priority and larger scale projects in the outermost regions’ geographic basins;
  • Facilitate cooperation between the outermost regions and their neighbours by a closer alignment of rules of the relevant funding instruments and possible setting-up of joint programmes.

\textsuperscript{99} See ToRs, FWC BENEFICIARIES 2013 – RfS 2017/390-019, Lot 7: Governance and Home Affairs, EuropeAid/132633/C/SER/multi.
Many other commitments are not made in relation to OCTs but could be easily extended to them, in terms of intervention logic, if not in terms of financial means. To name but a few:

- to launch a dedicated Coordination and Support Action (EUR 4 million) in the Horizon 2020 work programme 2018-2020 to enhance the capacities of ORs,
- to participate in the EU’s Research Framework Programme (and give particular attention to the ORs assets and specific needs when drawing the future EU Research Framework Programme),
- to consider the special needs of the outermost regions' enterprises in new schemes supporting SMEs (current "COSME" programme) to enhance their competitiveness in international markets,
- to intensify efforts to Promote Erasmus+ in the outermost regions,
- to promote participation of entrepreneurs from the outermost regions and assess the impact of a possible extension of the "Erasmus for Young Entrepreneurs" programme to neighbouring countries on the grounds of the pilot project allowing exchanges between entrepreneurs from the EU and third countries.

1.6.2 Implications for OCTs

It is often tempting for OCTs, when it comes to their will of making the most of their relationship with the EU, to search for inspiration from the specific treatment the ORs benefit from at the EU level. The last October 2017 European Commission communication for a stronger and renewed partnership is a case in point in regard of this will.

However, their different status in EU law and their related implications cannot be overlooked.

Actually, according to the TFEU Article 349, the Council shall adopt specific measures aimed, in particular, at laying down the conditions of application of the Treaties to those regions, including common policies (...) taking into account the special characteristics and constraints of the outermost regions. It is nevertheless necessary to recall first that, according to Article 355.1 of the same TFEU, the provisions of the Treaties shall apply to the ORs (in accordance with Article 349). The ORs belong to the EU Territory, and hence are subject to EU law, possibly with some adapted application.

In other words, there is a logical need to be subject to EU law, before possibly negotiating specific measures under EU law!

OCTs are not subject to EU law (apart from the fourth part of the TFEU and the OAD). It derives from this that they cannot benefit from EU internal policies, such as the cohesion policy or the CAP.

This said, as underlined above, the analysis of the specific characteristics of ORs and their consequences for their sustainable development can legitimately be extended to OCTs, as well as to some ACP SIDS.

Whereas it is clear enough that the EU response to OCTs challenges cannot be established with the same means, especially at the financial level, at least the same analytical logic prevails. This principle of “analytical similarity” shall apply to EU thematic programmes to which OCTs are eligible under the OAD. Local capacities to accede these bigger EU programmes (i.e. Horizon 2020, LIFE, COSME, Erasmus) are most often very limited and need
to be supported as far as possible. It remains to be seen, may be on a case by case (theme by theme) basis, if this is best done through an initiative to enhance these capacities at global EU level, or conversely through a specific approach and separate (earmarked) budget line, as for the BEST initiative (see below, 2.1.1).

Still, with the decision for an additional ERDF allocation for outermost regions and the northern sparsely populated regions of Finland and Sweden, the EU has demonstrated its capacity to provide an appropriate ad hoc support to the regions facing specific geographical features and challenges, delinking this financial support from these regions’ income level.

The more promising approach may finally be to envisage some more common programming on priority thematic action concerning regional public goods, possibly with some common financial instrument, between OR and OCTs, as well as with neighbouring country partners - ACP or else, as mentioned above under the logic of outreach (section 1.3). As experience reveals, joint programming of ERDF/OCT-EDF/ACP EDF, even simplified in the future, might not prove to allow for swift progress: in this case, only a common instrument might do.
2. The road ahead to the post 2020 OCT-EU relationship

“If one does not know to which port one is sailing, no wind is favourable”
Seneca, Epistulae Morales

OCTs must consider their future post 2020 relationship with the EU and make relative decisions on what to target and what to do, yet many uncertainties remain at this stage with regard to the future EU budget, the future post Cotonou relationship with ACP countries, the future of EDF, the concrete consequences of Brexit and what the UE-UK partnership will look like, the Brexit specific impact for UKOTs and, by extension, for OCTA...

The OCT-EU partnership appears to be at crossroads, to say the least.

For OCTs, starting the reflection process on the future partnership was somewhat like not only “having no idea of which port they are heading to”, but even “no idea on what seas they are sailing or going to sail”, with the so many uncertainties that were and still are surrounding the contours and contents of several post 2020 decisive frameworks for this partnership (as reviewed in this report Part I, and to name but a few: the post 2020 MFF at EU level, the Post Cotonou agreement, the Brexit...).

Yet, early 2018, OCTs were in need of identifying their negotiations objectives and preferably speaking under a single unified voice... any scattered response from their side would have much reduced the probably of an appropriate outcome and led to a disappointing, if not a dismal, one. The launching, on the last quarter of 2017, of the present mission for preparing a background paper on the post 2020 debate and its implications for OCTs was therefore part of the answering process by OCTs, which already commissioned a preliminary study in 2016.

It has been emphasized elsewhere (Simon and Speck, 2017) that “thinking about scenarios is of key importance to policy-makers, experts and the wider public, not because they predict with scientific rigour what is going to happen, but because they make it easier to discuss expectations and to bring into the open many implicit assumptions about the future on which our political discourse is built”. What is useful is “the ability to identify major trends, connect those trends with each other and use imagination and creativity to go beyond conventional images (…) Scenarios help us to spell out the desirable and the undesirable in greater detail”.

The second part of this background paper aims to build on the scenarios outlined in the first part, with a view to contributing to identify possible options for negotiations, among which OCTs stakeholders would be able to select the most appropriate according to their views.

Along the way, OCTs need to maintain alive the spirit of “the same EU family” and, whilst most citizens from OCTs are EU citizens, to keep in mind that, as stated by European Commission President Juncker in his last State of the Union speech as of September 2017: “Europe must be a Union of equality and a Union of equals”.

2.1 The OCTs-EU relationship: past, present and views for the future

2.1.1 The current relationship: where do we stand?

OCTs are in a very singular position both vis-à-vis the EU institutional setting and in terms of their international relations. In the context of the special (constitutional) relationship they
have with an EU Member State (Denmark, France, Netherlands, UK), they are “associated”, not “integrated”, with the EU, contrary to EU regions, including ORs. And still they are not full independent sovereign States.

At present, there is a total of 25 OCTs, including Greenland, with a total population of more than one million people. In terms of income range (see below table 1), all but a few OCTs have a GNI per capita corresponding to the high-income countries category by the World Bank (over $12,236 for the FY 2018). None of them could be said to belong to the low-income category (under $1,005). Data on income per capita in OCTs is not computed at purchasing power parity (PPP), though.

Only the fourth part of TFEU is applicable to OCTs, which provides fundamental legal provisions for the “Association of the OCTs” (which is its Title) with the EU. It is of much limited length though, with only 7 articles – articles 198 to 204 – split over only two and a half pages. Article 198 in its paragraph 2 reads “the purpose of the association shall be to promote the economic and social development of the countries and territories and to establish close economic relations between them and the Union as a whole”.

According to TFEU Article 203, this fundamental legal arrangement is further implemented through a Council Decision, namely the Overseas Association Decision (OAD) - last one as of 23 December 2013, with no end date. This last OAD was the result of a large consultative process, including the Green Paper as of 2008, resulting in the 2009 European Commission communication “Elements for a new partnership between the EU and the OCTs” and the 2011 Joint Position Paper of the OCTs and the MS with which they have a special link.

Under the OAD, the OCTs-EU partnership overarching goal is “to support the OCTs’ sustainable development as well as to promote the values and standards of the Union in the wider world” (OAD, Article 1). It is based on three pillars/objectives: (1) enhancing OCT’s competitiveness, (2) strengthening resilience and reducing vulnerability, and (3) promoting cooperation and integration between the OCTs and other partners and neighbouring regions (‘whereas’ no7 and Article 3.1).

The OAD acknowledges that the relationship “should move away from a classic development cooperation approach to a reciprocal partnership to support the OCTs’ sustainable development. Moreover, the solidarity between the Union and the OCTs should be based on their unique relationship and their belonging to the same ‘European family’” (whereas no 5). The OAD is organized under 4 parts: General Provisions of the Association, Areas of cooperation for sustainable development, Trade and Trade related cooperation, Instruments for Sustainable Development.

Some priority areas are listed under Article 5: economic diversification, green growth, sustainable management of natural resources, adaptation to climate change and disaster risk reduction, promotion of research and innovation, etc. Participation of OCTs to related

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101 EDF11 mid-term evaluation, Annex 8 (Analysis of OCTs).
102 Given an expected higher level of prices in OCTs, available data presumably overestimates average real wealth. Besides, information is lacking on distribution of income and weight of people under poverty thresholds.
103 COM(2009)623 final, 6 November.
EU programmes (Research and Innovation, COSME, YEI) is further mentioned in related articles.

The trade provisions as derived from the EU Treaty Part IV - duty and quota free access of OCTs goods to the EU market, possible adoption by OCTs of some customs duties or quantitative restrictions as they consider necessary in view of their respective development needs, possible adoption by OCTs of regulations to aid their natural persons and local activities with a view to promoting or supporting local employment – are maintained.

As for financial assistance, Article 74 states that “the Union shall contribute to the achievement of the association’s overall objectives through the provision of (a) adequate financial resources and appropriate technical assistance (…) and (b) long term financing to promote private sector growth”. “Resources flows are accorded on a predictable and regular basis” (Article 76.3b). Under Article 77, OCTs are eligible (a) to EDF11, (b) to the Union programmes and instruments provided for in the Union’s general budget104, and (c) funds managed by the EIB under the EIB’s own resources and the resources allocated to the EDF Investment Facility.

15 (out of 25) OCTs are eligible to the EDF territorial allocation, while Greenland receives funding from the EU general budget on the basis of the Partnership Agreement between the EU, Denmark and Greenland (see table 1 below).105

The OAD whereas no 32 states that “Financial assistance to the OCTs should be allocated on the basis of uniform, transparent and effective criteria, taking into account the needs and performances of the OCTs. Such criteria should take into account the size of the population, the level of Gross Domestic Product (GDP), the level of previous allocations from the European Development Fund (EDF) and constraints due to the geographical isolation of OCTs”.

In addition to the individual (territorial) envelopes comes an OCT ‘regional’ envelope, the Reserve B and the EIB Facility (see table 1), leading to an overall EU support (OCT-EDF envelope and Greenland envelope) of more than € 570 million for the 2014-2020 period. This corresponds to an average support of around € 80 per inhabitant per year106.

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104 Under the article 94, the OCTs eligibility for Union programmes is stated to be subject to rules and objectives of the programmes and possible arrangements applicable to the MS to which the OCTs is linked. It needs to be checked, on a programme by programme basis, to what extent this is a strong limitation or not (more on this below, § 2.1.2. and the SWOT Analysis therein). It also applies to programmes of the Union for cooperation with other countries, notably developing countries. It is often said that this relates to so called “horizontal” programmes, with a view to making it clear that the structural funds and the agricultural funds are strictly limited to the EU Territory, to which OCTs do not belong (see above section 1.6 on ORs).

105 GDP per capita in OCTs, as provided in Table 1, is calculated with current prices, not in purchasing power parity (PPP). As prices are most often much higher in OCTs than in European mainland for obvious reasons (diseconomies of scale, remoteness and transport costs, etc.), it probably significantly overestimates the OCTs real income.

106 This calculation was made excluding OCTs receiving no EDF territorial allocation, but including Greenland; this corresponds from a total amount of around € 570 million divided by a cumulated population of 970 300 (taken from table 1 in the text), and by 7 years (duration of the 2014-2020 period).
Table 1: OCTs general data - GDP per capita, population and EDF11 allocation

<table>
<thead>
<tr>
<th>OCT</th>
<th>GDP per capita# US$</th>
<th>Population 2014</th>
<th>Indicative EDF 11 territorial allocation (million €)</th>
<th>Proposed sector of concentration and approach: Budget support (BS)/Project (P)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
<td>(5)</td>
</tr>
<tr>
<td>Anguilla</td>
<td>12 200 (2008)</td>
<td>15 754</td>
<td>14.05</td>
<td>Education (BS)</td>
</tr>
<tr>
<td>Aruba</td>
<td>25 300 (2011)</td>
<td>109 153</td>
<td>13.05</td>
<td>Education/Research and Innovation (P)</td>
</tr>
<tr>
<td>Bermuda</td>
<td>85 700 (2013)</td>
<td>64 237</td>
<td>None*</td>
<td></td>
</tr>
<tr>
<td>Bonaire</td>
<td>21 900 (2012)</td>
<td>18 250</td>
<td>3.95</td>
<td>Social Development – Youth (BS)</td>
</tr>
<tr>
<td>BVI</td>
<td>42 300 (2010)</td>
<td>28 280</td>
<td>None*</td>
<td></td>
</tr>
<tr>
<td>Cayman Islands</td>
<td>43 800 (2004)</td>
<td>55 036</td>
<td>None*</td>
<td></td>
</tr>
<tr>
<td>Curacao</td>
<td>15 000 (2004)</td>
<td>150 563</td>
<td>16.95</td>
<td>Resilient communities (P)</td>
</tr>
<tr>
<td>Falkland Islands</td>
<td>96 200 (2012)</td>
<td>2 543 + 278 (2012)</td>
<td>5.9</td>
<td>Connectivity and accessibility (BS)</td>
</tr>
<tr>
<td>French Polynesia</td>
<td>17 000 (2015)</td>
<td>267 000</td>
<td>29.95</td>
<td>Tourism (BS)</td>
</tr>
<tr>
<td>Montserrat</td>
<td>8 500 (2006)</td>
<td>4 959</td>
<td>18.4</td>
<td>Multi-sector Economic Growth strategy (BS)</td>
</tr>
<tr>
<td>New Caledonia</td>
<td>EUR 29 330 (2015)</td>
<td>268 767</td>
<td>29.8</td>
<td>Employment and professional inclusion (BS)</td>
</tr>
<tr>
<td>Pitcairn</td>
<td>n.a.</td>
<td>52 + 10</td>
<td>2.4</td>
<td>Tourism (BS)</td>
</tr>
<tr>
<td>Saba</td>
<td>25 100 (2014)</td>
<td>1 947 (2016)</td>
<td>3.55</td>
<td>Renewable energy (BS)</td>
</tr>
<tr>
<td>Saint Barthelemy</td>
<td>EUR 35 700 (2010)</td>
<td>9 171</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Saint Helena, Ascension and TdC</td>
<td>7 800 (2009/2010)</td>
<td>5 213</td>
<td>21.5</td>
<td>Connectivity and accessibility (BS)</td>
</tr>
<tr>
<td>Saint Pierre et Miquelon</td>
<td>28 300 € (2008#)</td>
<td>6 314</td>
<td>26.35</td>
<td>Sustainable tourism and maritime services</td>
</tr>
<tr>
<td>Sint Eustatius</td>
<td>25 300 (2014)</td>
<td>3 900</td>
<td>2.45</td>
<td>Energy (BS)</td>
</tr>
<tr>
<td>Sint Maarten</td>
<td>66 800 (2014)</td>
<td>39 000</td>
<td>7.0</td>
<td>Water and sanitation (P)</td>
</tr>
<tr>
<td>Wallis &amp; Futuna</td>
<td>10 100 € (2005#)</td>
<td>12 197</td>
<td>19.6</td>
<td>Digital development (BS)</td>
</tr>
<tr>
<td>Turks and Caicos</td>
<td>16 987 (2016)</td>
<td>39 788 (e 2017)</td>
<td>14.6</td>
<td>Education and vocational training (BS)</td>
</tr>
<tr>
<td>TOTAL territorial envelopes</td>
<td></td>
<td>229.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>OCT regional envelope</td>
<td></td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reserve B</td>
<td></td>
<td>21.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EIB Investment Facility</td>
<td></td>
<td>5.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source:
Table on Key Facts and Statistics for OCTs and Table on State of Play, Programming 11th EDF OCTs (as of April 2018), both provided by the OCTA Secretariat, except for: (#) “comptes et estimations” CEROM (AFD-IEDOM-INSEE).

# GDP per capita is calculated with current prices, not in purchasing power parity (PPP).
BVI, Cayman Islands, Saint-Barthélémy and FSAT do not benefit from an EDF territorial envelope, after application of the multi-criteria eligibility approach, which takes into account the size of the population, the level of Gross Domestic Product, the level of previous EDF allocations and constraints due to the geographical isolation, as stipulated in Article 9 of the OAD.

** Greenland is not eligible to EDF territorial envelopes but receives funds from the General Budget of the EU on the basis of the Partnership Agreement between the EU, Denmark and Greenland.

2.1.2 A SWOT analysis of the OCT-EU partnership

This attempt at elaborating a swot analysis of the present OCT-EU partnership, taking into account its past evolution and its perspectives for the post 2020 period, relies on the consultant’s own reflections, based on the relevant documentation, and draws heavily from the paragraphs drafted on OCTs (or mentioning them) within the EDF11 mid-term review (especially its Annex 8 – Analysis of OCTs107), with some inputs from the Clegg (2016) Report on UKOTs (Part I).

Altogether it leads to a rather consensual conclusion that the OCTs-EU partnership has made much recent progress with the new spirit under the 2013 OAD, but that it could still be improved a lot on several aspects.

**Strengths**

- the non-reciprocal access to the EU markets for the goods and services originating in the OCTs, as derived from the TFEU,
- the right, for OCTs, to enact provisions to promote or support local employment, to aid their natural persons and local activities (as per the OAD Article 51.3),
- the strong consultation process (Green paper 2008, COM 2009, JPP 2011) which is good for ownership, and the regular EC-MS-OCTs dialogue, under the spirit of equal partners and of the ‘same European family’,
- the value added brought by OCTs privileged link to Europe and by their position as European outposts,
- the no-end date feature of the OAD, which is a substantial advantage in times of strong potential turbulence, as is presently the case with the preparation of the post 2020 framework which at this stage entails so many uncertainties,
- the increase of the total OCT-EDF budget over time: from €115 million for EDF8, to €204 million for EDF9 and to €286 for EDF10 – now €365.5 million for EDF11. It more than tripled in this long time span. According to the EDF 11 mid-term review, this “demonstrates the EU’s commitment to the OCTs”.
- also according to the EDF11 mid-term review, the relevance of the EDF10 support to the OCTs, which has served its purpose well in being consistent with the objectives of the association between the OCTs and the EU,
- the alignment of EDF support and SPDs to OCTs strategies and OCTA strategic plan, including the OCTs regional programmes, e.g. TSI,
- the enhancement of the OCTs as a prominent group to become a platform in regional and global fora, and the related reinforced role of OCTA,
- the strengthened management of OCTs dossiers by the European Commission, with the OCTs unit positioned at a transversal level of DG DEVCO Chart108.

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107 See in particular section 4. Overview of OCT-specific findings from the EDF Performance Review.
108 This strength comes also with its own weakness, as indicated below.
- the enlargement of OCT’s eligibility to relevant EU programmes, with mixed feeling though, related to actual access (see below weaknesses),
- the experience gained and results obtained with some few dedicated initiatives, e. g. BEST 2.0\textsuperscript{109} (also directed to ORs, on biodiversity and ecosystem services).

**Weaknesses**

- the limited weight of the EDF with its relatively small financial size in relation to the OCTs’ own budgets – this can narrow impact/leverage, even if the principle of single sector of concentration helps in this regard,
- the procedures which may prove burdensome and sometimes constitute a substantial barrier to efficiency and effectiveness for some smaller OCTs, even if the programming process is supposed to be adapted to the specific OCT situation. Innovations made in this regard - i.e. inter alia the ‘Summary sheet’ approach\textsuperscript{110} - do not appear to bring straightforward lightening. According to some stakeholders, "there is still some mismatch between the local context (small administration which cannot deal with the requirements of the EU) and the mechanics/rules which are practically standard"\textsuperscript{111}. Local capacities are much stretched, which may lead to some delays in EDF implementation. These limitations notwithstanding, OCTs EDF\textsubscript{11} implementation track record is rather satisfactory, with a large majority of SPDs signed at end February 2018\textsuperscript{112}. Some stakeholders in OCTs also raise the issue of EDF tender procedures, with too few local companies in the Caribbean/Pacific regions capable to meet the EU’s high standards, because they face to a high relative cost of dealing with EU procedures, or simply cannot qualify to shortlists, given their small or micro size… In such circumstances, the Budget Support (BS) approach seems more appropriate, with allows the use of the beneficiary procedures, and indeed an overwhelming majority of OCTs now follow this approach to implement their territorial envelope.
- the difficult access to Reserve B because of some too strict interpretations about when the fund can be used\textsuperscript{113},
- the actual access and participation to EU programmes considered too limited – raising this access was one of the OCTA Technical Assistance Team (under EDF\textsubscript{10}) core objectives, and it has not been yet effective, even if a few positive experiences can be mentioned here (e.g. with ERASMUS in Aruba),
- the position of the OCTs Unit, within the Chart of the European Commission, at DG DEVCO level, since this DG’s responsibility is to manage cooperation with third developing countries, whereas OCTs are neither fully external nor having development challenges typical of developing countries. This put OCTs from time to time at risk of having specific challenges not always being fully comprehended\textsuperscript{114}.

\textsuperscript{109} http://ec.europa.eu/environment/nature/biodiversity/best/projects/current/index_en.htm
\textsuperscript{110} see programming process as described within § 3.5 of Annex 8 p. 133 of mid-term review
\textsuperscript{111} Annex 8 p. 136.
\textsuperscript{112} At the conclusion of the 16\textsuperscript{th} OCT-EU Forum, 12 territorial SPDs out of 16 and 2 regional SPDs had been signed, as well as the SPD to support OCTA. Were not yet signed only four territorial, one regional and the thematic SPDs.
\textsuperscript{113} Annex 8 p. 137 on Aruba’s experience
\textsuperscript{114} Still, as mentioned above, the management of OCTs dossiers at European Commission level has been much improved in the aftermath of the new OAD Decision, and is an acquis to be preserved.
- the limited effective results of regional integration initiatives, in comparison with expectations and ambitions, including in terms of ACP-OCT cooperation, for various reasons. An important part of the explanation relates to the lack of complementarity or the strong difficulty to jointly manage the concerned several EU financial instruments (OCT EDF, ACP EDF, ERDF for ORs, EFIs for other countries and regions) is limited by some lack of visibility of opportunities related to the latter instruments. Some consider that there is also a lack of expertise or institutional capacity to do so, or that regional cooperation is not enough put high on the policy agenda, beyond the usual ‘lip service’. Finally, one should never forget that regional cooperation actions between small and scattered islands are naturally much costly and, if implemented at a larger scale, that they would consume a too big part of the restricted local finance resources, which local stakeholders, within the public sector and the non-state actors, would not allow to happen. This applies the same way in terms of time allocation, when public officers wear too many hats to accommodate the small or micro size of local administration and are overwhelmed by too many multiple tasks\textsuperscript{115}.

**Opportunities**

- a very strong ambition of the OCTs is to benefit from *EU programmes*, as provided for by OAD (see above), - with the possible limitation of the programmes’ own regulation though, when it states that the programme is limited to the Territory of the EU, which *de jure* excludes OCTs, if their participation is not explicitly mentioned. Also noteworthy are the limited capacities of OCTs, both private and public sectors, which constitute a strong barrier to entry for them. Some support is therefore needed here to enhance their capacity to seize opportunities related to EU programmes such as Horizon 2020 or COSME. By the same token, the specific features of OCTs such as high remoteness and isolation must be better taken into account in the case of ERASMUS+, with a view to ensure their fair treatment,

- with regard to the future framework for the post Cotonou ACP-EU relationships (the umbrella Agreement and the enhanced regional pillars), one can say that the *Regional cooperation/integration/outreach* is at crossroads: if the regional dimension was already much emphasized in the 2013 OAD\textsuperscript{116}, the limited means in relation to implied operational costs hampered to harvest better results. Satisfying political ambitions and harnessing potentialities related to regional cooperation may become much more realistic if the post 2020 framework (new MFF, post Cotonou) allows for the regional side to play a much bigger role in the new ACP and ACP-EU arrangements (see above, par one, section 1.3) and if some more appropriate financial instrument or vehicle is established.

\textsuperscript{115} A classical theme in the SIDS literature.

\textsuperscript{116} OAD whereas no 7 reads “Given the OCTs’ geographical position, cooperation between them and their neighbours, despite the different status vis-à-vis Union law of each actor in a given geographical area, should be pursued in the interests of all sides with a particular focus on areas of common interest and the promotion of the Union’s values and standards. Moreover, the OCTs could act as regional hubs or centres of excellence in their regions”. 

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**Threats**

The list of threats is quite long, especially given the somewhat tense political climate between EU MS at the beginning of 2018. To name but a few:

- a reduced EU budget, with a cut proportional to the lost UK net contribution, if the EU27 MS do not compensate for it (hence a decrease by around 7-8%\(^\text{117}\)), leading to a much reduced EDF envelope, including for the OCT-EDF, if maintained;
- a bigger reduction of the EU budget, if the related scenarios for the future of Europe (scenario 4: “Doing Less more efficiently “, or even worse, scenario 2: “Nothing but the single market” prevail; c.f. above, section 1.2);
- a reduced collective interest by the EU27 MS at Council level for OCTs’ affairs, after the UK leave,
- the retreat of 12 UKOTs out of the 25 OCTs associated with the EU via the OAD, and of 9 OCTA Members out of 22, after the Brexit, and if no specific arrangement is made for them ; this might further prompt a push by a majority of EU27 MS to request Denmark, France and the Netherlands to re-nationalise a large part of the EU support to OCTs – such outcome would be most probable under the 3\(^{rd}\) scenario (“Those who want do more”) for the future of Europe, notwithstanding the legal status of the OCT-EU cooperation ;
- The merging of EDF within a broader development instrument or external instrument (see part one, section 1.2) with a progressive loss of interest and capacity of the more developed EDF beneficiaries (ACP and OCTs alike) to benefit from the funding, if no specific arrangement is made to ring fence their individual envelopes. This would correspond to a kind of graduation process under a reinforced principle of differentiation (and focus on the poorest countries), which would leave an increased number of countries and territories with no EDF allocation.

2.1.3 OCTs expectations and views from the Member States with which they have a special relationship\(^\text{118}\)

**Considerations from the OCTA Strategic Plan and the 2017 Joint Positions Paper (JPP)**

The OCTA Strategic Plan (2015-2020), in its chapter 2 on Improving Policy dialogue, reads (pp. 13-14):

“This strategic plan must consider the future of the EDF. Policy dialogue on the EDF should focus on: (...)”

- Current programming process: OCTA will have to identify potential difficulties met by several OCTs, and propose common solutions to the Commission. Special attention will be given to EDF procedures, from the programming to all the “in itinere” process (including daily management of the funds, annual execution reports, financial

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\(^{117}\) To recall: a yearly £ 8-10 billion lost out of an annual budget of around € 140 billion.

\(^{118}\) These expectations and views are the ones given ahead of the OCTA Ministerial and the OCT-EU Forum as of respectively 22 and 23 February 2018. As for the decisions made or positions taken during these two events, please refer respectively to the OCTA Ministerial Conference Political Declaration and to the Forum Adopted Conclusions.
controls, mid-term review, evaluation and so forth; this, in order to facilitate the OCTs’ absorption capacity
- 2020 deadline: the question of budgetisation of the EDF will have to be considered before the end of the programming period. Discussions, if not formal negotiations will soon start between the European Commission, Member States and ACP countries.
- OCTA will have to stress the main scenarios envisaged for future EDF and favour the emergence of a common OCT position, to be promoted vis-à-vis the Member States, the European Commission and Parliament. To this end, dialogue with ACP Secretariat and Member States will facilitate OCTs’ understanding and positioning on this issue. Support of OCTs Member States will be a determining factor in the resolution of these issues. OCTA will have to strengthen the links with Member States representations and in so doing better enable them to convey the OCTs’ positions”.

The February 2017 Joint position paper (JPP) is a step forward in the direction of such a common OCT and MS position, expressing their wish for the future partnership to be built on the ten following guiding principles: STRONGER\textsuperscript{119}, GREENER, CONSISTENT\textsuperscript{120}, MODERN\textsuperscript{121}, TAILOR MADE\textsuperscript{122}, SMARTER\textsuperscript{123}, PROSPEROUS\textsuperscript{124}, COHERENT\textsuperscript{125}, EQUAL\textsuperscript{126}.

Yet this JPP was not supposed to play a decisive role since was both very limited in analysis, and too general with regard to the need for setting concrete negotiations objectives, let alone prioritized ones. It was rather floating some general principles before the discussions on the post 2020 framework really take off ground later in 2017, or in 2018 on the road to the 2018 OCTA Ministerial Conference and 16\textsuperscript{th} OCT-EU Forum.

Expectations from OCTs\textsuperscript{127,128}

- On OCT EU relations

According to New Caledonia, the last OAD brought much progress but many related opportunities are yet to be seized. A bigger EU support remains needed, given the large natural assets OCTs bring to the EU family and the strong challenges they face in relation inter alia to their huge maritime area, biodiversity, fight against climate change, etc. Similarly, Saint Pierre and Miquelon calls for the safeguarding of the OCT-EU cooperation

\textsuperscript{119} Consolidating OCTs important position as part of the EU family.
\textsuperscript{120} In relation to the role of OCTs as regional hubs and centres of excellence.
\textsuperscript{121} Drawing inspiration from relevant elements of the cohesion policy while respecting the specificities of the OCTs
\textsuperscript{122} Taking into account the diversity of the OCTs and their regional context
\textsuperscript{123} Removing obstacles that currently prevent OCTs from fully benefitting from the programmes and instruments to which they are eligible.
\textsuperscript{124} A partnership with financial means adapted to the challenges.
\textsuperscript{125} Taking into account OCTs interest when trade agreements are negotiated by the EU
\textsuperscript{126} Reinforcing instances of dialogue and fully involving OCTs in the negotiations on the future of the EU-OCT Partnership.
\textsuperscript{127} The following lines on OCTs expectations exclusively draw from answers received by the mission to the study questionnaire (see Annex 2) that was specifically drafted and sent to all on by mid January 2018. Answers came either though the questionnaire filled and sent back to the mission expert, or through interviews other the phones which were successfully organized before the 2018 OCTA Ministerial Conference and 16th OCT-EU Forum. The reporting here is made under the questionnaire sections.
\textsuperscript{128} It shall also be recalled that by early 2018, there was no clear apparent OCTs common position on the post 2020 negotiations objectives
acquis, considering that the OAD is a good legal tool in no need of significant modification. According to the FSAT (TAAF)\textsuperscript{129}, the future OCT-EU cooperation would gain to be focused on the SDGs achievement\textsuperscript{130}. Finally, Aruba has raised the attention to the need to take into consideration the additional topic of security and (irregular) immigration, which poses potential threats to some OCTs\textsuperscript{131}, and is in line with some of the new priorities in the EU framework.

- **On the Future EU financial support to OCTs (territorial envelopes)**

French Polynesia calls for an increase financial support to OCTs in acknowledgement of their specific geographical features (remoteness, insularity and smallness) and of their belonging to the same EU family. It could be implemented through a stand-alone in-budget OCT instrument to which simple procedures would be attached.

FSAT also wishes to preserve an overall envelope at least equivalent to the one under EDF11, under a stand-alone OCT instrument, focused on SDGs, which, if budgetised, would go with appropriate regulations, allowing for some simple, flexible and fluid programming, excluding any risk related to annualization and de-commitment.

New Caledonia is not opposed to an OCT ‘in-budget’ EU financial support, be it under a stand-alone instrument, or merged into a future EFI, provided it is not anymore mixed solely with the ACP countries (nor with any grouping restricted to developing countries), in order to better take into account the specific challenges of the OCTs and their development level, and if the modality of budget support is preserved, with related appropriate rules and procedures (inter alia multi-annuality and simplicity).

For Saint Pierre and Miquelon, the OCT actual territorial envelopes should be maintained in real terms and implemented with simple and flexible procedures: budgetisation of the OCT instrument would only be welcome if appropriate procedures remain attached (e.g. avoiding budget annuality and de-commitment).

Sint Maarten also calls for the same OCT overall envelope or more, for the post 2020 period, in view of the OCTs vulnerability to natural disasters, as strongly demonstrated by hurricanes Irma and Maria in 2017. This shall be provided for preferably through a stand-alone instrument, possibly with some revised eligibility criteria\textsuperscript{132}. Furthermore, the need for simpler procedures suitable to OCTs peculiar circumstances is still felt, especially with regard to the local business sector limited capacity to participate in European Commission projects tenders, since it is made exclusively of small to micro firms.

\textsuperscript{129} French Southern and Antarctic Territories (TAAF).
\textsuperscript{130} The FSAT further indicates that with no permanent population, it was ineligible to any territorial envelope, while its endemic endangered species are outside the EU territory, which leads dedicated protection projects not eligible to the EU Life Programme. Therefore, its only possibility to benefit from EDF11 is through the OCT regional programme, the implementation of which is further complicated by the inextricable geopolitics of the South West Indian Ocean.
\textsuperscript{131} In the case of Aruba, the threat is growing as a collateral effect of the current Venezuelan crisis. It is important to keep in mind, in the OCTs context, the demographic imbalance with neighbouring States with much bigger populations, which reinforces the potential threats related to irregular immigration.
\textsuperscript{132} Considering that GDP per capita is a too skewed indicator, Sint Maarten would welcome some more transparent rule through the introduction of some vulnerability index appropriate to the OCTs context.
• **On the Future EU support to regional cooperation and regional frameworks**

**French Polynesia, FSAT, New Caledonia, and Sint Maarten** all emphasise the need for a common instrument for regional and sub-regional cooperation, focused on common areas of interest, with contributions to it made from several sources (ACP instrument, OCT instrument...) and following a common joint programming (away from the separate parallel and fragmented exercises known so far). They further support for the better involvement of OCTs in the design and implementation of regional & sub-regional programmes, and wish that OCTs become pro-active as parties to the formal ACP-EU institutional architectures and to ACP regional structures (where OCTs are MS of the related RIOs).

**Saint Pierre and Miquelon** recalls that more isolated OCTs do not benefit from regional envelopes and logically looks forward to an increased thematic envelope.

• **On ‘ORs-like’ support measures and other miscellaneous issues**

**French Polynesia, FSAT and New Caledonia** emphasize their need for specific measures to support OCTs effective access to other EU instruments and programmes, e.g. the European Fund for Strategic Investment (EFSI), Horizon 2020, Life, etc. This should come together with the establishment of some other specific initiatives similar to BEST, especially in the environment sector (including waste management), renewable energy, climate change, and blue economy. The latter specific initiative solution is the one preferred by **Saint Pierre and Miquelon**, which also calls for some consideration to the EU trade agreements impacts on the traditional productions in OCTs, where prospects for repositioning towards new sectors are limited by lack of diversification possibilities. In such circumstances, OCTs should be benefitting from some specific support e.g. through initiatives similar to the EGF (European Globalisation Adjustment Fund).

Finally **Sint Maarten** shares its lessons learnt from the 2017 hurricanes experience which made it clear that the OCT EDF11 reserve B is too small to significantly help address the aftermath of big natural disasters. This raises the need for OCTs to efficiently access any EU Disaster/Humanitarian Fund when urgent and necessary in the future.

• **On the Brexit**

As indicated by **FSAT, New Caledonia, Sint Maarten and Saint Pierre & Miquelon**, any future association of UKOTs within the OCTA grouping in a post Brexit context will depend on the future EU-UK arrangement. A future ad hoc contribution of the UK government to the future OCTs instrument/budget line will help in this respect. Besides, the Brexit impact could also be felt much at the regional pillars level of the post Cotonou relations with and within ACP regions (especially for the Caribbean), which will call for appropriate solutions. Any identified trade impact would also need to be accommodated (see below the Greenland view). **New Caledonia** also mentioned that if and when UKOTs are no more within the EU family, a new status could be thought of, and raises the question regarding the extension of such a status to other non-sovereign island territories in the regions.

**Meaning**

As for Greenland cooperation with the EU, it presently follows a specific tailor-made approach through the Greenland Partnership Agreement (2014-2020) and the Greenland Instrument. While being supportive of other OCTs views and objectives for the post 2020 framework, **Greenland** supports the models of separate funds for the OCT’s (EU Trust Fund and OCT SDG Fund). The option of keeping the **status-quo** is also acceptable to Greenland.
Placing the OCT’s in the EU budget will also be acceptable, if there is a clear distinction, ring-fencing, between the funds allocated to the OCT’s funds and the funds allocated to Greenland through the Greenland Decision. There are valid historical, geostategic and political reasons for a distinct Greenland Decision. As for its own cooperation approach with the EU, based on its different geopolitical situation - recalling its 1985 withdrawal from the EU and the signature of the Greenland Treaty, as well as more recently (i) the Joint Declaration by the EU, the Government of Greenland and Denmark on relations between the EU and Greenland, and (ii) the EC-EEAAS Joint Communication to the EP and the Council on an Integrated EU policy for the Arctic. It considers its present financial arrangement with the EU as being operational and appropriate including in its technical modalities – Greenland substantially developed its own internal institutional capacity, including its staff, to implement its Instrument. This Greenland Instrument (Decision) is a financial instrument, but also a political partnership, which is why it is more known as the Partnership Agreement in Greenland, and this aspect of the Greenland Decision should not be forgotten. Greenland finally also underlines the impact that the Brexit may have in its economy through the loosing of its duty-free quota-free access for its fish exports to the UK market.

Views of Member States with which they have a special relationship

France considers that the OAD, which concluded a long round of negotiations, provides a right basis for the OCT-EU cooperation, even though some significant evolution is expected regarding implementation modalities.

As for the next MFF and the EU financial support to OCTs, it could be implemented through a specific in-budget instrument or some budget specific line in a broader instrument, as long as its attached regulations remain appropriate, and more specifically that the modality of budget support is preserved and that the OCTs eligibility criteria is not too narrow.

Besides, OCTs need to be supported in their effective access to EU programmes, which is too limited so far; they shall be provided by the EU a support similar to the one recently announced for the ORs in the last 2017 European Commission communication on the latter.

Furthermore, some appropriate financial vehicle for regional integration remains needed, with a view to decompartmentalizing present EU funds (OCT EDF, ACP EDF, ERDF, etc.). Moreover, France proposes to articulate OCTs (and ORs) in the forthcoming new institutional framework(s) of ACP-EU cooperation, especially at the regional pillars/compacts level. This is facilitated, in the French side, with the new law on regional integration as of 5 December 2016 which allows local institutions to conclude international agreements with third States (under conditions and subject to the French government approval).

With regards to the next MFF, the Netherlands recalls that the OCTs are neither really external nor internal in their position vis-a-vis the EU.

As for the post Cotonou framework, the Dutch administration looks forward to a modernised partnership with the ACP group of States to implement the SDGs. The Netherlands feels that the OCTs should be given a meaningful role in the regional compacts which are foreseen in this partnership. The Netherlands welcomes the mentioning of OCTs in the draft mandate and

134 The following lines on MS views draw from interviews other the phone.
would like to see their involvement in the negotiations, so that the OCTs become more embedded in the future partnership and play a meaningful role in the regional compacts. At the same time, efforts should be made to link OCTs more to the EU’s internal policy and funding.

The Netherlands reports to be in favour of the rationalisation and simplification of the EFIs. Overall, they call for sufficient funding for the OCTs, with the necessary implementation flexibility, i.e. with some simple and practical rules, suitable to each OCT context (given the OCTs strong diversity), including the preservation of the multi-annuality principle.

The United Kingdom (UK) is seeking a deep and special partnership with the European Union following its Exit from the EU, and wants to discuss with its European partners how both parties can best work together to support the OCTs. A key part of the future partnership dialogue will focus on cooperation in areas of shared interest. It is of mutual benefit to the UK, the EU, and the OCTs to have continued cooperation after Brexit, and to support the OCTs’ economic and social development. The UK welcomes discussions on new EU development instruments which are designed so that they are open to external partners that share the same values and commitments to OCTs. Continued cooperation will enable the free-flowing of ideas, pooling of technical expertise and resources, and joint approaches across OCTs, and will serve to strengthen regional cooperation across the area. The warm support and solidarity offered by the EU’s other Overseas Countries and Territories to the UK’s Overseas Territories at February’s OCTA Forum in Brussels underscored the confidence we have that co-operation will continue between the OCTs and UK Overseas Territories after EU Exit.

2.1.4 European Commission considerations

The European Commission is committed to continue supporting the OCTs and welcomes the progress made during the present period, after the new OAD started to be implemented. It recalls that this Decision was taken unanimously by the Council, as a strong result of a fruitful close dialogue between the three parties (EC, Member States and OCTs). In the preparation of the post 2020 framework, it will continue interacting with the OCTs and the MS so as to arrive at a satisfying outcome.

As for the financial support to OCTs post 2020, the specific position of OCTs is to be remembered, in full coherence with the TFEU Part IV and the OAD on the one hand, and in the context of the future MFF and the forthcoming rationalisation of EFIs on the other hand, while keeping in mind the need for flexibility and appropriate rules for OCTs.

Regional integration issues call for appropriate implementation tools. In this respect, the usual ‘passerelle clauses’ may be used as far as is needed, e.g. for regional programmes/projects to outreach some further beneficiary countries or territories so as to provide for a larger geographical scope of the said programme/project. With the same spirit of openness, the principle of the budget ‘external receipts’, which allows for external parties to contribute to any EU programme, project or fund, in or outside the EU budget, might be beneficial for further building partnership with third country partners, including the UK in a post-Brexit context.
2.1.5 Views from the European Parliament

In its Resolution as of 4 October 2016 on the future of ACP-EU relations beyond 2020, the EP (point 29) calls for EDF budgetisation under some conditions (see above, section 1.3), and further states that:

- “the introduction of a dedicated instrument for all OCTs which is in keeping with their special status and their membership of the European family”,
- “closer cooperation between ACP countries and OCTs, with a view to fostering inclusive and sustainable development in their respective regions and integrating OCTs more fully into their regional environments”.

In its Resolution as of 27 April 2017 related to the implementation of EDF for the FY2015, the EP dedicates a whole section to OCTs concerns along 5 points (no. 94 to no. 98). It calls on the Commission, inter alia:

- to implement more synergies with the Union internal and horizontal policies with concrete OCTs participation (point 94);
- to propose, as part of the extension of preparatory action within the BEST scheme, a permanent mechanism to protect biodiversity, develop ecosystem services and combat the effects of climate change in the Union’s OCTs (point 97);
- to establish by 2020 a specific funding instrument for OCTs bearing in mind their special status and their membership of the European family (point 98).

In its points related to the post Cotonou framework, the EP:

- stresses that it has long called for the integration of EDFs into the Union budget (point 124) and reiterates this support (point 132),
- calls on the Commission to recognise and further develop the island dimension in the development policy and to create a specific instrument for SIDS (point 130).

More recently, on March 14th 2018, in paragraph 123 of its resolution on the MFF post 2020, the EP “Notes that, due to their isolation from the European mainland, the outermost regions (ORs) and the Overseas Countries and Territories (OCTs) have to contend with specific natural, economic, and social challenges; considers that tailored measures and duly justified derogations should be set up for them; calls for the continuity of the EU financial support to ORs and OCTs in the next MFF, notably under cohesion policy for ORs and under a specific instrument for OCTs, for their access to research programmes and for fighting the specific climate change challenges they face”.

2.2 Possible Strategic Priorities for the post 2020 period

The visible consensus on the substantial progress made under the present 2014-2020 framework for the OCT-EU relationship can lead either to a defensive strategy for the post 2020 period, or to an offensive one, depending on where the emphasis is put: preserving the acquis (together with better seizing the many available opportunities under OAD), or built on it to attain a better outcome?

Early 2018, there was no immediate answer to this trade-off especially lacking some more insights into the forthcoming choices the European Commission will make for the post 2020 period, and furthermore with no clear indication about how the Member States will finally
react months after the European Commission will have released its post 2020 proposals package to be announced on May 2nd 2018.

Meanwhile, hereunder, some insights into some possible strategic priorities are proposed, under five successive themes: finances for the partnership, post Cotonou framework for ACP-EU relations, EU renewed partnership with the ORs, and finally the potential implications of all these elements for the legal provisions of the OCTs-EU relationship.

2.2.1 Financial issues

Given existing scenarios for the EU future/budget including discussions on EDF, and the divergence between EU MS on the financial way forward (with a substantial risk of reduced overall EU financial means\textsuperscript{135}), one first overarching goal for OCTs would be to secure a renewed financial support from the EU with at least an envelope equivalent to that of 2014-2020 in real terms\textsuperscript{136}.

Under which channel this renewed support would be provided remains uncertain at this stage – a decision tree is used hereunder to shed some more light on the related prospects.

The last column of the decision tree provides for some comments on the corresponding possible outcomes, using the traffic lights approach to underline their degree of desirability from the OCTs perspective\textsuperscript{137}.

\textsuperscript{135} EU Budget and EU ad hoc financial instruments.

\textsuperscript{136} Adjusted for the impact of Brexit on the future qualification of UKOTs.

\textsuperscript{137} This is important to precise since from other considerations (e.g. management simplicity for the EU), some other order of preferences could be obviously proposed.
Figure: Possible channels of the post 2020 EU financial support to OCTs

- **Remain within ACP-EU instrument**
  - EDF maintained as an 'individual' instrument
  - EDF outside the EU budget
  - 1. EDF outside the EU budget
  - Why remain alongside ACP in this context? Not coherent with the 'same European family' spirit
  - EDF budgetised
  - 2. EDF budgetised
  - Not coherent with the 'same European family' spirit
  - EDF merged (with DCI) under a Development Policy instrument
  - 3. EDF merged (with DCI) under a Development Policy instrument
  - Not coherent with the 'same European family' spirit
  - EDF merged with other EFIs under an External Policy Instrument
  - 4. EDF merged with other EFIs under an External Policy Instrument
  - Not coherent with the 'same European family' spirit

- **Separate from ACP**
  - OCT specific instrument outside the EU budget
  - 5. OCT specific instrument outside the EU budget
  - OCTs not belonging to the EU Territory
  - OCT support under a broader internal instrument
  - 6. OCT specific instrument within the EU budget
  - Dedicated partnership instrument (i.e. "Greenland approach")
  - OCTs not belonging to the EU Territory

- **Post 2020 EU Financial support for OCTs**
  - Specific OCT financial instrument
  - 5. OCT specific instrument outside the EU budget
  - 5A. EU TRUST FUND for OCTs
  - 5B. OVERSEAS SDGs Fund (OSDG)
If the financial support to OCTs is maintained alongside the financial cooperation with the ACP countries (the upper side of the figure), then only the status-quo (scenario 1) is acceptable enough – OCTs have long been arguing for a treatment distinguished from ACP one, but under the present context and political circumstances, the status-quo scenario could be said to be the lesser evil.

The second scenario – a budgetised EDF – can also be considered acceptable, but it entails some management risks in relation to the administrative capacities of OCTs, and if the support to OCTs is to be budgetised anyway, why finally maintaining it under the EDF instead of a more dedicated instrument? Furthermore, if the EDF is merged within a broader EU instrument for development (scenario 3) or even for external action (scenario 4), this may put the OCT envelope in danger, in the middle run if not immediately (see above, part I).

Now if the EU financial support to OCTs is no more channelled alongside the ACP pipe138 (the lower side of the figure), then this leads to a priori good scenarios, with a specific dedicated approach – a stand-alone instrument - to financially support OCTs, as they have long asked the EU to establish. This could be done outside or within the EU budget. As for the former, two modalities are possible, under an innovative approach through a Trust Fund (scenario 5A), or through a more classical approach of establishing a Fund, e.g. the Overseas SDGs (OSDG) Fund (scenario 5B). As for a dedicated budgetised approach, this would led to an arrangement similar to the one existing presently with Greenland (scenario 6), which, under its Partnership Agreement, has set a precedent. This solution looks to be replicable with other OCTs and therefore this scenario may appear more realistic. Yet the ‘dedicated stand-alone instrument’ road is not without its own risks, in terms of the possibilities to ring fence the amounts of the overall envelope in the short, middle and long run. And also in terms missed opportunities, e.g. OCTs not being eligible to, say, a large financial reserve designed within a broad EFI which does not include the OCTs instrument (the latter being a stand-alone according to our last assumption). However, the track record of the limited OCTs access to larger programmes with many larger beneficiary countries (e.g. EU programmes) tends to indicate this kind of missed opportunity is rather theoretical. Moreover, an appropriate answer in such circumstances would be to ensure the OCTs access to any EU budget internal reserve, e.g. for emergency/humanitarian actions, which could be designed as an EU programme in the next MFF (see Part one above, section 1.2).

The 7th scenario – an EU financial support to OCTs under a broader EU internal action/policy – appears to be non-applicable, since the OCTs do not belong to the EU territory.

Issues of OCTs eligibility to EU financial support also touch on the regional pillars/compacts of the post 2020 ACP-EU partnership, as well as on the potential benefits of EU programmes139.

2.2.2 Issues related to the post Cotonou ACP-EU institutional framework

For OCTs, the most important feature of the future ACP-EU institutional framework is the enhancement of regional pillars/compacts; yet it remains to be seen what degree of

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138 Neither of course under a larger pipe for third (developing or not) countries – the latter would correspond to the scenarios 3 and 4 discussed above.
139 This was referred to within several sections above and is recalled below.
devolution the decision-making process will allow at the regional level\textsuperscript{140}, and above all how the future EU financial support will be allocated between ACP countries and ACP regions.

The perspectives for a stronger impetus given to regional integration processes including OCTs and ORs are nevertheless substantial (see section 1.3, part one above).

In this context, OCTs should prepare for their embedding in the future regional provisions of both the revised ACP institutional arrangement\textsuperscript{141} and of the future ACP-EU framework arrangements is ensured.

As for the issue of programming regional projects across the ACP/OCTs/ORS, and even beyond that, to a larger geographical perimeter (according to the outreach principle and the passerelle clauses), there is now ample evidence to call for the establishment of (a) common EU instrument(s). Or failing this, there would be a strong need for joint instruments, when they are mixed (e.g. ERDF and EDF), to follow a single regulation principle, as acknowledged by the European Commission (see section 1.2 above), as a way to facilitate the joint programming process, instead of curbing it because of a too high degree of compartmentalization.

In all cases, the funding should be open to other abounding sources (including from, but not limited to, EU MS) – this is where the Trust fund approach could be useful (see above, 1.3). This would also provide for an avenue for future UK contributions to EU programmes or for future UK-EU joint programmes, including for OCTs at both the territorial and the regional levels.

\textit{2.2.3 Issues related to the specific measures for ORs}

It has been extensively explained above (section 1.6) why OCTs cannot benefit from the large EU funding for internal policies (cohesion policy, CAP), contrary to ORs.

Nevertheless, as also developed within section 1.6, the analytics of the sustainable development of OCTs is very similar to that of ORs (and of many SIDS), which leads to the principle of analytical parallelism.

Based on this, OCTs need to consider negotiating some bigger EU support to their capacity to seize opportunities related to EU programmes to which they are eligible, as per the OAD provisions, such as EFSI, Horizon 2020, COSME, LIFE, etc. A parallel goal is to reinforce and duplicate specific initiatives such as BEST, in relation to the SDGs and the 2030 Agenda, possibly opened to third country partners (in terms of beneficiaries as well as of donors).

OCTs might also like to be inspired by the additional allocation ORs and northern sparsely populated regions of Finland and Sweden benefit from within the ERDF (see above, section 1.6). Admittedly, this additional allocation is established under the cohesion policy, hence not for outside the EU Territory. Nevertheless, its rationale is interesting for OCTs, since this

\textsuperscript{140} With relation to both the future legal provisions of the ACP-EU partnership and the revision of the Georgetown Agreement of the ACP Group so as to make way for the regional ACP bodies.

\textsuperscript{141} It may seem odd to consider the OCTs are concerned with the intra ACP framework, but it is not : with the role of ACP Regional organisations substantially formalized in the ACP Group fundamental text, as it is announced (see above section 1.3), then OCTs are fully concerned since many of them are full members or associate members of these organisations (CARICOM, Pacific Forum).
is a specific allocation, not conditional on the level of income per capita, to compensate for the additional (extra) costs caused by the special geographic (or demographic) features of these regions, in particular low accessibility and remoteness. The fact that this envelope has been attributed to some “northernmost”\textsuperscript{142} regions of the EU, beyond ORs, is interesting.

The OAD OCTs already used this line of reasoning in its Article 9 which states that a specific treatment shall be established for isolated OCTs, as listed in Annex 1 (the list is made of Falkland islands; Saint Helena, Ascension Island and Tristan da Cunha, and St Pierre and Miquelon).

However, “remoteness” is a word quoted only once in the OAD, while the word ‘accessibility’ has 6 occurrences and corresponds is the title of Chapter 2 – but it is rather used as through a sectoral policy approach (transport and ITC).

The specific geographical features of OCTs and their relation to the SDGs agenda might be more emphasized as a legitimate reason to support their efforts both at EU level – possibly including in a future Overseas SDGs (OSDG) fund (see above, §2.2.1) - and in the international fora.

\subsection*{2.2.4 Issues related to the legal provisions of the OCT-EU relationships}

There is a large consensus on the relevance of the 2013 OAD, which allowed some substantial progress in the OCT-EU relationship, and has no date. There is no necessary need to renegotiate it, keeping in mind the Decision needs unanimity at Council level.

However, it might need a slight revision to update it with regard to its part four, which deals with the financial cooperation, at least for articles stating EDF 11 as the instrument for funding the cooperation and related annexes.

As for the TFEU itself, the wording used in its Part IV related to OCTs could be modernized, whenever a revision of the EU Treaties is ongoing, without prejudice to the substance of the legal provisions it includes. This would permit to use more of the SDGs related language, notably within Article 198.2. In addition, whenever possible, this would provide the right occasion to do some cleaning of the list of OCTs within Annex II\textsuperscript{143}.

Of course, legal provisions will also have to be adapted after the Brexit is completed and once its legal details are fully known, including some possible special arrangements, if any, as for the future relation between the UKOTs and the EU.

\subsection*{2.3 Elements for the post 2020 OCTs-EU relationship discussions}

\subsubsection*{2.3.1 Draft Proposals for Political Resolutions on the Post 2020 framework}

Based on the analysis developed above, some Draft Proposals for Political Resolutions on the Post 2020 framework have been prepared and sent to the OCTA Executive Committee (ExCo) slightly ahead of the 2018 OCTA Ministerial Conference in Brussels.

\textsuperscript{142} See above, section 1.6

\textsuperscript{143} Together with the needed cleaning of the names of ORs within TFEU Article 355.1 which became partially irrelevant (adjustment to the Annex II and to Article 355.1 concerns Saint-Barthélémy and Mayotte, in opposite direction).
They were organized under five sections: (i) **OCT-EU relations**, (ii) **EU Financial Support to OCTs**, (iii) **Post Cotonou Negotiations and OCTs regional cooperation with neighbouring countries and outermost regions**, (iv) **Brexit**, (v) **Analytical parallelism with Outermost regions and Access to EU programmes**.

Please refer to Annex 3 for the detailed content of these proposals.

### 2.3.2 Relevant Timetable of the Post 2020 Negotiations

<table>
<thead>
<tr>
<th>Year</th>
<th>Month</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>January</td>
<td>Post Cotonou EU Negotiations Mandate completed</td>
</tr>
</tbody>
</table>
|      | February | 22/02 2018 OCTA Ministerial Conference in Brussels  
23/02 16th Forum OCT-EU in Brussels  
23/02 Informal meeting of EU27 Heads of States/Gov in Sofia, Bulgaria |
|      | March | 01/03 Letter by Juncker and Oettinger to their colleagues on next MFF  
22/23 European Council / Meeting of EU27 |
|      | May | 02/05 Package on next MFF released by the EC  
Soon after (before 29/05?) European Commission Proposals for Instruments regulations |
|      | June | 28-29/06 European Council / Meeting of EU27 |
|      | August | Start of the official ACP-EU negotiations of the post Cotonou framework |
|      | October | 18-19/10 European Council / Meeting of EU27 |
|      | December | 13-14/12 European Council / Meeting of EU27 |
| 2019 | February | 2019 OCTA Ministerial and 17th OCT-EU Forum in French Polynesia |
|      | March | 21-22/03 European Council to make the final decision by unanimity on the future of Europe, in Sibiu, Romania |
|      | June | 20-21/06 European Council  
European Parliamentary Elections |
|      | November | End of mandate of President of the European Commission |

*Source: State of the Union Brochure, 2017 and European Commission website.*
Annexes

Annex 1 – Documentation reviewed by main theme

UN SDGs and Climate Change Framework


State of the Union Speech/Brochure 2017 and Future of Europe

- European Presidency (2017), State of the Union Speech, Jean-Claude Juncker (Speech and Full Brochure).

EU Budget / MFF: general issues

- Bossuyt J., A. Sherriff, with M. de Tollenaere, P. Veron, M. sayos Monras and M. di Ciommo (2017), strategically financing an effective role for the EU in the world: First Reflections on the next EU Budget, ECDPM, September.

External Policy (including Development Policy, other than EDF)

- Hauck V., Knoll A. and A. Herrero Cangas (2015), EU Trust Funds – Shaping more comprehensive external action?, ECDPM Briefing note n°81, November

ACP-EU & Post Cotonou; EDF

- ACP Group (2017), Towards the ACP We Want, 1 May.
- European Parliament (2016), Resolution on the future of ACP-EU relations beyond 2020, 4 October 2016 on (2016/2053 (INI)).
- European Parliament (2017), Resolution of 27 April 2017 with observations forming an integral part of the decision on discharge in respect of the implementation of the budget of the eighth, ninth, tenth and eleventh European Development Funds for the financial year 2015 (2016/2202 (DEC)).

**Brexit & UKOTs**


**Outermost Regions and the EU**

  $\rightarrow$ SWD (2017)349 final (part I & II)

**Implications of the 2020 Debate for OCTs**


**Other OCTs related Documents**

Annex 2 – Mission Questionnaire sent to OCTs

**Background Paper on the post 2020 debate and its implications for OCTs**

**Consultations of OCTs**
**Questionnaire/Interview Template**

**Document d’information sur le débat post 2020 et ses implications pour les PTOM**
**Consultations des PTOM**
**Support pour le questionnaire/l’interview**

<table>
<thead>
<tr>
<th>Question</th>
<th>Answer(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>How do you see; what would be the right OCTs’ objectives in relation to:</td>
<td>Please feel free to expand as much as necessary</td>
</tr>
<tr>
<td><strong>Question:</strong> Comment voyez-vous; quels sont selon vous les objectifs à suivre pour les PTOM, en lien :</td>
<td><strong>Réponse(s):</strong> Etendez l’espace de votre réponse autant que nécessaire</td>
</tr>
</tbody>
</table>

1. the future EU financial support to OCTs, with regard to:
   1a. its rationale
   1b. its level (envelope)
   1c. its financial instrument (see related decision tree below)
   1d. its related procedures

1. **Au futur soutien financier de l’UE aux PTOM, en ce qui concerne :**
   1a. son fondement
   1b. son niveau (enveloppe)
   1c. son instrument financier (voir l’arbre de décision ci-après)
   1d. ses procédures

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144 This template can be filled by the relevant recipient and sent back to the consultant; an short interview by phone/skype is also foreseen. 

Ce support peut-être retourné directement au consultant une fois rempli par le destinataire; une courte interview par téléphone ou Skype est également prévue.
### 2. the perspectives for Regional Cooperation/relations with neighbouring countries (ACP or not) and regions (Outermost Regions), with regard to:

- **2a.** their funding: joint/common instrument(s)\(^{145}\), etc.
- **2b.** institutional frameworks\(^{146}\)
- **2c.** other aspects

### 2. aux perspectives pour la coopération régionale/les relations avec les pays voisins (ACP ou non) et les régions voisines (régions ultrapériphriques), en ce qui concerne :

- **2a.** leur financement : instrument(s) joints ou commun\(^{2}\), etc.
- **2b.** leur cadre institutionnel
- **2c.** d’autres aspects

### 3. the Brexit impact on the UKOTs-EU relationship, with regard to:

- **3.a.** the inclusion of UKOTs within the OCTs’ grouping
- **3.b.** financial assistance
- **3.c.** regional cooperation issues
- **3.d.** trade issues
- **3.e.** other (free movement, etc.)

---

\(^{145}\) « Joint Instruments » relate to the mixing of funds existing separately (eg ERDF-EDF), each with its own rules, whereas a « common instrument » refers to a special vehicle with a single rule which can be topped up by from different sources/donors.

« Instruments joints » renvoie au fait de mixer des fonds déjà existants séparément (ex : FED-FEDER), chacun ayant ses propres procédures, tandis que « instrument commun » correspond un instrument dédié avec son règlement propre, qui peut être abondé par différentes sources ou différents bailleurs.

\(^{146}\) « institutional frameworks » relates to the forthcoming formalisation of the role of ACP regional organisations within both the revised Agreement of the Georgetown Agreement constituting the ACP Group and the future ACP-EU ‘umbrella’ Agreement, whereas some OCTs are full or associate members of one or several such organisations (CARICOM, OECS, Pacific Forum, Pacific Community...).

Leur « cadre institutionnel » ici renvoie à la prochaine formalisation du rôle des organisations régionales ACP au niveau à la fois de l’Accord de Georgetown constituant le groupe ACP qui sera prochainement révisé et au niveau du prochain accord « parapluie » pour la partenariat ACP-UE, alors que certains PTOM sont membres à part entière ou membres associés de certaines de ces organisations régionales (CARICOM, OECD, Forum du Pacifique, Communauté du Pacifique...).
3. A l’impact du Brexit sur les relations des PTOM britanniques avec l’UE, en ce qui concerne :
3a. l’inclusion des PTOM britanniques dans le groupe PTOM
3b. le soutien financier
3c. la coopération régionale
3d. les questions commerciales
3e. d’autres aspects (libre circulation, etc.)

4. The EU partnership with Outermost Regions (ORs) – what special measures could be replicated for OCTs?
4a. measures to improve ORs’ access to EU horizontal programmes
4b. dedicated thematic initiatives (other than BEST)
4c. other measures – which ones?

5. More generally where do you see possibilities to improve OCT-EU partnership / OAD provisions / OAD implementation in the post 2020 period?

6. Any other issues to mention?
<table>
<thead>
<tr>
<th>6. <em>Voyez-vous d’autres questions à traiter ?</em></th>
</tr>
</thead>
<tbody>
<tr>
<td>7. <em>Please share relevant territorial reflection papers if any :</em></td>
</tr>
<tr>
<td>7. <em>Merci de partager les éventuels documents de réflexion territoriale en la matière :</em></td>
</tr>
<tr>
<td>Author, Date, Title (and please attach the related file in your email)</td>
</tr>
<tr>
<td>Auteur, Date, Titre (et svp attachez le fichier numérique à votre email)</td>
</tr>
</tbody>
</table>
Figure: Possible channels of the post 2020 EU financial support to OCTs

- **Post 2020 EU Financial support for OCTs**
  - **Remain within ACP-EU instrument**
    - EDF maintained as an 'individual' instrument
    - 1. EDF outside the EU budget
      - STATUS-QUO
      - Why remain alongside ACP in this context? Not coherent with the 'same European family' spirit
    - 2. EDF budgetised
    - 3. EDF merged (with DCI) under a Development Policy Instrument
      - Not coherent with the 'same European family' spirit
    - 4. EDF merged with other EFIs under an External Policy Instrument
      - Not coherent with the 'same European family' spirit
  - **EDF merged**
    - 5. OCT specific instrument outside the EU budget
      - 5A. EU TRUST FUND for OCTs
      - 5B. OVERSEAS SDGs Fund (OSDG)
    - 6. OCT specific instrument within the EU budget
      - DEDICATED PARTNERSHIP INSTRUMENT (i.e. "Greenland approach")
    - 7. Which internal action?
      - OCTs not belonging to the EU Territory

- **Separate from ACP**
  - Specific OCT financial instrument
  - OCT support under a broader internal instrument
Soutien financier de l'UE aux PTOM après 2020

Maintien au sein d'un instrument ACP-EU

1. FED maintenu hors budget
   - STATU-QUO

2. FED budgétisé
   - Pourquoi rester avec les ACP dans ce contexte ? Pas cohérent avec l'esprit de la "même famille Européenne"

FED fusionné dans un instrument financier plus large

3. FED fusionné (avec l'ICD) dans un instrument financier d'aide au développement plus large
   - Pas cohérent avec l'esprit de la "même famille Européenne"

4. FED fusionné avec les autres IFE dans un large instrument financier externe
   - Pas cohérent avec l'esprit de la "même famille Européenne"

Séparation du soutien aux ACP

5. Instrument financier spécifique PTOM en dehors du budget de l'UE
   - SA. TRUST FUND UE pour les PTOM

   - SB. Fond Européen de développement durable des PTOM (OSDG)

6. Instrument financier spécifique PTOM dans le budget de l'UE
   - INSTRUMENT de PARTENARIAT dédié (i.e., "Approche Groenland")

7. Quelle action interne ?
   - Les PTOM ne font pas partie du territoire de l'UE

Soutien financier de l'UE aux PTOM après 2020
The OCTs call upon the European Commission (Commission):
20 OCT-EU relations

To consider that:
- The OCTs represent a part of the family, through the shared history with the EU Member States,
- The OCT-EU partnership is a platform for the EU to interact in the regions, in terms of trade, economy, monetary ties and culture,
- The OCTs provide the EU a geostrategic presence in their regions.

To consider the assets of the OCTs:
- more than 17 million square kilometres of OCT exclusive economic zone, enabling the EU to have an influence on the world's largest combined maritime areas,
- an exceptional terrestrial and marine Biodiversity as potential assets on which to develop partnerships in their regions.
- considerable fisheries resources in their respective regions.

To promote the “belonging to the same EU family” as the keystone principle for the OCT-EU post 2020 relationship, and to derive the full consequences from this principle, at both strategic and operational levels and in both internal and external EU policies.

To retain the UN framework on SDGs (Agenda 2030) and Climate Change as essential elements of the OCT-EU cooperation.

To support OCTs as front runners in implementing the 2030 Agenda and to acknowledge their potential role as showcases of the EU capacity to deliver the SDGs and to fight against climate change in the particular context of OCTs linked to EU Member States.

To acknowledge that in their road to sustainable development, OCTs are comparatively disadvantaged, given the combination of circumstances including their size, remoteness and isolation, diseconomies of scale, limited or inexistent industrial base, lack of economic diversification, high exposure to extremely devastating natural hazards, etc. similar to these of ORs, and sometimes even more acute.

To highlight that OCTs provide a very large part of the EU family’s natural resources including biodiversity, oceans and seas, and mineral resources.

To recall that OCTs generally lack the human and financial resources to protect their natural capital and ensure its sustainable management because of their unique characteristics; this is also true for OCTs with a higher income per capita.

21 EU Financial Support to OCTs

To strengthen the commitments of the EU towards the OCTs, recognizing that OCTs contribute to the global dimension of the EU and can bring a strong added value in the implementation of the partnerships of the EU with the regions to which they geographically belong.
To establish for the post 2020 Multiannual Financial Framework (MFF) and under a strategic decision based on the ‘same EU family’ keystone principle as mentioned above, a dedicated OCTs Support, separate from the ACP financial support and from tools exclusively dedicated to development aid.

To increase, under this newly created OCTs Support, the individual envelopes established for eligible OCTs under the 2014-2020 framework, with a view to supporting them given their many challenges and constraints they face in terms of sustainable development.

To adequately weigh climate change and environmental vulnerability against apparently high GDPs by using appropriate indexes but not necessarily identical to – the related UN (ECOSOC) indexes that have been developed for the LDCs context.

To maintain a multi-criteria approach with regard to the OCTs redistribution to the OCTs Support in full coherence with the overarching 2030 Agenda, which does not restrict itself to poverty reduction.

To work closely with the members’ states and the OCTs towards 2020 to improve statistics, to enable a more refined assessment of their needs, in particular through the use of a purchasing power parity (PPP) methodology for the income per capita.

To include, within the OCTs Support, an appropriate window for OCT external/regional cooperation, along the lines outlined below.

To attach to the OCTs Support even if coming under the EU budget specific regulations with the goal of easing procedures and providing OCTs with administrative requests and features tailor made to their limited capacities and eliminate any risk of funds de-commitment.

22 Post Cotonou negotiations and OCTs regional cooperation with neighbouring countries and outermost regions

To acknowledge the important role that OCTs located in the ACP regions must play in the post 2020 EU relations with ACP States, under the future so called “umbrella” agreement, with its centre of gravity devolved to the regional compacts, the negotiations of which to be started circa September 2018.

To define accordingly, in close collaboration with the OCTs and the Member States to which they are linked, a genuine regional integration strategy to support external and regional cooperation initiatives from OCTs, at intra-OCT level and with neighbouring States, at regional and sub-regional levels.

To acknowledge that some OCTs are already full or associate members of some ACP Regional Integration Organisations in the Caribbean and in the Pacific, and to derive from this the need to formally include the OCTs, where appropriate, in the governance framework of the future ACP-EU partnership, more precisely at the level of its regional “compacts” formal structures;

To establish innovative financial device (s), aimed at easing the programming and implementation of regional projects between OCTs/ORs/ACP States/non-ACP States, following a “common instrument approach”.

85
To analyse, in view of the above, the feasibility of establishing some EU Trust Funds for the OCTs/ORs/ACP States/non-ACP States cooperation both in the Caribbean and in the Pacific, related to the regional compacts of the future ACP-EU partnership, and allow contribution from possible other sources.

To allow the Trust Funds to function with their own regulation, possibly under a thematic approach.

23 Brexit

To analyse the feasibility to preserve the OCT-EU acquis for UKOTs and OCTs acquis towards the UK after the Brexit, subject to the outcome of UK-EU negotiations for both the transitional period (to the end of 2020) and beyond.

To explore the possibilities with the UK post Brexit to contribute to the EU financial support earmarked for OCTs, at least through an agreement in principle (whatever the EU financial instruments to be in place by then), with a view to maintain UKOTs within or alongside the OCTs grouping, including – but not limited to – regional cooperation issues, in the post Cotonou context, particularly in the Caribbean (in view of the above).

24 Analytical parallel with ORs and Access to EU programmes

To acknowledge that even though the OCTs are, contrary to the ORs, not an integral part of the EU, they face the same challenges for their sustainable development, as a result of their similar characteristics, sometimes even in a more acute way, therefore needing stronger support.

To acknowledge that the OCTs, similar to the ORs, have limited capacities to access the EU programmes and other tools such as the EFSI to which they are in principle eligible (i.e. Horizon 2020, LIFE, COSME, Erasmus), and to follow a parallel principle in relation to the support the European Commission intends to provide to ORs in this regard, which should include OCTs or be replicated for them.

To ensure that, in the post 2020 framework, the regulations of the future EU programmes explicitly include OCTs; and possibly call for specific access modalities or dedicated calls for OCTs taking into account their unique situations (e.g. distance and cost of travel in ERASMUS) and limited capacities.

25 Post 2020 regional programming

To build capacities and reinforce the Regional Authorising Officer (RAO) with stronger technical support, not restricted to the programming period.

To focus the thematic envelope on areas which are not already strongly supported at regional level or in other EU financial tools, such as research and innovation, aid for trade or economic diversification.