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## PROPOSAL

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From: Secretary-General of the European Commission,  
signed by Mr Jordi AYET PUIGARNAU, Director

date of receipt: 14 June 2018

To: Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of  
the European Union

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IMPACT ASSESSMENT  
Accompanying the document Proposal for a REGULATION OF THE  
EUROPEAN PARLIAMENT AND OF THE COUNCIL establishing the  
Instrument for Pre-Accession Assistance (IPA III)

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Delegations will find attached document SWD(2018) 337 final.

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**COMMISSION STAFF WORKING DOCUMENT**

**IMPACT ASSESSMENT**

*Accompanying the document*

**Proposal for a  
REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL  
establishing the Neighbourhood, Development and International Cooperation  
Instrument**

**Proposal for a  
COUNCIL DECISION**

**on the Association of the Overseas Countries and Territories with the European Union  
including relations between the European Union on the one hand, and the Greenland  
and the Kingdom of Denmark on the other ('Overseas Association Decision')**

**Proposal for a  
REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL  
establishing the Instrument for Pre-Accession Assistance (IPA III)**

**Proposal for a  
COUNCIL REGULATION**

**establishing a European Instrument for Nuclear Safety complementing the  
Neighbourhood, Development and International Instrument on the basis of the Euratom  
Treaty**

{COM(2018) 460 final} } - {COM(2018) 461 final} } - {COM(2018) 465 final} } -  
{COM(2018) 462 final} } - {SEC(2018) 310 final}

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## Glossary

<i>Term or acronym</i>	<i>Meaning or definition</i>
ACP	African Caribbean and Pacific
APF	African Peace Facility
CBSD	Capacity building in support of security and development
CIR	Common Implementing Regulation
CFSP	Common Foreign and Security Policy
CSO	Civil Society Organisations
DAC	Development Assistance Committee
DCI	Development Cooperation Instrument
EDF	European Development Fund
EFI	External Financing Instrument
EFSI	European Fund for Strategic Investments
EIDHR	European Instrument for Democracy and Human Rights
EIB	European Investment Bank
ENI	European Neighbourhood Instrument
IcSP	Instrument contributing to Stability and Peace
INSC	Instrument for Nuclear Safety Cooperation
IPA	Instrument for Pre-Accession
MFA	Macro Financial Assistance
MFF	Multi-annual Financial Framework
MTR	Mid-Term Review
OECD	Organisation for Economic Cooperation and Development
OCTs	Overseas Countries and Territories
ODA	Official Development Assistance
PI	Partnership Instrument
SDG	Sustainable Development Goals
TEU	Treaty on European Union
TFEU	Treaty on the Function of the European Union
TF	Trust Fund
UMIC	Upper Middle Income Countries
USD	United States Dollars

## 1. INTRODUCTION

### 1.1. Context

As stated in the Reflection paper on the future of EU finances (June 2017)<sup>1</sup>, the world has become a more challenging place since the establishment of the EU's current spending plan 2014-2020 (otherwise known as the Multiannual Financial Framework (MFF)). It is now characterised by an increasing fragility, brought about by numerous crises in the EU's neighbourhood and beyond. Regional conflicts, terrorism, economic inequalities and growing migratory pressures, are all part of this new reality, compounded by population growth, climate change and environmental degradation. Distant crises have not only far-reaching regional consequences, but often impact on the lives of EU citizens.

At the same time, the diversity of partners with which the EU cooperates has become much more apparent. More partners, including some with large populations, are graduating out of the Development Assistance Committee's official development assistance (ODA) eligibility criteria<sup>2</sup>. Other countries have made progress on poverty reduction, only to see it eroded due to economic and environmental shocks. Others are conflict-prone least developed countries that remain locked in fragility and poverty.

This evolving landscape is also defined in the Global Strategy "Shared vision, common action: a stronger Europe"<sup>3</sup>. As stated in the Strategy, the new challenges and priorities faced by the EU's external action highlights the need to examine the distribution of EU finances. Today, the EU's external action budget equates to around 6% of the total EU budget (9% if the 11<sup>th</sup> European Development Fund is included). In line with the requests from the European Parliament's resolution of 6 July 2016<sup>4</sup>, this budget had to be reinforced in recent years to tackle humanitarian and other emergencies around Europe and beyond, increasing amounts of displaced people, and a number of complex crises that are set to continue.

The Commission's communication on a new, modern MFF for an EU that delivers efficiently on its priorities post 2020 (February 2018)<sup>5</sup>, reinforces the high level of ambition for external action and that the EU must be able to deliver on its international goals and the expectations of EU citizens. They have shown concern about poverty reduction, migration, terrorism and external security threats in general and prefer that these issues to be tackled at the European level. They expect Europe to play a leading role in the world and to manage the effects of globalisation. They want the EU to defend democracy, the rule of law, human rights, and sustainable economic development and to project stability and security, in particular in Europe's immediate neighbourhood<sup>6</sup>.

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<sup>1</sup> See [https://ec.europa.eu/commission/publications/reflection-paper-future-eu-finances\\_en](https://ec.europa.eu/commission/publications/reflection-paper-future-eu-finances_en)

<sup>2</sup> Forecasts on graduation are very speculative, nevertheless, the DAC/Organisation for Economic Cooperation and Development tentatively predict around 15 countries to graduate to high-income status (therefore no longer eligible for ODA) before 2030. For further information see: <http://ida.worldbank.org/about/ida-graduates>

<sup>3</sup> See [http://europa.eu/globalstrategy/sites/globalstrategy/files/regions/files/eugs\\_review\\_web\\_0.pdf](http://europa.eu/globalstrategy/sites/globalstrategy/files/regions/files/eugs_review_web_0.pdf)

<sup>4</sup> See <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P8-TA-2016-0309+0+DOC+XML+V0//EN&language=EN>

<sup>5</sup> See <http://eur-lex.europa.eu/legal-content/EN/ALL/?uri=COM:2018:0098:FIN>

<sup>6</sup> See the results from recent Eurobarometer polls including: [https://ec.europa.eu/europeaid/special-eurobarometer-report-eu-citizens-views-development-cooperation-and-aid\\_en](https://ec.europa.eu/europeaid/special-eurobarometer-report-eu-citizens-views-development-cooperation-and-aid_en) and [https://data.europa.eu/euodp/data/dataset/S1569\\_87\\_4\\_464B\\_ENG](https://data.europa.eu/euodp/data/dataset/S1569_87_4_464B_ENG)

The policy framework for external action provides the basis for the EU to respond to these challenges and expectations. This framework includes international commitments such as the 2030 Agenda for Sustainable Development<sup>7</sup>, the Paris Agreement on Climate Change<sup>8</sup>, and the Addis Ababa Action Agenda<sup>9</sup>. Within the EU, the Treaty provisions on external action are now complemented by the EU Global Strategy, the new European Consensus on Development<sup>10</sup>, the renewed EU-Africa Partnership<sup>11</sup>, the reviewed European Neighbourhood policy<sup>12</sup> and the European Consensus on Humanitarian Aid<sup>13</sup>, amongst others.

Looking ahead, the EU's external action should build on what works well today while also anticipating the challenges of tomorrow. In line with the Rome declaration<sup>14</sup>, the EU's future external actions should help enable a Europe that is safe, secure, globally stronger, prosperous and sustainable.

On 2 May 2018, the European Commission adopted its proposals for a new MFF for 2021-2027. Under these proposals<sup>15</sup>, the Neighbourhood, Development and International Cooperation Instrument (NDICI) will have a budget of EUR 89.5 billion over this period, of which EUR 300 million will be allocated to the European Nuclear Safety Instrument complementing the NDICI on the basis of the Euratom Treaty.

## 1.2. Scope

This impact assessment covers the current heading 4<sup>16</sup> programmes<sup>17</sup> in order to provide a comprehensive picture of EU external action<sup>18</sup>. It reflects the decisions of the MFF proposals and focuses on the changes proposed to the heading in comparison with the current set-up.

The main changes envisaged under the next MFF, in line with the Reflection paper on the future of EU finances (June 2017), and the Communication from the Commission to the European Parliament and to the Council (February 2018) are:

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<sup>7</sup> See <https://sustainabledevelopment.un.org/post2015/transformingourworld>

<sup>8</sup> See [http://unfccc.int/paris\\_agreement/items/9485.php](http://unfccc.int/paris_agreement/items/9485.php)

<sup>9</sup> See [http://www.un.org/esa/ffd/wp-content/uploads/2015/08/AAAA\\_Outcome.pdf](http://www.un.org/esa/ffd/wp-content/uploads/2015/08/AAAA_Outcome.pdf)

<sup>10</sup> See [https://ec.europa.eu/europeaid/sites/devco/files/european-consensus-on-development-final-20170626\\_en.pdf](https://ec.europa.eu/europeaid/sites/devco/files/european-consensus-on-development-final-20170626_en.pdf)

<sup>11</sup> See <https://www.africa-eu-partnership.org/en>

<sup>12</sup> See [https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/neighbourhood/pdf/key-documents/151118\\_joint-communication\\_review-of-the-enp\\_en.pdf](https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/neighbourhood/pdf/key-documents/151118_joint-communication_review-of-the-enp_en.pdf)

<sup>13</sup> See [http://ec.europa.eu/echo/files/media/publications/consensus\\_en.pdf](http://ec.europa.eu/echo/files/media/publications/consensus_en.pdf)

<sup>14</sup> See <http://www.consilium.europa.eu/en/press/press-releases/2017/03/25/rome-declaration/>

<sup>15</sup> See [https://ec.europa.eu/commission/priorities/democratic-change/future-europe/eu-budget-future\\_en](https://ec.europa.eu/commission/priorities/democratic-change/future-europe/eu-budget-future_en)

<sup>16</sup> Heading 4 is one of the six broad groups of expenditure ("headings") contained within the MFF. The current heading 4 covers external action spending.

<sup>17</sup> The programmes under heading 4 include: Development Cooperation Instrument (DCI); European Neighbourhood Instrument (ENI); Instrument for Pre-Accession (IPA II); Instrument contributing to stability and Peace (IcSP); European Instrument for Democracy and Human Rights (EIDHR); Partnership Instrument (PI); Instrument for Nuclear Safety Cooperation (INSC); Greenland Decision (GD); Humanitarian Aid; Common Foreign and Security Policy (CFSP); Macro-financial assistance (MFA); Guarantee fund for external actions (i.e. EIB External Lending Mandate and Euratom Loan Facility); European Fund for Sustainable Development; EU Civil Protection; EU Aid Volunteers; and the Common Implementing Regulation (CIR). The EDF is also included in this impact assessment although it is not included in the EU budget.

<sup>18</sup> It should be noted that a separate ex-ante evaluation has been prepared for the European Solidarity Corps that integrates heading 4's EU aid volunteers initiative. There is also a separate impact assessment for the Erasmus programme for which funds from external action should be transferred to finance actions in respect of learning mobility to, from or between partner countries as well as for policy dialogue with authorities.

1. Merging several external instruments into a broad instrument, namely: DCI, EDF, EIDHR; ENI; IcSP; INSC<sup>19</sup>, PI, and the CIR<sup>20</sup>, as well as several budgetary guarantees currently under the European Fund for Sustainable Development (EFSD), the European Investment Bank's (EIB) external lending mandate (ELM) and the Guarantee Fund for external action. The broad instrument should include: a prominent neighbourhood window, a strong focus on migration including in the cushion for emerging challenges and priorities and provisioning for Macro-Financial Assistance<sup>21</sup>.
2. Integrating the current extra-budgetary EDF into the EU budget, including the EDF's ACP investment facility.

**Table 1. List of current external action instruments 2014-2020 and those proposed for 2021-2027**

Instrument 2014-2020	Instrument 2021-2027
<b>External action</b>	
Development Cooperation Instrument (DCI)	Neighbourhood, Development and International Cooperation instrument, together with the European Instrument for Nuclear Safety Cooperation complementing the Neighbourhood, Development and International Cooperation Instrument on the basis of Euratom Treaty
European Neighbourhood Instrument (ENI)	
Partnership Instrument for Cooperation with Third Countries (PI)	
European Instrument for Democracy and Human Rights (EIDHR)	
Instrument contributing to stability and Peace (IcSP)	
European Development Fund (EDF), including ACP investment facility and excluding African Peace Facility	
Instrument for Nuclear Safety Cooperation (INSC)	
European Fund for Sustainable Development (EFSD)	
External Lending Mandate (ELM)	
Guarantee Fund for external action	
Macro-Financial Assistance (MFA)	
Overseas Countries and Territories	Cooperation with Greenland, Overseas Countries and Territories
Cooperation with Greenland	
Humanitarian Aid	Humanitarian Aid
Common Foreign and Security Policy	Common Foreign and Security Policy
Support to Turkish Cypriot community	Support to Turkish Cypriot community
<b>Pre-Accession Assistance</b>	
Instrument for Pre-accession Assistance (IPA)	Instrument for Pre-accession Assistance (IPA)
<b>Crisis Response</b>	
Union Civil Protection Mechanism	RescEU
<b>Investing in People and European Values</b>	
European Solidarity Corps	European Solidarity Corps
EU Aid Volunteers initiative	
<b>Instruments outside the MFF headings</b>	
Emergency Aid Reserve	Emergency Aid Reserve (internal and external)
<b>Off budget</b>	
Common Foreign and Security Policy – Operations with Defence Implications (Athena Mechanism)	European Peace Facility
European Development Fund – African Peace Facility	

<sup>19</sup> Since part of the nuclear activities need to follow a specific procedure of the Euratom Treaty, a complementary instrument will be created.

<sup>20</sup> It should be noted that the CIR is not a financing instrument but a regulation for implementing a number of the instruments under heading 4.

<sup>21</sup> MFA will be activated on the basis of separate legal bases as needed.



This impact assessment satisfies the requirements of the EU's financial regulation<sup>22</sup> in respect to preparing an *ex-ante* evaluation for the proposal of a new, broad external financing instrument and other external instruments under heading 4.

## 2. SUMMARY OF CURRENT PROGRAMMES AND LESSONS LEARNED

### 2.1. Summary of EU external action programmes

Today, heading 4 covers EU external action with the exception of actions financed by the 11<sup>th</sup> EDF and the Athena mechanism<sup>23</sup> which are not funded from the EU budget but from direct contributions from EU countries. A description of the programmes under heading 4 can be found in the annexes.

The EU has an external action budget for 2014-2020 of EUR 96.5 billion<sup>24</sup>. The external action takes place in partner countries outside the EU but also protects citizens' interests and safety. Through the instruments under heading 4, the EU plays an important role in the promotion of, amongst others: human rights, stabilisation, development, humanitarian aid, security, trade, as well as the fight against climate change and the protection of the environment (including through ocean governance).

**Table 2. Funding baseline**

Heading 4 instruments and EDF	EUR millions (2014-2020)
Instrument for Pre-accession assistance (IPA II)	12.138,63
European Neighbourhood Instrument (ENI)	16.496,26
Development Cooperation Instrument (DCI)	19.947,59
Partnership Instrument (PI)	958,53
European Instrument for Democracy and Human Rights (EIDHR)	1.306,56
Instrument contributing to Stability and Peace (IcSP)	2.365,85
Instrument for Nuclear Safety Cooperation (INSC)	325,321
Greenland Decision (GD)	217,8
Common Foreign and Security Policy (CFSP)	2.121,24
Macro-financial Assistance (MFA)	294,843
Guarantee Fund for External Actions	1.627,67
Humanitarian aid	7.553,60
Union Civil Protection Mechanism	122,827
EU Aid Volunteers initiative (EUAV)	126,02
European Fund for Sustainable Development (EFSD)	350
11th European Development Fund, including the Overseas Countries and Territories Decision	30.506,00
Common Implementing Regulation (not a financing instrument but a Regulation for the implementation of some of the above instruments)	N/A

<sup>22</sup> The financial regulation is the main point of reference for the principles and procedures governing the establishment, implementation and control of the EU budget. See

[http://ec.europa.eu/budget/biblio/documents/regulations/regulations\\_en.cfm](http://ec.europa.eu/budget/biblio/documents/regulations/regulations_en.cfm)

<sup>23</sup> See <http://www.consilium.europa.eu/en/policies/athena/>

<sup>24</sup> Including the 11<sup>th</sup> EDF (EUR 30.5 billion)

<sup>25</sup> Figures include all transfers between instruments up to July 2017 and the Mid Term Review of the MFF. Source:

[http://ec.europa.eu/budget/mff/figures/index\\_en.cfm](http://ec.europa.eu/budget/mff/figures/index_en.cfm)

<sup>26</sup> Following the UK's withdrawal from the EU

The baseline shows the amounts designated to each instrument for the 2014-2020 period. Based on these amounts, the table also highlights how much would be allocated to each instrument if nothing were to change except for the United Kingdom's withdrawal from the EU. The main consequences of the United Kingdom's withdrawal on the EU's external action would mean a 12.5% reduction for all instruments except the European Development Fund to which the United Kingdom contributes 14%.

The EU is able to deploy a wide array of external instruments in support of conflict prevention and peace building, and is one of the biggest donors in this area. It is committed to assisting the most vulnerable people caught in natural or man-made disasters. The EU actively promotes and defends human rights when engaging in relations with non-EU countries in its external actions.

To the east and south of the EU, in accordance with Article 8 of the Treaty on European Union<sup>27</sup> (TEU), the EU has developed a specific relationship with neighbouring countries, with the aim of establishing an area of prosperity and good neighbourliness, founded on EU values and characterised by close and peaceful relations. The EU aims to build effective partnerships with its neighbours in support of a more stable EU Neighbourhood, promoting democracy, good governance and human rights while opening trade and cooperating in policy areas, including on migration and visa issues.

Through its enlargement policy, the EU also largely contributes to meeting the broader European objectives of ensuring stability, security and prosperity in the immediate neighbourhood of the EU. Through this policy, the EU supports beneficiaries in adopting and implementing the political, institutional, legal, administrative, social and economic reforms required to comply with EU values and to progressively align to EU rules, standards, policies and practices with a view to EU membership. The EU's commitment to the enlargement policy was also confirmed by the recent Commission Communication putting forward a credible enlargement perspective for and enhanced EU engagement with the Western Balkans.

Through its development cooperation policy, the EU contributes to reducing global poverty, ensuring sustainable economic, social and environmental development, and the promotion of democracy, the rule of law, good governance and the respect of human rights. Together, the EU and its Member States constitute the world's largest development aid donor, providing more than 50% of assistance worldwide. EU institutions alone provide around 10% of total ODA.

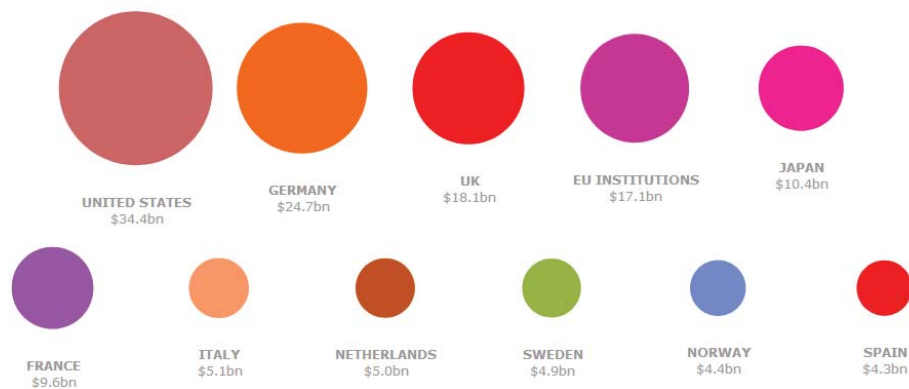
The EU and its Member States are also the world's largest donor of humanitarian aid, assisting people affected by a wide range of crises including protracted conflict situations and forgotten crises. It provides emergency, life-saving, needs-based humanitarian assistance to people, particularly the most vulnerable, hit by man-made or natural disasters. The EU also coordinates European civil protection assistance during worldwide disasters.

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<sup>27</sup> See <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A12012M%2FTXT>

## Who are the world's top donors?

Year 2016 | Currency: USD | Data source: OECD



The EU promotes its further interests on the world scene. It builds multilateral relationships to promote the development of collective responses to common challenges. It promotes access to partner country markets, boosting trade, investment and business opportunities. It also supports the external projection of its internal policies and works on enhancing widespread understanding and visibility of the EU especially by means of public diplomacy.

### 2.2. Key findings from evaluations

**Relevance:** the mid-term review report (December 2017)<sup>28</sup> of ten of the external financing instruments<sup>29</sup>, the *ex-post* evaluation reports on MFA and the mid-term review on the EIB external lending mandate<sup>30</sup> all concluded that the external action instruments were overall fit for purpose and positive trends were emerging in relation to the achievement of objectives.

The mid-term review report has shown that whilst the enabling nature<sup>31</sup> of the current instruments means they cover most needs and goals of EU external action, in the future they would benefit from better reflecting a number of developments such as: the new policy framework including the universality of the 2030 Agenda, the migration/refugee crisis, and the external projection of internal policies. Also, more consideration needs to be given to the links between development and security and the overall level of ambition for peace and security in external action.

<sup>28</sup> The mid-term review report COM(2017) 720 final, was based on ten staff working documents, one per instrument (see list below), which in turn were based on ten independent evaluations. The mid-term report, the staff working documents and the independent evaluations can be found at here: [https://ec.europa.eu/europeaid/public-consultation-external-financing-instruments-european-union\\_en](https://ec.europa.eu/europeaid/public-consultation-external-financing-instruments-european-union_en)

<sup>29</sup> The ten instruments were the: Development Cooperation Instrument (DCI); European Development Fund (EDF); European Neighbourhood Instrument (ENI); Instrument for Pre-Accession (IPA II); Instrument contributing to stability and Peace (IcSP); European Instrument for Democracy and Human Rights (EIDHR); Partnership Instrument (PI); Instrument for Nuclear Safety Cooperation (INSC); Greenland Decision (GD); Common Implementing Regulation (CIR).

<sup>30</sup> ELM mid-term review can be found here: <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52016DC0584>

<sup>31</sup> The instruments are enabling in the sense that they do not define the policies; they set the scope, objectives and procedures to allow for the implementation of the policies.

The principle of graduation<sup>32</sup> in certain instruments (i.e. the DCI) had intentionally left a gap in the EU's ability to cooperate with upper middle income countries through bilateral cooperation. As situations in those countries may call for such support (e.g. the persistent presence of poverty or post-crisis situations), it was found that the EU should pursue cooperation with all countries including more advanced developing countries and strategic partners, in line with the universal coverage of the 2030 Agenda.

The importance of promoting fundamental values and human rights is at the core of the instruments. However, findings point to the difficulties to promote and take this agenda forward in some countries, and to the shrinking space for civil society organisations in many countries as well. This makes it challenging to work on these issues and highlights a tension between promoting this agenda versus partners' priority interests.

In the current context of multiple crises and conflicts, the EU needs to be able to react swiftly to changing events. However, for certain instruments, responsiveness was hindered by a lack of financial flexibility. When new priorities emerged, problems were encountered when trying to reallocate funds within the instruments under the budget as large quantities had been tied up through long-term programmes<sup>33</sup>. As stated in the mid-term review report, flexibility needs to be built-up and the balance between long-term commitments and short-term actions should be reassessed.

**Coherence:** There are many types of coherence needed across the external financing instruments including: coherence between one instrument's component parts, coherence between different instruments and coherence with other donors. Overall, the mid-term review report notes mixed findings on coherence from past experience.

In terms of coherence within the instruments, findings were satisfactory because efforts had been made to revise guidelines. There was some level of coherence between the instruments but the multiplicity of programmes sometimes led to overlapping actions and complex cooperation with more advanced developing countries. In addition, the separation between geographic and thematic approaches sometimes resulted in inconsistent responses at country level. Feedback from EU delegations showed they had difficulties to manage and exploit complementarities and create synergies between the instruments. Overall, it was considered that the EU was missing opportunities for coordinated strategies for a given country/region.

In terms of coherence with Member States, findings note the potential for joint programming to be further strengthened. However, this would require more commitment in certain cases from partner country governments and Member States.

### **Box 1. Examples of overlapping programmes**

The EFSD and ELM can both provide EU budget guarantees for similar objectives in the same regions. Also the geographic and thematic instruments/programmes such as the EDF and the thematic programmes under the DCI can cover the same areas in certain countries.

<sup>32</sup> In the current context of EU cooperation, graduation means that upper middle income countries are no longer eligible for EU bilateral cooperation.

<sup>33</sup> Instead, ad hoc methods had to be created such as EU trust funds.

**Added value:** the mid-term report shows that the EU provides added value through the external financing instruments compared with the actions of EU countries in a number of ways including:

- (a) The EU's competence or expertise in a given field;
- (b) The EU's position as a supranational entity, and the relative neutrality<sup>34</sup>, political influence and leverage this potentially entails;
- (c) The geographical spread of some instruments including the presence in fragile contexts where there are fewer development partners and less funds available,
- (d) The scope of the instruments and modalities (such as budget support, grants, indirect management, blending facilities and rapid decision-making for crisis response); and
- (e) The ability of the EU to lead on joint actions (i.e. joint programming and joint implementation), especially with Member States.

**Effectiveness:** the mid-term review report points to positive trends emerging in relation to achieving results<sup>35</sup>. However, difficulties in measuring achievements were noted. For example: there was often limited information on monitoring systems mentioned in the instruments; there was a lack data (including on baselines) to measure if the instruments were on track to meet some of their (particularly high level) objectives; as well as an understanding that many external factors (e.g. partner country policies and other donors) influence the achievement of the objectives<sup>36</sup>.

**Box 2. Examples of results supported with EU cooperation<sup>37</sup>:**

- Public administration reform in Georgia
- 90% reduction in poverty in Vietnam over the last decade
- Stabilisation of Colombia after the peace agreement

In terms of mainstreaming EU priorities, significant progress was noted in the areas of climate change and environment<sup>38</sup>. Mainstreaming human rights including gender equality and women's empowerment was considered as work-in-progress, with partner governments sometimes showing a lack of interest or resistance to these areas.

**Efficiency:** while overall organisational performance was found to be efficient, some actors considered that the implementation of some instruments was administratively burdensome. At times the Commission was perceived to be more focused on process rather than on policy objectives and results.

**Lessons learned from other donors:** beyond these recent findings, there was an OECD DAC peer review of the EU's development cooperation in 2012<sup>39</sup>. The review came up with a set of recommendations with regard to the architecture, rules and procedures of the

<sup>34</sup> The EU is largely perceived by partners as an actor not defending or advancing the interest of a particular country, which is important for the EU in its role as a peace and security actor and for election observation missions.

<sup>35</sup> See annex 3 and box 2 for some examples.

<sup>36</sup> See section 6 for more information on monitoring.

<sup>37</sup> See recent annual reports including the 2016 Annual report on the implementation of the EU's instruments for financing external action in 2015

<sup>38</sup> 11th EDF climate contributions increased from 3.3% in 2014 to 23.3% in 2016 and DCI climate change contributions increased from 17.7% in 2014 to 24.9% in 2016. Source: Indicator 12b, EU international cooperation and development results framework with input from the OECD DAC Creditor Reporting System.

<sup>39</sup> See <http://www.oecd.org/dac/peer-reviews/europeanunion2012dacpeerreviewmainfindingsandrecommendations.htm>

EU's external financial instruments. For example, the OECD called on the EU to further simplify and modernise its cooperation, by reducing the number of budget lines, aligning rules of DCI and EDF, streamlining approval procedures and building more coherence between regional and thematic programmes. The EU was asked to become more effective, timely and flexible both at programme level and at aggregate level of the whole set of instrument architecture. The latter was particularly asked for in situations of fragility and crisis, in which the OECD saw significant room for improvement.

**Summary:** The lessons show that the EU's external programmes are largely relevant and functioning well in terms of the content it covers, instead the main issues relate to how the instruments are structured. A fragmented approach has led to a complex landscape of instruments with limited flexibility to respond to emerging challenges.

Further information from studies, evaluations and consultation activities including on Humanitarian Aid, the External Lending Mandate<sup>40</sup> and Macro-Financial Assistance can be found in the annexes.

### 2.3. Feedback from stakeholders

When drafting the evaluation documents that fed into the mid-term review report, three types of consultations with stakeholders took place. Evaluators carried out around one thousand structured or semi-structured interviews with EU officials and representatives from EU institutions, Member States and partner countries. Several technical workshops to present and discuss the draft evaluations were held with participants from the European Parliament, Council working groups, Member States committees, and civil society organisations and local authorities. An open public consultation was held in early 2017. It aimed at gathering feedback from stakeholders on the findings emerging from the evaluations of the instruments and on the future external action instruments after 2020<sup>41</sup>.

The main messages emerging from the consulted stakeholders are summarised below. Further details are available in Annex 2.

**Flexibility:** stakeholders agreed that the new financing instruments should be more flexible to respond to unforeseeable challenges and crises. In particular, they underlined the need to facilitate the shifting of funds across regions and among aid modalities. However, it was also underlined that increasing flexibility should not come at the cost of weakened predictability, country ownership and less focus on achieving long-term development objectives. To ensure flexibility and predictability some respondents argued in favour of having sufficient reserves.

**Coherence:** stakeholders considered it necessary to ensure greater coherence between the internal and external policies of the EU, as well as between the external instruments themselves. Some emphasized the need to strengthen complementarity and synergy between geographical and thematic instruments. Others argued that the Sustainable Development Goals (SDGs) provides the most appropriate basis for increasing coherence between internal and external policies. Most recommended that the EU take a leading

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<sup>40</sup> In particular, the Commission has organised an ongoing assessment of the ELM in line with legislative requirements, the preliminary results of which can be found in the annex.

<sup>41</sup> For more information on the public consultation see [https://ec.europa.eu/europeaid/public-consultation-external-financing-instruments-european-union\\_en](https://ec.europa.eu/europeaid/public-consultation-external-financing-instruments-european-union_en)



role in improving complementarity between various stakeholders both inside and outside the EU.

On the structuring of future instruments, stakeholders agreed that the combination of geographic and thematic instruments delivers positive results. They emphasized that the value of geographically structured instruments lies in their capacity to address the specific needs of partner countries in a tailored manner. This is crucial given the diversity of the challenges and needs across these countries.

While being in favour of having both geographic and thematic programmes, stakeholders also drew attention to the need for more complementarity. Some respondents highlighted the risk of overlap whereby the same policy objectives are funded by multiple instruments. Respondents also called for a clear delineation between instruments, while underlining the need to ensure that geographic and thematic programmes exploit cross-sectoral synergies and linkages between themselves.

**Simplification:** the EU was strongly encouraged to further simplify the overall architecture of the instruments. The EU should also continue its efforts to simplify cumbersome administrative and financial procedures. It was emphasised by civil society and local authorities that procedures and rules currently in place have important implications for the ability of civil society and local authorities to become more involved in development cooperation.

**Leverage:** there was an agreement amongst stakeholders that innovative financing instruments can play an important role in leveraging public and private financing for EU external assistance. Positive findings on the leverage effects and financial additionality of such instruments emerging from the recent evaluation on blending<sup>42</sup> are considered encouraging. However, civil society respondents raised concerns about private sector priorities overriding poverty reduction objectives in partner countries.

### 3. THE CHALLENGES AND OBJECTIVES

#### 3.1. Main challenges and new political priorities to be addressed by the new programme

As set out under the context (section 1.1), global circumstances have evolved since the start of the current MFF in 2014.

**Security:** the Global Strategy has spelled out fundamental external challenges that are likely to persist over the course of the coming decade and may dominate external action under the next MFF. These include terrorism and hybrid threats; economic volatility and extreme poverty in least developed countries and fragile states; and energy security. In many countries, decisive support in security and defence is essential for effective development, while at the same time development is crucial for sustained peace.

**Stability/resilience:** over the next decade, Europe will continue to be surrounded by unstable regions in the neighbourhood and beyond. The move towards more resilient states and societies is both a major objective and a challenge.

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<sup>42</sup> See [https://ec.europa.eu/europeaid/evaluation-blending\\_en](https://ec.europa.eu/europeaid/evaluation-blending_en)

**Migration:** stability issues go hand in hand with continuous migratory pressures and challenges of forced displacement. For the coming years, Europe's relative economic affluence will be a strong pull factor for migrants, particularly from sub-Saharan Africa, a region experiencing constant growth in forcibly displaced people, triggered by various conflicts and protracted crises. The depletion of natural resources aggravated by climate change is becoming an additional factor of forced displacement and therefore migratory pressure.

**Strategic partners:** New players such as China have enhanced their external outreach, and more countries have moved to upper middle-income status, with different cooperation needs and expectations. Consequently, there is a risk that unless new cooperation activities with such countries are put in place, the EU could lose part of its leverage to promote international values globally, while opportunities for building alliances are increasing, supported by other forms of cooperation.

**Human rights:** there is a growing number of countries that do not share the universal values of open and democratic societies. Shrinking spaces for civil society and challenges to the universal acceptance of human rights may continue to increase.

**Environment and climate change:** The impact of environmental degradation and climate change has already exposed large parts of the world's population to natural disasters. In the future, climate change is expected to increase the frequency and magnitude of such natural disasters around the world. Addressing this challenge will require cooperation with major economies including those not currently eligible for EU bilateral cooperation.

**Information and communication technologies (ICT):** ICTs are powerful enablers of inclusive growth and sustainable development. However, a lack of connectivity remains a major obstacle to development in many developing countries, notably in rural and remote areas, especially in Africa. Moreover, limited competition can often make digital technologies inaccessible and unaffordable for a large part of the population.

Beyond these policy challenges, there are other challenges related to the way the external instruments operate.

**Simplification:** with more than 15 instruments, many of which have the same legal base, heading 4 could be regarded as overly complex compared to other headings. For example, heading 2<sup>43</sup> currently has six times the level of funds but less than half the number of instruments.

The number of instruments has created obstacles in the use of funds across regions and themes due to each instrument's different scope and rules. From the perspective of partner countries and implementing partners, the complicated legal framework has created a multiplication of procedures that need to be followed.

**Coherence:** the previously mentioned evaluations have identified a number of challenges related to coherence and synergies, such as weaknesses in assuring coherence between geographic programmes and global (thematic) programmes.

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<sup>43</sup> Heading 2 concerns the preservation and management of natural resources. It includes the common agricultural policy, common fisheries policy, rural development and environmental measures.



In the past, the EU has tried to use ad hoc solutions to overcome fragmented approaches. For example, a pan-African programme<sup>44</sup> was created in 2014 to respond to continent-wide issues in Africa but in reality, it has added another layer of programmes for the African region on top of the EDF and the DCI thematic programmes. The creation of further ad hoc tools and instruments should be avoided in the future in favour of more integrated approaches.

Several of the challenges mentioned above, including on migration and climate change, straddle the line between the EU's internal and external policies. Looking ahead strong coordination between internal and external expenditures will be needed to ensure consistency.

**Flexibility, resources and leverage:** the current volume of financing for external action has been stretched to the limits with all margins of flexibility exhausted. This is not only due to recently emerging challenges such as migration and security but also because of Member States' and citizens' expectations that the EU can do more in external relations. Such pressures and demands on the external budget<sup>45</sup> illustrate the need to build in more flexibility into the budget so that the EU can mobilise its resources more swiftly in the face of evolving contexts.

To deliver on the aid volumes needed to meet the SDGs by 2030 will be a significant challenge. Broad estimates of current flows of development finance and the estimated annual costs of meeting the goals point to a persistent gap in resources. The United Nations conference on trade and development estimates that meeting the SDGs will cost approximately USD 333 billion to USD 466 per year. At the same time, the most recent Organisation for Economic Cooperation and Development report shows that in 2016 total ODA reached a peak of USD 142.6 billion, less than half of the estimated needs<sup>46</sup>. This underlines the importance of ensuring increased resource mobilisation to meet development needs. In line with the European Consensus on development and the Reflection paper on the future of EU finances, the EU will also need to employ innovative financing mechanisms to leverage additional public and private funds.

### 3.2. Objectives of the programmes of the next MFF

In accordance with Articles 8 and 21 of the Treaty on European Union, the specific objectives of the broad instrument should cover those mentioned below:

(a) To support and foster dialogue and cooperation with third countries and regions in the Neighbourhood, in Sub-Saharan Africa, in Asia and the Pacific, and in Americas and the Caribbean;

(b) At global level, to consolidate and support democracy, rule of law and human rights, support civil society organisations, further stability and peace and address other global challenges including migration and mobility;

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<sup>44</sup> This programme is a component of the DCI.

<sup>45</sup> Which are likely to be exacerbated by the United Kingdom's withdrawal from the EU.

<sup>46</sup> World Bank, Financing for Development post 2015.

(c) To respond rapidly to: situations of crisis, instability and conflict; resilience challenges and linking of humanitarian aid and development action; and foreign policy needs and priorities.

In order to measure progress towards achieving these objectives, while at the same time responding to the lessons learned about the lack of monitoring information (e.g. indicators) at instrument level, indicators would be set, see section 6 for examples.

#### **4. PROGRAMME STRUCTURE AND PRIORITIES**

The following section sets out the proposal for the future external action heading focusing in particular on the changes in relation to the current set-up. The guiding principle is to preserve what works well while improving what hinders the EU's effectiveness to deliver on its policies and priorities.

##### **4.1. Proposed changes to the EU's external action**

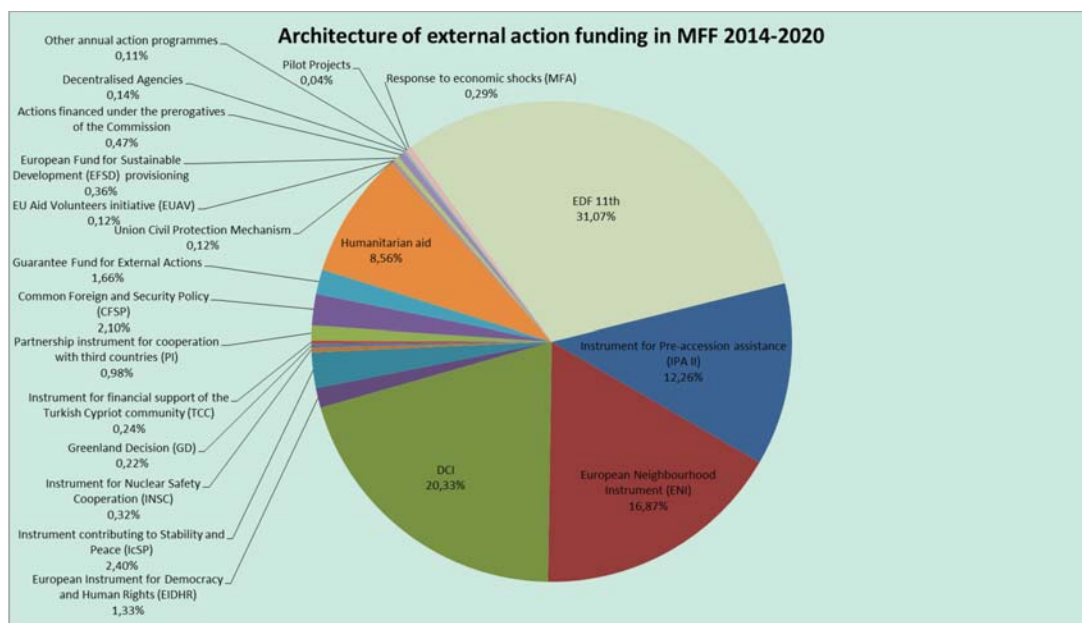
Building on the lessons learned and stakeholder feedback that show that the instruments are largely relevant and delivering results, it is proposed that the content covered by the current instruments should largely continue. Instead, modifications and improvements should focus on how the instruments operate.

In particular the main modification proposed is to streamline several instruments into one broad instrument. Included in the broad instrument would also be the EDF, which is currently outside the EU budget. It is therefore also proposed to integrate the EDF into the EU budget and by doing so, extend its flexibility features, to the extent possible, to all countries, including those currently covered by the DCI and the ENI. The flexibility features include its 20% reserve and multi-annuality in the form of carrying over unused funds and recommitments of uncommitted funds<sup>47</sup>.

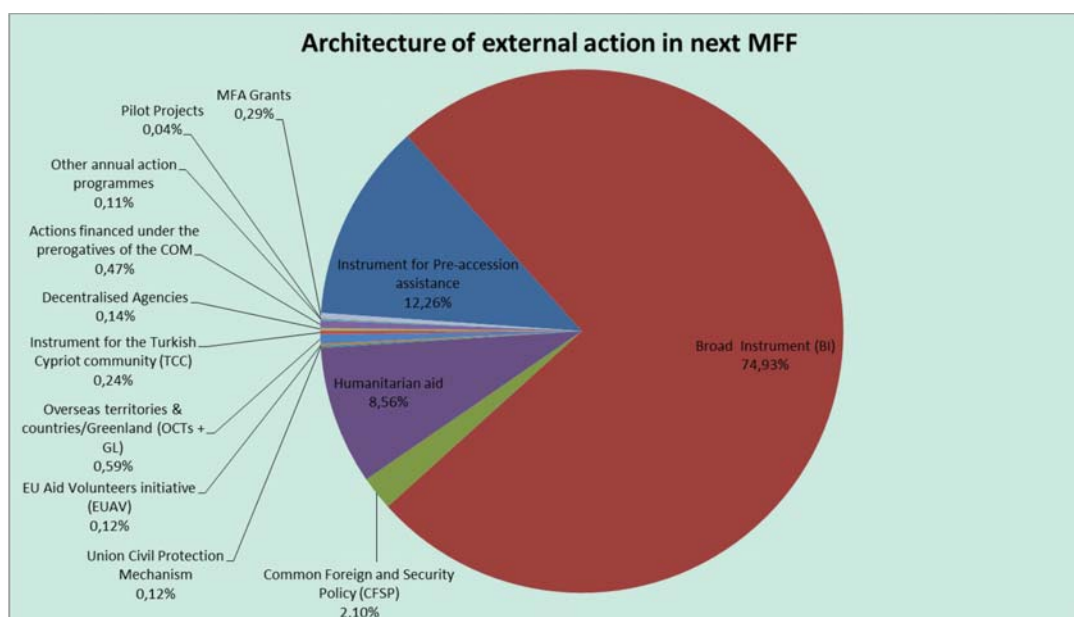
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<sup>47</sup> The EDF is not subject to the annuality rules of the EU budget so funds can be used any year according to needs. Annuality refers to the EU budgetary principle whereby expenditure and revenue are programmed and authorised for a given year, starting on 1 January and ending on 31 December. Since this principle cannot be waved under the EU budget, a similar approach can be achieved with the broad instrument by allowing (i) uncommitted funds to be used the following year; and (ii) committed funds that have not been spent for a specific project/programme to be reused for another project/programme in subsequent years.

**Chart 1. Current situation of heading 4<sup>48</sup>**



**Chart 2. Proposed external action heading<sup>49</sup>**



## 4.2. Structure of the broad instrument

The broad instrument should regroup the current actions of certain instruments under three components: geographic, thematic and rapid response actions. Within the first two components, defined regions and thematic priorities should be set-out, including dedicated amounts. Prioritisation within the third component should be made in accordance with the need to respond rapidly to emerging crises, build resilience and in line with foreign policy objectives.

<sup>48</sup> The percentages are based on current figures for programmes (budget execution until 2017, adopted budget until 2018 and programming/planning for 2019-2020).

<sup>49</sup> The percentages for the proposed, future external action heading redistributes the current figures for existing programmes under the new structure. They are for comparison purposes only and do not prejudice the final allocations.

Climate change, environmental protection and gender equality would be mainstreamed throughout<sup>50</sup>..

Beyond the three components the instrument should provide a substantial cushion for emerging challenges and priorities. This should allow for an appropriate response of the Union in the event of unforeseen circumstances; for addressing new needs or emerging challenges, such as those linked to crisis and post-crisis situations, migratory pressure at the EU's or its neighbours' borders; or for promoting new international initiatives or priorities.

The broad instrument should also provide for budgetary guarantees for lending operations to promote investment and macro-economic stability in partner countries. This will provide the legal basis for the guarantees required for financial operations under the current EFSD, ELM and MFA. The use of financial instruments and budgetary guarantees as an aid modality should be promoted by creating a one-stop shop/platform for financial instruments/blending and budgetary guarantee operations. The overall management should remain with the Commission.

While recognising that the European Investment Bank is a key partner of the Commission and a natural actor for implementing these types of operation, the decisions to use lending operations through the European Investment Bank (particularly sovereign lending), which are currently carried out through the ELM, should be taken during the programming process and reflected in the programming documents. As regards Macro-Financial Assistance, although the funds should be provisioned from the geographic envelopes of the broad instrument, the current decision making applied today (full legislative procedure for every case of assistance to a third country) could continue to be used.

The EU and its Member States have collectively committed to spend 0.7% of their GNI as ODA<sup>51</sup>. The broad instrument, as well as all other external action instruments should contribute to this goal.

The internal governance systems used today to decide how funding will be allocated to projects should continue and where possible be enhanced, notably when it comes to upstream work with all key Commission services and the European External Action Service. In the case of programming documents, Member States should continue to exercise control through committee procedures.

The funds mobilised from the cushion for emerging challenges should also follow the standard Commission decision-making procedures.

#### *4.2.1. Geographic programmes*

The broad instrument should mainly be implemented through geographic programmes.

The geographic programmes would comprise country or multi-country actions. The potential beneficiaries of the programmes are all third countries (i.e. non EU countries).

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<sup>50</sup> External action spending is an important contributor to the EU's target to mainstream climate action and to ensure that at least 20% of the total EU budget be dedicated to climate action-related spending. The success of the mainstreaming approach has been highlighted in, for example, the MFF Mid-Term Review, see: [http://ec.europa.eu/budget/mff/lib/COM-2016-603/SWD-2016-299\\_en.pdf](http://ec.europa.eu/budget/mff/lib/COM-2016-603/SWD-2016-299_en.pdf)

<sup>51</sup> See <http://www.oecd.org/dac/stats/officialdevelopmentassistance/definitionandcoverage.htm>

The only exception would be for candidate and potential candidate countries to avoid overlaps with the successor to IPA.

This programme would succeed the current geographic programmes under the DCI, EDF, ENI and part of the INSC<sup>52</sup> and PI. In line with political orientations from the Commission<sup>53</sup>, it includes a prominent Neighbourhood window with a clear ring-fenced allocation. Furthermore, it will allow for conducting current thematic activities that are not global and pursuing EU economic and policy interests (including non-ODA classified actions) in all partner countries – including on the external dimension of internal policies. This would ensure more comprehensive programmes at country or regional level.

The beneficiaries would be grouped into the following regions each with ear-marked amounts:

- Neighbourhood
- Sub-Saharan Africa
- Asia and the Pacific
- Americas and the Caribbean

#### 4.2.2. *Thematic programmes*

A number of thematic actions currently financed by thematic programmes and taking place at country level will instead be covered under the geographic programmes. The remaining thematic actions should be complementary to the geographic actions and should address global and trans-regional initiatives supporting internationally agreed goals such as the Sustainable Development Goals or global public goods and challenges. The thematic actions would only be undertaken where there is no geographic programme (to ensure no overlaps), where there is no agreement on the action with the partner country concerned, or where the action cannot be adequately addressed by geographic programmes.

The thematic component would merge the current thematic programmes under the DCI and the EIDHR (including election observation missions) and part of the PI.

The potential beneficiaries would be all third countries and overseas countries and territories to ensure a global approach to common challenges. The thematic programmes will also cover actions that are political flagship initiatives. It should be linked to the universal agenda for the pursuit of the SDGs and the EU policy frameworks to implement them.

In particular, actions under the thematic component should address actions linked to the pursuit of the Sustainable Development Goals at global level, in the following areas:

- (i) Human rights, democracy and Civil Society Organisations (including actions formerly covered by EIDHR and the CSOs part of the CSOs/Local Authorities programme).

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<sup>52</sup> Except for those activities that are covered by the Euratom Treaty.

<sup>53</sup> See Commission's communication on a new, modern MFF for an EU that delivers efficiently on its priorities post 2020 (February 2018)

- (ii) Stability and peace (currently covered by article 4 and 5 of the IcSP<sup>54</sup>).
- (iii) Support to the preservation of global public goods (these programmes are currently covered by the global public goods and challenges programme and the Local Authorities part of the CSOs/LAs programme of the DCI, and some actions under the PI).

#### 4.2.3. *Rapid response component*

Rapid response actions should be complementary to geographic and thematic programmes. They should be designed and implemented to enable their continuity under those programmes, wherever relevant.

This component would be dedicated to crises of a political, security or economic nature. It would provide rapid response capacity for crisis management and conflict prevention, resilience building, including linking relief, rehabilitation and development, and short-term foreign policy action.

The potential beneficiaries of the component are all third countries and overseas countries and territories.

This component would need to retain, and build on, the current modalities for fast, flexible and responsive actions, with funds that are immediately available. The component would include actions which:

- (a) contribute to stability and conflict prevention in situations of urgency, emerging crisis, crisis and post-crisis;
- (b) contribute to strengthening resilience of states, societies, communities and individuals and to link humanitarian and development action;
- (c) address foreign policy needs and priorities.

### 4.3. **Justification for the changes**

#### **Reduced administrative burden**

As noted by the Commission<sup>55</sup> and supported by feedback from partners, the current architecture of the external financing instruments is too complex. Streamlining a number of instruments into a broad instrument would provide an opportunity to rationalise their management and oversight systems therefore reducing the administrative burden for EU institutions and Member States. Having a simplified oversight system would allow the relevant institutions to have a better, more comprehensive view of EU external action. Instead of focusing on multiple programming processes, debates would be more focused on political objectives and engagement with external partners.

Simplification does not mean there would be less scrutiny. The inter-institutional balance would be fully preserved. Rather, the budgetary and scrutiny powers of the European Parliament would be extended by the incorporation of the EDF into the budget.

<sup>54</sup> Article 4 concerns peace-building partnerships. Article 5 concerns global and trans-regional threats and emerging threats.

<sup>55</sup> In particular the Reflection paper on the future of EU finances (June 2017), and the Communication from the Commission to the European Parliament and to the Council (February 2018)



## **Fewer gaps and overlaps between instruments**

With lines between foreign and development policy, and between internal and external policies blurring, the challenges the EU is facing often cannot be contained within geographic and thematic boundaries. To respond to these challenges and support the implementation of universal goals such as the 2030 Agenda, a broad instrument would provide a more geographically and thematically comprehensive approach, facilitating the implementation of different policies in a trans-regional and multi-sectoral way. By merging several instruments, the EU would facilitate coherent responses, breaking down thematic and geographic silos and better enabling the exploitation of synergies.

By ensuring thematic programmes will in principle only cover those actions that cannot be financed through the geographic component, or which need specific approaches (e.g. where approval by the counterpart cannot take place because of their global nature), the broad instrument would ensure a more systematic, integrated approach to its programming/planning. Overlaps between programmes would be eliminated, in particular where they might occur in relation to more advanced developing countries, and between the geographic and thematic programmes (i.e. the EDF geographic programmes and the DCI thematic programmes). Policy lines and operational needs would drive the programming rather than specific instrument (thematic/geographic)-based needs.

At the same time, the broad instrument would also reduce the complex framework of interfaces between the EU's external and internal policies. For example, on migration, while numerous instruments and ad hoc tools, such the creation of the EU emergency trust funds for Africa<sup>56</sup> have helped the EU support this issue, the broad instrument would go further by ensuring full geographic coverage of support.

The EU would be able to engage with partners in a more coherent way. The 2030 Agenda is based on equal partnerships that transform our way of cooperation and applies to all countries. A broad instrument would allow the EU to remove artificial boundaries to ensure a right policy mix for different countries and regions. Along these lines, the issue raised in section 2.2. on differentiation, including graduation, should be reviewed so that cooperation with upper middle income countries can be pursued through bilateral cooperation. Further, cooperation with industrialised countries should also be covered under the instrument, to ensure a coherent approach, notably through regional cooperation and rapid response activities for foreign policy. These funds should be limited to ensure no inverse impact on ODA figures.

Finally, cooperation and joint programming with Member States would be enhanced since coordination would only be needed with fewer EU instruments. It is worth noting that by creating the broad instrument the EU will be mirroring more closely the set-up of the Member States who do not regulate their external spending according to different geographic and thematic instruments.

## **More reactive to evolving needs and priorities**

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<sup>56</sup> Established by the Commission in 2015, this trust fund was created to address the root causes of instability, forced displacement and irregular migration and to contribute to better migration management. For more information: [https://ec.europa.eu/europeaid/regions/africa/eu-emergency-trust-fund-africa\\_en](https://ec.europa.eu/europeaid/regions/africa/eu-emergency-trust-fund-africa_en)

The broad instrument will provide an opportunity to enhance the responsiveness and flexibility of EU actions.

By reserving a substantial amount of un-allocated funds, the emerging challenges and priorities cushion, building on the successful experience of the EDF<sup>57</sup> would provide more flexibility to shift funds more easily. These funds would be used according to needs for unforeseen events, new initiatives/priorities or to respond to migratory pressures at the EU's or its neighbours' borders. Such a precaution would allow for top-ups to the different regions/themes covered under the broad instrument, helping to ease the pressures on the external action budget as unforeseen events and new priorities emerge. The balance between flexibility and predictability should be ensured as the cushion for emerging challenges will exist alongside dedicated amounts per region.

In today's fast-changing world, the transfer of budgetary flexibilities to the broad instrument would allow the EU to better cope with unpredictable events. Under the broad instrument, EDF practices such as making sure non-committed funds and funds that have not been spent for a project/programme would still be available in subsequent years, would make the instrument more flexible. More funds will become available for new projects.

Furthermore, based on current experience there is a sound justification for having a dedicated flexible component to cover a full range of security, humanitarian-development nexus, and political, economic and other issues where a rapid EU response is necessary.

While lessons learned have shown the EU needs to be more agile in mobilising its funds, feedback from stakeholders has also shown the importance of balancing flexibility with predictable levels of funding. Such predictability is currently provided through certain partner-driven, long-term instruments (i.e. the DCI, EDF and ENI), which together account for approximately 70% of heading 4. The broad instrument should continue to provide a similar proportion of predictable funding through its geographic programmes.

### **More focus on performance**

Concerning performance, in parallel to the broad instrument, a new IT platform will be created that will facilitate the encoding of results data at project level. This would help increase the availability of results data for monitoring, reporting and evaluation purposes. For further information on performance, see section 6.

#### **4.4. Which instruments should be replaced by the broad instrument?**

With more than 15 external relations instruments currently under heading 4, not all can justifiably be replaced by the broad instrument. What follows is an analysis (advantages and disadvantages) of the instruments that are proposed to be replaced, mainly due to their common legal bases or similar objectives.

#### ***European Development Fund***

*Advantages of integrating the EDF into the broad instrument and therefore the EU budget:* As the 11th EDF is the largest external instrument with a volume of EUR 30.506 billion, a broad instrument will be more meaningful if such a significant programme can

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<sup>57</sup> As a comparison, the EDF's un-allocated envelope is currently 20% whereas for the DCI, it is 6% of the geographic programme.



be part of it. The possibilities of harvesting its previously mentioned flexibility features are much higher by bringing EDF on-budget into the broad instrument.

The level of democratic scrutiny by the European Parliament will be enhanced with the EDF on-budget. Unlike the current arrangements, the same Parliamentary procedures would apply across all development cooperation. This would help strengthen the public legitimacy and political visibility of the EU's external assistance as a whole.

At the same time, the criticism that some EDF funding is being used to finance military expenditures as part of a “development instrument” will cease to be an issue. Expenditures related to military actions, which cannot be financed by the EU budget due to Treaty limitations, could be taken up under a new off-budget security fund (see further information on the security fund later in this section).

EU external action would become more coherent. Artificial interfaces across instruments, in particular with regard to geographical, partner-oriented programming would be reduced. There would be increased transparency in the EU budget, covering all external action expenditure (except military related expenditure), therefore providing a better global picture. The merge into a broad instrument would also provide an opportunity to review the EDF's specific implementation procedures (e.g. the obligation to have a national authorising officer). There would also be no need for a separate EDF key<sup>58</sup> - the contributions from Member States would be those made (in percentage terms) to the EU budget, as for any other programme. It should be noted that several efforts have already been made to align the two percentages so that now there is little difference between them.

*Disadvantages of integrating into the broad instrument:* The political and financial implications of bringing the EDF on-budget include that the EU would lose its visible and symbolic financial basis for cooperation with African, Caribbean and Pacific countries. Implications for ACP partners include that they may see their relations with the EU as being downgraded as certain procedures would change. There could also be a risk that the broad instrument would receive less funding than the sum of the EDF and the other external action instruments combined.

The EDF's flexibility features may be lost if it is integrated into the EU budget and military related expenditure currently funded by the EDF's African Peace Facility (AFP) could stop being funded for legal reasons.

*Conclusion:* The advantages of integrating the EDF in the EU budget outweigh the disadvantages as long as partners can be reassured on the implications and certain preconditions can be met. The additionality of the EDF full amount for external relations must be ensured. Existing EDF flexibilities (e.g. large reserve and multi-annuality) should be imported as far as is possible within the annuality of the EU budget. Activities currently financed by the APF should continue through an off-budget mechanism.

### ***Development Cooperation Instrument***

*Advantages of integrating into the broad instrument:* There would be a reduction in the artificial interfaces between the DCI and the other external action instruments – in particular regarding the instruments that provide geographical, partner-oriented

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<sup>58</sup> The EDF key sets out the contributions (in percentage terms) the Member States have to contribute.

programming. For example, the Latin America and Caribbean region would be covered by one instrument instead of both the current combination of DCI and EDF. Global issues such as climate change would be better addressed in a coherent manner across all partner countries. Currently they are split between DCI geographic and thematic programmes, the EDF and the PI. Links between development, security, and migration, which are currently split across several instruments can be better ensured.

*Disadvantages of integrating into the broad instrument:* There could be the perception of diluting the importance of development policy within a broader external action framework.

*Conclusion:* The advantages of integrating the DCI outweigh the disadvantages as long as the DACability<sup>59</sup> objective for a proportion of the fund and communication efforts are made to explain that placing the DCI in a broad instrument does not represent a “down-grading” in EU priorities.

### ***European Neighbourhood Instrument***

*Advantages of integrating into the broad instrument:* During the current MFF, the ENI has been one of the most stretched instruments in terms of funding due to multiple crises in its regions. A major advantage of being part of the broad instrument would be that the Neighbourhood would have access to the emerging challenges and priorities cushion in addition to ring fenced amounts. 98% of ENI actions are reported as ODA. As the pressure to continue actions that can be reported as ODA increases, merging within a broad instrument may provide scope for more flexibility in defining the actions to be financed. It would allow for easier cooperation between ENI, African and Asian neighbouring countries on issues such as migration and energy.

*Disadvantages of integrating into the broad instrument:* A dedicated instrument for the Neighbourhood gives this policy a visible financial basis. Partner countries may be hesitant about the cooperation being merged into a broad instrument. This may create a negative political signal that will need to be addressed through appropriate communication.

*Conclusion:* The advantages of integrating the ENI outweigh the disadvantages as long as a prominent ring-fenced window for the Neighbourhood is kept and communication efforts are made to explain that (i) a merge does not represent a “down-grading” in EU priorities and (ii) the existence of distinct policies and strategies will be maintained ensuring political visibility. The same should apply to specific approaches and tools such as the more for more mechanism<sup>60</sup>.

### ***Instrument contributing to Stability and Peace***

*Advantages of integrating into the broad instrument:* Including short-term crisis response, conflict prevention and CBSD actions under the IcSP within the broad instrument would reinforce further coherence and complementarity with other instruments, providing an enhanced coordination of activities at country level. Likewise, the coordination of the medium and long-term activities under the IcSP with the long-

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<sup>59</sup> Meaning actions have the main objective of being administered with the promotion of the economic development and welfare of developing countries or are concessional in character, conveying a grant element of at least 25%

<sup>60</sup> The 'more for more' mechanism ensures additional reform efforts by Neighbourhood countries are rewarded with additional financial and other support.

term/programmed activities from other instruments could be further reinforced. Links between security and development would also be enhanced.

*Disadvantages of integrating into the broad instrument:* There is a risk of a loss of flexibility and distinctive modalities for crisis response and conflict prevention, reducing the EU's role and reputation in helping partners in crises and conflicts.

*Conclusion:* As the disadvantages can be mitigated by ensuring that the IcSP's specific focus and the existing flexibilities are maintained within a broad instrument, it is proposed to merge the instrument into the broad instrument.

### ***European Instrument for Democracy and Human Rights***

*Advantages of integrating into the broad instrument:* While it has limited funds compared to other external financing instruments, the EIDHR is at the core of the EU's values. As democracy and human rights are being put under greater stress, additional funding may be needed. As part of the broad instrument, democracy and human rights actions potentially have greater access to un-allocated funds. Boundaries with other instruments would be reduced and more integrated programming approaches and coherence with country actions would be possible.

*Disadvantages of integrating into the broad instrument:* It could be perceived by some actors that putting the EIDHR in the broad instrument reduces the visibility of its actions.

*Conclusion:* Overall, by ensuring financial visibility of democracy and human rights through ring-fencing inside the thematic programme together with the fast disbursing mechanism, the advantages of integrating the EIDHR inside the broad instrument outweigh the disadvantages.

### ***Partnership Instrument***

*Advantages of integrating into the broad instrument:* The PI's integration into a broad instrument would help confirm that the promotion of political and policy issues in the EU and mutual interest, including external projection of EU internal policies, with no ODA requirements, is recognised as an integral part of a broad EU external action. Complementarity with other instruments would be enhanced, strengthening integrated approaches and coherence. For example, regional initiatives could be tackled in a more consistent and harmonised way regardless of the different levels of development amongst the countries.

*Disadvantages of integrating into the broad instrument:* The integration into a broad instrument might weaken the flexible and fast reaction approaches of the PI which allow it to respond to emerging needs and priorities of the EU, or to seize political windows of opportunity which depend on the political cycle in partner countries or on the dynamics of bilateral relations or inter-regional/ multilateral dialogues.

*Conclusion:* Overall, the integration of the PI's activities into a broad instrument presents a potential for coherence and synergies with other types of external action. The potential risks mentioned above can be mitigated by appropriate measures such as preserving PI approaches and visibility, in order for the advantages of integrating the PI inside the broad instrument to outweigh the disadvantages.

### ***Macro Financial Assistance***

*Advantages of being into the broad instrument:* The inclusion of MFA under the budgetary guarantee component of the broad instrument would ensure that the required provisioning arrangements for the guarantee of MFA lending operations would be in line with the provisions under the new financial regulation. Furthermore, it would allow for a more efficient management of guarantee resources pooled in the Common Provisioning Fund.

*Disadvantages of being into the broad instrument:* Not having a specific legal base, but being based directly on the Treaty, MFA will continue to be governed by the ordinary legislative procedure, which requires the approval of the European Parliament and of the Council for each specific operation. This legislative and decision making process is different from the one envisaged for the broad instrument. This lack of alignment of procedures would therefore be against the objectives of streamlining and simplification in the broad instrument. Changing the current legal setup to enter into a single regulation would require intensive consultations with the co-legislators.

*Conclusion:* It is more effective to keep MFA separate from the broad instrument due to its different legislative and decision making processes. MFA grants will continue to be treated under a separate budget line. However, including the provisioning arrangements for MFA in the budgetary guarantee component of the broad instrument, should help safeguard the important leverage capabilities of the MFA and allow for a more efficient management of provisioning resources.

### ***European Fund for Sustainable Development***

*Advantages of being into the broad instrument:* Integrating into the broad instrument would simplify the legal framework and efficiency of processes and operations. It would improve visibility delivered by the current fragmented instruments and facilitating better communication of impact and results. There would be a stronger policy alignment and complementarity of actions.

*Disadvantages of being into the broad instrument:* It would be difficult to regulate distinct governance models within the same basic act. In the case of EFSD, governance bodies include the Member States and the European Parliament as an observer, which is not always the case for other financial instruments. Some confusion may be created because the broad instrument would concern investment structures beyond its coverage (e.g. pre-accession).

*Conclusion:* The disadvantages of having the EFSD in the broad instrument can be overcome by ensuring the complexities of having an investment structure serving programmes beyond the broad instrument can be avoided by making cross-references in the relevant legal bases.

### ***External Lending Mandate***

*Advantages of being in the broad instrument:* The objectives of the ELM would be defined alongside and coherently with those of other instruments, in particular other budgetary guarantee instruments such as the EFSD in order to ensure maximum coherence and added-value of the EU's budgetary guarantees. This would avoid the current situation whereby two guarantee instruments exist (EFSD and ELM) which could theoretically support the same kinds of projects, one exclusively for the EIB and the other open to a range of international financial institutions. Positive experience with climate

finance under the ELM could be imported into the new instrument, and the application of common standards (do no harm/Paris Agreement compatibility) would be harmonised.

*Disadvantages of being in the broad instrument:* The challenge will be to account for the governance specificities of the ELM while ensuring close policy alignment of the EIB's activities under the EU guarantee with EU objectives as well as complementarity with the EFSD.

*Conclusion:* In order to unlock the value-added of including the ELM in the broad instrument while avoiding the disadvantages, it should incorporate certain features of the EFSD such as a governance structure which allows for more granular policy alignment of EIB projects (in the way of the EFSD Strategic Board or the European Fund for Strategic Investments<sup>61</sup> investment committee). The objectives of the ELM should be defined in such a way as to clarify the complementarity between the EFSD windows and the ELM. For more detailed information see the annex on ELM.

### ***Common Implementing Regulation***

*Advantages of integrating into the broad instrument:* There will be enhanced clarity on the principles and policy framework that will apply during the implementation of the broad instrument. There will also be opportunities to further harmonise existing implementing articles that are currently included in the individual instruments but not in the CIR.

*Disadvantages of integrating into the broad instrument:* Current specificities included in the CIR, such as support to people with disabilities could risk being diluted in a broader framework.

*Conclusion:* As long as efforts are made to ensure the specific concerns in the current CIR are given attention in the broad instrument, the advantages of merging the CIR would outweigh the disadvantages.

### **Programmes that should not be replaced under the broad instrument**

The following text justifies why the remaining heading 4 instruments should not be merged into the broad instrument, mainly due to their specific legal bases or objectives. Further information on these programmes can be found in the annexes.

#### ***Humanitarian Aid***

The delivery of humanitarian aid is guided by the principles of humanity, neutrality, impartiality and independence. Humanitarian aid is provided solely on the basis of the needs of affected populations, regardless of any political, military or other objective. This is fundamental in order to secure access for humanitarian actors to all people in need while ensuring their own security in the field. A separate instrument for humanitarian aid is a safeguard which helps preserve the humanitarian principles and avoid confusion or blurred lines among different EU policies, political (or other) objectives and actors present in crises.

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<sup>61</sup> The European Fund for Strategic Investments is an initiative to help overcome the current investment gap in the EU. Jointly launched by the EIB and the European Commission, it aims to mobilise private investment in projects which are strategically important for the EU.

The consequence of the principle of impartiality is the EU's commitment to a needs-based approach to humanitarian aid, to reach the most vulnerable, answer the most urgent needs and fulfil the humanitarian imperative. It should therefore be translated into a needs-based allocation of funding, which is better guaranteed with a clear separation between the source of humanitarian aid funding and other funding instruments, which may have legitimate political objectives, as is currently the case.

Humanitarian aid does not function like other instruments: it is governed by the emergency contexts and tight timeframes in which it must be delivered. The Humanitarian aid regulation and a specific budget line have made the humanitarian aid instrument more flexible in terms of programming than many others, in order to react to changing circumstances in crises and sudden onset crises. This has allowed the EU to be in the frontline of response to many of the most acute crises. A specific instrument therefore best matches the important operational necessity of reaching people before it is too late.

Complementarity with the broad instrument will be ensured through actions that link development and humanitarian assistance (Linking Relief, Rehabilitation and Development, LRRD), e.g. in the context of the operationalisation of the humanitarian-development nexus and the resilience agenda.

### ***Union Civil Protection Mechanism***

The Union Civil Protection Mechanism (UCPM) has a specific mandate for prevention, preparedness and response to disasters both inside and outside Europe<sup>62</sup>. The nature of the instrument is very specific and distinct from other external instruments insofar as it ensures the coordination of in-kind assistance provided by the participating states. Moreover, the external dimension of the UCPM is closely linked to humanitarian assistance provided by the EU. The UCPM has played an essential role in providing rapid assistance in the aftermath of natural disasters in many occasions (e.g. Nepal, Haiti, Peru, and Bangladesh), complementing the relief assistance provided by humanitarian aid. The close cooperation between the two instruments should be reinforced. With this in mind, the proposed reform of the UCPM tabled by the Commission in November 2017 tries to deepen this cooperation by facilitating the combined use of these instruments when responding to a disaster outside the EU. Integrating the UCPM (or its external component) into the broad instrument could undermine the capacity of the EU to provide disaster relief to third countries using the most effective combination of assistance according to context.

The UCPM has close connections with other external instruments, namely IPA and the ENI. The cooperation between the UCPM and the ENI relates to prevention and preparedness programmes carried out in ENP countries, both in the South and the East. In addition to these programmes, the ENI also offers funding to neighbourhood countries from national allocations to cover prevention and preparedness activities (twinning programmes or technical assistance programmes).

### ***Instrument for Pre-Accession Assistance (IPA)***

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<sup>62</sup> It therefore straddles internal and external headings.



IPA pursues objectives that are completely distinct from the remaining external action instruments as it aims to prepare countries to become EU Member States by supporting their accession process. The different nature of its objectives therefore argues in favour of it remaining separate.

According to the IPA II mid-term review, the instrument is relevant and fit for purpose, in line with EU priorities and beneficiary needs and has demonstrated a high degree of flexibility. Only minimal changes would be necessary to clearly position it in the context of the new Western Balkans Strategy, and reflect the developments in the relations with Turkey. At the same time, more efforts should be put in place to ensure coherence and synergies with the broad instrument, in particular with respect to the thematic and non-programmable component. The complementarity of the instrument with other external financing instruments, notably EIDHR and IcSP has previously been good but coordination during both the planning and programming phase has not been sufficient. Close alignment between the programming cycles of IPA and the programmable parts of the broad instrument would facilitate complementarity.

### ***EU Aid Volunteers scheme***

The EU Aid Volunteers (EUAV) objectives are different to the broad instrument. The aim will be to enhance the engagement of young people and organisations in activities that will strengthen cohesion and solidarity in Europe and abroad. Instead it should be integrated into the European Solidarity Corps therefore extending its geographical scope.

Both programmes are partially overlapping with a common overarching objective of involving young people and organisations in high quality solidarity activities. Integrating the activities of the EUAV within the European Solidarity Corps would provide clarity through a single entry point for different EU volunteering opportunities inside and outside the EU. Moreover, the integration of the two initiatives would present a good opportunity to simplify the procedures in line with the findings from the interim evaluation of the EUAV (2017).

### ***Support to the Turkish Cypriot community***

This programme has its own legal basis<sup>63</sup> and is based on article 352 TFEU (Council unanimity and European Parliament consent) whereas other EU external instruments are based on articles 209 and 212 TFEU. In addition, its duration is not linked to the MFF and it has no end date. Due to its unique nature and specific coverage, there is little scope for synergies with other instruments and the programme.

### ***Common Foreign and Security Policy (CFSP)***

The CFSP has its own legal base. Moreover, it is functionally different from the other instruments with the main focus being security. Actions funded under the CFSP are closely coordinated with other external instruments projects and programmes. The conceptual design and conduct of specific CSDP mandates is subject to dialogue and analysis involving the EEAS, the Commission (the Service for Foreign Policy Instruments) and the Council through PSC and the relevant working groups, which ensures strong coordination and synergy with other Union's programmes.

### ***Greenland and OCTs***

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<sup>63</sup> Council Regulation (EC) 389/2006

The OCTs and the Greenland Decisions should not be integrated in a broad instrument or to any other co-decided instrument due to their specific procedures of adoption: Council decision following consultation of the European Parliament. However, in order to streamline the number of programmes, they should be regrouped under one decision, which would include a ring-fenced envelope for Greenland.

The Greenland and OCTs programme will be connected to the broad instrument through the latter's thematic component. A number of OCT priorities include global challenges such as environment and climate change.

### ***Instrument for Nuclear Safety and Cooperation***

Nuclear safety is an important part of the EU external action and should continue to be part of a broad instrument. Nevertheless some nuclear activities are the competence of the Euratom Treaty, and the INSC has its own legal basis (Article 203 of the Euratom Treaty<sup>64</sup>) which is not compatible with the ordinary legislative procedure.

Analysis of the legal base has shown that if the INSC was merged into a broad instrument it would not be possible to continue the actions of the INSC to their full effect. As the INSC cannot be totally integrated into a broad instrument a separate instrument should be kept based on the Euratom legal base in order to pursue the current objectives of the INSC, complementing the broad instrument. Therefore actions carried out under this new instrument should be consistent with those of the broad instrument.

### ***Emergency Aid Reserve***

An enlarged emergency aid reserve would replace the current emergency aid reserve. It would cover crisis both inside and outside the EU.

The current emergency aid reserve is a budget tool outside the normal allocation in the EU budget. It is intended to allow for a rapid response to specific aid requirements of third countries following events "which could not be foreseen when the budget was established, first and foremost for humanitarian operations, but also for civil crisis management and protection, and situations of particular pressure resulting from migratory flows at the Union's external borders where circumstances so require" (MFF Regulation 2014-2020).

It would be essential that a significant amount of the emergency and crisis response reserve is earmarked for external actions, in particular for humanitarian and emergency operations.

### ***European Peace Facility***

This would be a new proposal that would be financed outside the EU budget and therefore outside the broad instrument. In this facility, all existing military and security-related funding actions, that cannot be on-budget according to Article 41(2) TEU would be merged (i.e. APF that currently sits under the EDF, and other crisis management components, namely the Athena Mechanism). This off-budget facility would address the criticism that development funds are being misappropriated for security-related actions,

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<sup>64</sup> See <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A12012A%2FTXT>



while at the same time acknowledging the needs for funding military and security-related actions in/by partner countries, including Africa and beyond. This off-budget fund would have the following features:

1. Largely non-ODA actions in the military/security sector;
2. Greatly simplifies current arrangements and increases coherence and flexibility of those instruments covered;
3. Consistency between this facility and the non-programmable component and other security-related actions of the broad instrument.

Security related expenditures that can already be funded under the budget should continue being implemented through the existing modalities in post-2020 situation. The fund should be governed by the principles of coherence and complementarity, ensuring full consistency and synergy with relevant external action instruments and measures under the EU budget, in particular the Common Foreign and Security Policy. The High Representative, the Council and the Commission will ensure that during each step of implementation, coordination and synergies between EPF funded actions and measures and other actions funded by the Union's budget, is systematically sought to ensure relevance and complementarity in order to increase effectiveness and impact

#### **4.5. Prioritisation**

Prioritisation of actions should be based on the policy framework and on the objectives of the broad instrument. During the planning/programming stage of the project cycle, allocation methods are used to determine envelopes for the partner countries. Currently, there are diverse methods to define financial allocations across the EU instruments, ranging from quantitative methodologies to pure qualitative indicators.

For the EDF and DCI, the EEAS and the Commission services have developed a transparent methodology based on a quantitative model that uses a limited number of internationally agreed indicators, and foresees and adjustment based on the country situation and particularly evolutions in the political/security situation and the absorption capacity (demonstrated by past cooperation with the EU).

The DCI, the Cotonou Agreement<sup>65</sup> and the regulation implementing the 11<sup>th</sup> EDF<sup>66</sup> specify that EU should allocate resources according to country needs, capacities, commitments, performance and potential EU impact; and that the EU must seek to target resources where needed the most to address poverty reduction, and where they can have the greatest impact, including in fragile countries.

Where necessary and appropriate, the allocation methodology allows for adjustments on the basis of a qualitative assessment, reflecting elements such as commitments, performance, impact, inequality recent evolution in country political/security situation and its demonstrated absorption capacity. Subsequently the allocations are set in the multiannual programming/planning documents for each partner country/region.

For the Neighbourhood countries, Association Agendas, Partnership Priorities and other equivalent jointly agreed documents are key points of reference for setting the priorities

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<sup>65</sup> See [https://ec.europa.eu/europeaid/regions/african-caribbean-and-pacific-acp-region/cotonou-agreement\\_en](https://ec.europa.eu/europeaid/regions/african-caribbean-and-pacific-acp-region/cotonou-agreement_en)

<sup>66</sup> See [http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L\\_.2015.058.01.0001.01.ENG](http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2015.058.01.0001.01.ENG)

for Union support to neighbourhood countries. Subsequently, the objectives and priorities together with indicative allocations are set in relevant multiannual programming documents. The ENI regulation specifies that support to countries shall take into account needs; commitment to and progress in implementing mutually agreed political, economic and social reform objectives; commitment to and progress in building deep and sustainable democracy; partnership with the EU, including the level of ambition for that partnership and absorption capacity and the potential impact of EU support. The EU's specific relationship with neighbourhood countries will also be reflected through the criteria governing the allocation of funds.

For the EIDHR, the indicative overall financial allocations and allocations per priority area are made on the basis of strategies papers.

For the IcSP, financing of actions takes into account the particular difficulties of the partner countries or regions concerned.

For the PI, the methodology is not based on binding allocations but reflects the global scope and coverage of PI objectives.

For the INSC, the geographical scope extends to all third countries, with a priority given to accession and neighbouring countries.

## **5. DELIVERY MECHANISMS OF THE INTENDED FUNDING**

The specific, diverse and rapidly changing context of EU external action requires the use of all the existing implementation modalities and delivery instruments currently used by the external financing instruments in order to pursue the policy objectives and operational priorities described early in this document. The existing choice of tools should be preserved both at the level of implementation and delivery method. In choosing the appropriate implementation modality and delivery method the EU will take into consideration the principles of subsidiarity and proportionality. Efforts will also be put in place to enhance leverage of public and private funds through the use of innovative financing as detailed below.

### **5.1. Implementation modalities**

The EU should continue relying on a variety of partners such as international organisations, Member States agencies and organisations, civil society organisations, national, regional and local authorities, international and development financial institutions in situations where they have a clear added-value, building on the experience achieved and the lessons learned. The new implementation framework should balance flexibility with predictability, so key partners can justify the continuous investment into competences and resources, which ultimately enable the smooth running of planned operations and the ability to react in crisis operations. In the context of external action, the EU can employ direct, indirect or shared management modes.

In **direct management**, the EU (including when it acts through the EU Delegation or an executive agency of the EU) contracts directly with the final recipient. This management mode can be used to finance, among others, budget support operations, grants to civil society organisations and contracts assigned through procurement procedures for provision of services, works and goods. Erasmus+ also employs the direct management mode.

In **indirect management**, EU funds are contracted through intermediaries (called entrusted entities). The entrusted entity is only allowed to channel EU funds to final recipients by way of grants, public procurement or financial instruments. The entrusted entity either uses the EU's rules or follows its own rules if they were considered to be equivalent in the ex-ante check known as a pillar assessment. Indirect management can be used with the following entrusted entities to serve specific purposes as follows:

- (a) With a partner country or an entity designated by it to strengthen ownership and alignment with national procedures in line with aid effectiveness principles. This is often used in the context of the Instrument for Pre-Accession;
- (b) With an agency of a Member States or an EFTA country (Iceland, Liechtenstein, Norway, Switzerland) or, exceptionally, of a third donor country to reinforce donor coordination and harmonisation;
- (c) With an international organisation to make the best use of the comparative advantage of dedicated international organisations, foster long-term collaboration with key international partners and increase donor coordination and harmonisation;
- (d) The European Investment Bank which lends and provide guarantees and financial instruments in support of EU policies, often in conjunction with other forms of EU support (blending, ELM guarantee, ACP Investment Facility, etc);
- (e) An EU specialised (traditional/regulatory, hence not executive) agency.

Member States

## **5.2. Delivery methods**

In accordance with the new European Consensus on Development, to reflect the framework set out in the 2030 Agenda and the Addis Ababa Agenda for Action<sup>67</sup>, the EU and its Member States must adapt their approach to mobilise and make effective use of all means of implementation, including through innovative financing mechanisms. This requires a renewed focus on establishing an enabling and conducive policy environment at all levels. This includes mobilising and making effective use of domestic and international public finance, mobilising the domestic and international private sector, strengthening the capacity of partner countries to deliver change, stimulating trade and investment, fostering science, technology and innovation, as well as addressing the challenges and harnessing the positive effects of migration.

In this context, the EU will continue to make use of the full range of existing delivery methods available such as grants, procurement contracts, programme estimates, budget support, trust funds, Technical Assistance and Information Exchange (TAIEX)<sup>68</sup> and twinning<sup>69</sup>, guarantees, loans and other financial instruments. At the same time the EU will seek to extend its toolbox to broaden the use of innovative financing mechanisms including through the use of policy based lending. The choice of the most appropriate delivery method will be policy driven and it will be guided by considerations concerning

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<sup>67</sup> For more information: <http://www.oecd.org/dac/effectiveness/parisdeclarationandaccraagendaforaction.htm>

<sup>68</sup> TAIEX supports public administrations with regard to the approximation, application and enforcement of EU legislation as well as facilitating the sharing of EU best practices. It is largely needs driven.

<sup>69</sup> Twinning is a tool used for institutional cooperation between the public administrations of Member States and partner countries. Twinning projects bring together public sector expertise from Member States and beneficiary countries with the aim of achieving concrete mandatory operational results through peer-to-peer activities.

sound financial management, effectiveness, efficiency, flexibility, leverage, simplification, added value and focus on impact and results.

For example, budget support has demonstrated its effectiveness in fostering policy dialogue, ensuring ownership, supporting key reforms and delivery of results in external action. Grants have proven essential to support civil society and private organisations as well as local authorities in delivering public services. Similarly, procurement contracts have favoured involvement of the private sector. TAIEX and twinning have granted the provision of specific expertise for public administration reforms. Finally, trust funds have ensured flexibility, responsiveness, visibility, leveraging and targeted approach towards achievement of policy objectives.

At the same time, the EU will continue to use budgetary guarantees and financial instruments (based on the recently created External Investment Plan and the European Fund for Sustainable Development as well as a refocused ELM). With these tools, the EU will support the mobilisation of investments and leveraging of public and private funds worldwide. The EU should also continue to guarantee lending by international financing institutions and the EIB in support of EU external policy objectives.

Similarly, MFA will continue to reinforce the EU's capacity to act in the neighbourhood region and pre-accession countries as it produces significant financial leverage. MFA goes beyond budget resources in providing loans, in addition to grants. MFA belongs to an area of shared competence and it complies with the subsidiarity principle as the objective of restoring short-term macroeconomic stability in third countries can be achieved more efficiently and effectively by the EU than by Member States individually. This removes the need for recipient countries to conduct multiple negotiations with different EU Member States. Furthermore, negotiating as a single entity improves the negotiating position of the EU vis-à-vis the recipient country and reduces the scope for contradictory policy programmes. Ex-post evaluations have also concluded that MFA centralised management by the Commission is more cost-efficient than the provision of financial support by Member States individually<sup>70</sup>. It is important to distinguish MFA from budget support under regular, programmable instruments. The trigger for MFA are balance of payments crises. The primary purpose of MFA is to help beneficiary countries overcome such crises, which manifest themselves in a shortage of external financing. This is one of the major and specific as well as primary distinguishing characteristics of the MFA instrument, compared to other support instruments.

In the future, the EU will continue its efforts to deliver its international cooperation in a flexible manner and through simple mechanisms and rules. In the current context of multiple crises and conflicts, the proposed broad external action instrument will have to be able to adjust swiftly to changing priorities and unforeseen events and to deliver rapidly on the ground. Sufficient legal, financial and procedural flexibility is needed to allow the EU to respond to the many challenges on the world stage.

In this context, emergency procedures will ensure the quick EU capacity to respond to crises, the resilience building and the short-term foreign policy reaction with world- and scope-wide coverage (political, security, economic). Rules, regulations and management

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<sup>70</sup> MFA assistance is disbursed to the central bank (in order to support the country's international reserves); however, the amounts can be subsequently transferred on to the budget (thus providing not only support for reserves, but also budget financing in case of loans or budget revenue in case of grants). Even when transferred to the budget, MFA remains untied and undesignated.

structures for quick response activities would have to retain their fast, flexible and responsive nature. This also includes actions aimed at operationalising the humanitarian and development nexus.

Finally, through the creation of the broad instrument the EU will continue to simplify the delivery mechanisms and the streamlining of their governing rules, thus making the existing toolbox even more fit for the implementation of geographical, thematic and horizontal actions.

## 6. How will performance be monitored and evaluated?

### 6.1. Monitoring arrangements

During the mid-term review of the external financing instruments, a number of limitations regarding the monitoring of the EU's external action were noted:

1. The instruments' objectives are highly ambitious (in line with the TEU) and require global efforts: success cannot be achieved by the EU alone. For example, the objective of poverty eradication depends on many factors that are outside the EU's control, such as: national government willingness and capacities to implement relevant policies, other aid providers, and the international context.
2. The wide-ranging nature of both the objectives and the partner countries covered (approximately 140 countries) makes the meaningful aggregation of data challenging.
3. Data collection can depend on sources outside of the EU, meaning there are implications, for example, on the timeliness of data.
4. As a result of the high level and broad nature of the objectives, the use of internationally agreed impact-level indicators such as the ones agreed for the Sustainable Development Goals have often been considered the most suitable method to measure the attainment of the instruments' objectives. However, such indicators are not directly attributable to the actions of the EU instruments<sup>71</sup> meaning it is difficult to consistently measure the EU's contribution to results.

A number of lessons learned were also highlighted during the review, namely:

1. The lack of information about monitoring in the legal base.
2. The lack of data to measure effectiveness of the instruments.

In response to these lessons, the Commission will propose to use a number of key performance indicators in the legal base which will show how success towards the specific objectives will be measured. These indicators will mainly be focused at outcome/output level so the link with the EU's contribution to results will be apparent.

To help improve its collection of data, the Commission has launched:

1. An EU international cooperation and development results framework covering DCI, EDF, ENI, EIDHR<sup>72</sup>, Greenland, and Article 5 of the IcSP.

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<sup>71</sup> Plus they do not cover the whole spectrum of EU international cooperation, in particular when it comes to measuring the impact of crisis response

<sup>72</sup> Except for the Electoral Observation Missions part of the instrument that is covered by the FPI Results Framework.

2. Yearly results reporting exercises covering EU funded interventions ending in the previous year – as financed under the instruments above;
3. Similar performance frameworks with strategic and operational indicators for the IcSP (Articles 3 and 4) and the PI.

The frameworks will:

- Be used to monitor the performance of the instruments, providing a clear link between the objectives and how they will be measured.
- Include impact-level indicators (e.g. linked to the Sustainable Development Goals) as well as output and result (outcome) indicators, thus measuring the deliverables and direct effects of EU external action.
- Allow for the preparation of implementation reports and evaluations after approximately three years of collecting results data.
- As far as possible harmonise the common provisions with other EU budget programmes, including with regard to the climate mainstreaming methods.

However it is worth noting not all results can be encapsulated in such frameworks. In particular results in implementing complex structural reforms cannot be easily aggregated and captured beyond the country or sector level.

Examples of indicators used to measure the specific objectives could include the following. Unless stated otherwise, the indicators are drawn from the Commission's results frameworks:

- (1) Rule of Law score
- (2) Proportion of population below the international poverty line
- (3) Number of women of reproductive age, adolescent girls, and children under 5 reached by nutrition programmes with EU support
- (4) Number of 1-year olds fully immunised with EU support
- (5) Number of students enrolled in primary and/or secondary education and training with EU support
- (6) Greenhouse gas emissions reduced or avoided (Ktons CO<sub>2</sub>eq) with EU support
- (7) Area of marine, terrestrial and freshwater ecosystems protected and/or sustainably managed with EU support
- (8) Number of firms and/or individuals with access to financial services with EU support
- (9) Political stability and absence of violence indicator
- (10) Number of processes related to partner country practices on trade, investment and business, or promoting the external dimension of EU internal policies, which have been influenced.

In terms of monitoring arrangements for joint programming, joint results frameworks (i.e. a list of indicators agreed between donors) can be used. These would measure the collective results of the donors participating in the joint programme. With the expected increase in joint programming going forward, the EU expects more use of joint results frameworks.



## 6.2. Data provisions and sources

Data collected from EU funded interventions come from two main sources:

- Secondary sources available at country level (e.g. country statistical office, international organisations collecting data at country/sub country level for internationally agreed indicators like the SDGs); and
- Project monitoring systems set up by implementing partners to ensure adequate follow up of results and project performance.

Only data not available from existing sources are collected by the latter and generally respond to project specific needs (for monitoring and evaluation purposes). Close coordination between the Commission and its implementing partner is ensured through the Commission's operational managers to avoid any duplication of efforts at any level.

Efforts are made to disaggregate data. Currently disaggregation by sex is possible for several indicators included in the above mentioned frameworks. For other categories: age, income, disabilities, data disaggregation remains a challenge particularly in the case of fragile countries.

In line with the European Parliament's call to establish consistent monitoring and evaluation procedures to track progress against objectives<sup>73</sup>, Commission services are currently working together to establish an electronic system which will track project management, monitoring and evaluation via a single IT portal. This tool will use a consistent framework of indicators to assess performance and identify results across the broad instrument. Work on the portal is underway, with pilot testing planned for mid-2018, including with EU Delegations. The portal should be fully operational by the beginning of 2020.

In addition, the portal will offer a single-entry point for all operational information and will allow external users including implementing partners to encode key information directly into the system. This means it will contribute to greater simplification and coherence in the coming years.

In terms of indicators being monitored, most of them are commonly agreed at international level and therefore have a standard methodology. The same applies for those indicators used in the EU international cooperation and development results framework or similar frameworks used to report at sector level. Contextual indicators can also be defined and collected where appropriate.

It will not always be possible to set targets for the indicators in the performance frameworks. For SDGs, targets are available and will be used. However, for a number of outcome indicators, as partner countries set their targets independently (or sometimes not at all), the setting of targets across countries and at instrument level would not be meaningful. In the case of political cooperation as well as the area of peace and security, which are prone to fast developments and changes, it would be inappropriate set targets

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<sup>73</sup> See draft European Parliament report: Implementation of the EU external financing instruments: mid-term review 2017 and the future post-2020 architecture – Schaake Report (2017/ 2280 (INI) of 12 January 2018. And also the European Parliament study: External financing instrument and the post-2020 architecture: European Implementation Assessment (28 February 2018): [http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS\\_STU\(2018\)615636](http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_STU(2018)615636)

*ex-ante* at the overall strategic level; targets need to be set at operational level within each single action.

### **6.3. Evaluations**

For the broad instrument, evaluations will continue to take place at different levels as follows:

- 1) The evaluations of specific projects and programmes which will be managed by EU delegations and services responsible and cover a wide variety of actions, from relatively small or innovative projects, to large facilities mobilising significant amounts of funds.
- 2) Strategic evaluations, which cover general policies and strategies in countries and regions, and in sectors or themes, will be managed by the central evaluation services.
- 3) In addition to the two main categories of evaluations referred to above, an instrument level evaluation will be conducted only once sufficient data can be collected on performance. The instrument shall be evaluated according to the Better Regulation criteria and OECD-DAC good practice principles. In particular, the evaluation will look at the efficiency, effectiveness, added value, coherence and relevance of the instrument.

The 3 levels are closely interlinked. The project and programme evaluations are essential sources of information for the strategic evaluations which in turn feed into the Instrument level evaluation. The planning of evaluations will be carefully coordinated so as to maximise coherence.

The evaluations will use monitoring data, weighing it up and seeking to understand why and how the respective changes have been brought about. The project/programme evaluations will rely on monitoring systems set out at action level, while the instrument level and strategic evaluations will make use of the latter and of data collected as part of the results frameworks. The common principles and standards which will guide the way in which these evaluations will be conducted are defined in the evaluation policy for EU development cooperation<sup>74</sup>. The specific evaluation approaches and methods to be used for the various types of evaluations are set out in the evaluation guidelines<sup>75</sup>.

As per these guidelines, most evaluations will apply a theory based impact evaluation approach, gradually building evidence to test the soundness of the intervention logic, actions, strategies, and instruments being subject to the evaluation. Experimental and quasi-experimental methods might also be used in some cases, in particular for pilot projects, which are to be scaled up significantly in the future. Applying such methods for a large number of evaluations is however not feasible, for several reasons:

- 1) They require extensive financial resources;

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<sup>74</sup> See <https://ec.europa.eu/europeaid/node/71167>

<sup>75</sup> See [http://ec.europa.eu/europeaid/how/evaluation/methodology/index\\_en.htm](http://ec.europa.eu/europeaid/how/evaluation/methodology/index_en.htm) and [https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/financial\\_assistance/phare/evaluation/2016/20160831-dg-near-guidelines-on-linking-planning-progrming-vol-1-v-0.4.pdf](https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/financial_assistance/phare/evaluation/2016/20160831-dg-near-guidelines-on-linking-planning-progrming-vol-1-v-0.4.pdf)



- 2) There are ethical issues involved given that such methods require the existence of a control group, comprising people who must not receive any similar support (from the EU or other actors) over the intervention timeframe.
- 3) Even if these methods would be applied for all evaluations, it will not be possible to aggregate up from project level to instrument level. This is because of the variety of actions implemented and the different contexts in which these take place.

In order to evaluate joint programming, future country evaluations by the EU should include the joint programming process (where they exist) and in particular indicators from the joint results framework.

A number of joint evaluations (between EU and Member States) already exist and more will be expected under the 2021-2027 MFF. Efforts should be made to include all partners involved in the joint programming exercise so that the collective impact of the donors can be evaluated.

# **Annex 1: Procedural information**

## **1. LEAD DG(S)**

The lead DGs are as follows:

- International Cooperation and Development (DEVCO)
- European Neighbourhood Policy and Enlargement Negotiations (NEAR)
- Foreign Policy Instruments (FPI)
- European External Action Service (EEAS).

Other services contributing to the impact assessment include:

- European Civil Protection and Humanitarian Aid Operations (ECHO)
- Economic and Financial Affairs (ECFIN)
- Cyprus Settlement Support team

## **2. ORGANISATION AND TIMING**

In agreement with other external action services (i.e. NEAR, FPI and the EEAS), DG DEVCO has coordinated the process of drafting the legislative proposal and impact assessment for the post 2020 broad external action instrument.

The process has been overseen by an Inter-service Steering Group comprising all interested policy DGs as well as the central services (e.g. the Secretariat General, DG Budget and the Legal Service). This Group is chaired by the Secretariat General. The first meeting took place in December 2017 to kick off the process and discuss the inception impact assessment. The second meeting (March 2018) was used to discuss the draft impact assessment. The minutes of this meeting can be found in the annex. The third meeting took place in April to discuss the proposal for the legal base.

## **3. CONSULTATION OF THE REGULATORY SCRUTINY BOARD**

Services met the Regulatory Scrutiny Board twice during the preparation of the impact assessment. An upstream meeting was held between the RSB and the external action services in January 2018 to discuss the inception impact assessment and the main expectations for the RSB. Main comments included: to focus on the changes compared to the current period; to look in particular at the architecture (programme structure); and the delivery mechanisms; and to take on board the lessons learned from the mid-term evaluations. A further meeting with the RSB was held on 25 April to discuss the draft impact assessment. Following the meeting a positive opinion with reservations was received. The following changes have been made to the impact assessment in response to the RSB's main considerations:

RSB recommendations	Changes made to the impact assessment
The report does not sufficiently explain the governance structure for the new broad instrument, and does not follow up on some of the problems it identifies. It does not provide strong justification for merging individual programmes into the new broad instrument.	<ul style="list-style-type: none"> <li>• Governance information has been added under 4.2 “structure of the instrument”.</li> <li>• Concerning lessons learned, the text explains that these mostly relate to how the current heading is structured with fragmented instruments. Some of the problems, such as joint programming have been better solved throughout the document, e.g. under section 6 “monitoring and evaluation”.</li> <li>• The justification for merging individual programmes is explained under section 4.4.</li> </ul>
The report does not sufficiently examine funding and policy implications of integrating the EDF into the EU budget.	<ul style="list-style-type: none"> <li>• Further information on implications on budgetising the EDF have been provided under section 4.4.</li> </ul>
The report leaves several funding issues unclear. These include a funding baseline, funding prioritisation and eventual ring-fencing, as well as how to finance additional flexibility reserves.	<ul style="list-style-type: none"> <li>• Information has been added section under 4.2 “structure of the instrument” on what is being ring-fenced.</li> <li>• Funding baseline has been added to show the outcome of the UK’s withdrawal from the EU on funding per current instrument.</li> </ul>
The report does not sufficiently explain how future monitoring and evaluation would work.	<ul style="list-style-type: none"> <li>• Under section 6.1 information has been added on how the future monitoring and evaluation methods respond to the lessons learned from the mid-term review.</li> <li>• More information on how we will evaluate at instrument level has been added under section 6.3.</li> </ul>

#### 4. EVIDENCE, SOURCES AND QUALITY

Evidence has been drawn from the following sources:

- The mid-term review report of the external financing instruments, the accompanying staff working documents and the external evaluations on which they are based.
- The input received from the open public consultation on the external financing instruments (2017).

This evidence base is considered sufficiently robust, accurate, coherent, consistent and comprehensive for the purposes of this impact assessment.

## Annex 2: Stakeholder consultation

The stakeholders' consultation of the ten external financing instruments<sup>76</sup> took mainly three forms: structured or semi-structured interviews; technical workshops held in Brussels; and an Open Public Consultation.

Evaluators carried out more than a thousand structured or semi-structured interviews to gather views and information from EU staff at headquarters and delegations, representatives from the Member States, the European Parliament and partner countries. The MTR evaluations have integrated the outcomes of the interviews, which also served to validate several findings.

Technical workshops took place with representatives of the European Parliament (Secretariats of the Committees and assistants to MEPs), Council working groups and relevant instrument committees. During these workshops the draft MTR reports of the instruments were presented. Apart from instrument-specific comments, general issues arising from these meetings concerned: the complex architecture of the EFIs, the coherence among and within instruments, the coordination between EU and Member States, the need to ensure the flexibility of the instruments to respond to emerging crises while preserving predictability, and the integration of new policy priorities such as SDGs, climate change and migration.

The draft evaluation reports were also presented at the Policy Forum on Development, which gathers representatives from civil society and local authorities. Participants raised a number of comments regarding access to funds, including that more opportunities should be made available for CSOs/LAs to apply for projects across the set of external financing instruments. Comments were also raised on mainstreaming commitments, such as climate change, and on the role of private sector in the instruments.

An open public consultation on the external financing instruments of the European Union took place between 7 February and 3 May 2017. The objective of the consultation was twofold. First, it intended to gather feedback from stakeholders in both EU Member States and beneficiary countries, on the conclusions emerging from the evaluations of the instruments. Second, it aimed to gather feedback on the future external action instruments after 2020. More details on the Open Public Consultation are reported in the sections below.

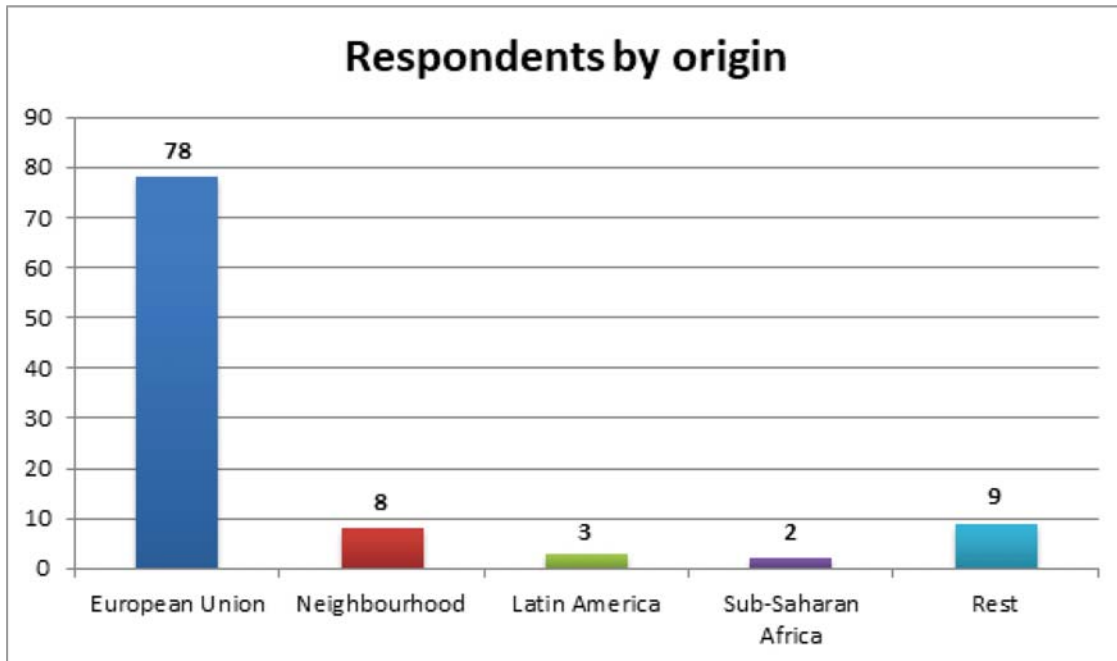
More specifically to this Impact Assessment, ten forward-looking questions were posed to the public. They broadly concerned the types of instruments needed to respond to the evolving policy priorities, the coherence among instruments, the complementarity between EU and MS external assistance, the use of innovative mechanisms to enhance

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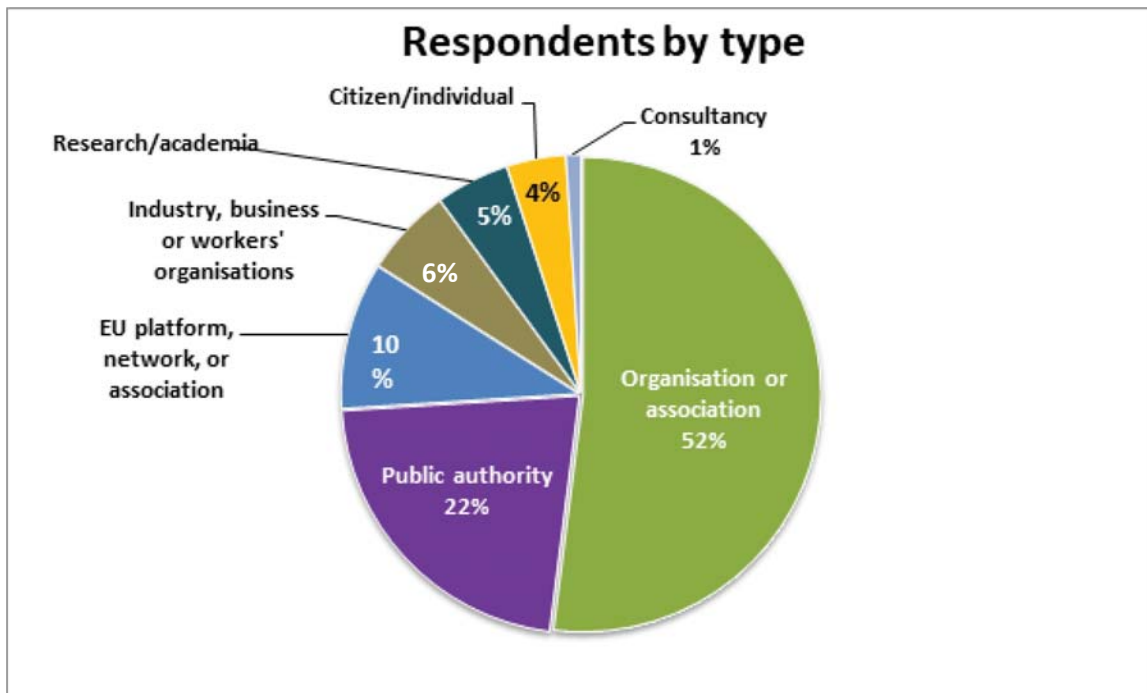
<sup>76</sup> The ten instruments were the: Development Cooperation Instrument (DCI); European Development Fund (EDF); European Neighbourhood Instrument (ENI); Instrument for Pre-Accession (IPA II); Instrument contributing to stability and Peace (IcSP); European Instrument for Democracy and Human Rights (EIDHR); Partnership Instrument (PI); Instrument for Nuclear Safety Cooperation (INSC); Greenland Decision (GD); Common Implementing Regulation (CIR).

leveraging, the possible future architecture of the instruments and how to ensure flexibility and simplification.

Answers were received from around 100 respondents, however not all questions were answered by everyone. Respondents represented a wide range of stakeholders from both inside and outside of the EU, the majority belonging to the former category (78%).



Most submissions were received from organisations and associations (52%), public authorities (22%), followed by EU platforms, networks and associations (10%). A limited number of respondents belonged to the category of industry, business and workers' organisations (6%), research and academia (5%), citizens and individuals (4%) and consultancy (1%).



## 1. METHODOLOGY

The answers provided by the respondents to the ten forward-looking questions were summarised on a question-by-question basis in order to provide a comprehensive yet concise overview of a large amount of written inputs. In order to ensure that it is based on a rigorous approach, the summary followed a number of simple rules. Specifically, inputs were prioritized if they a) were relevant to the question to which they were supposed to respond, b) were recurrent even across a sub-set of respondents, and c) addressed issues which were more cross-cutting in nature and less specific to the respondent's own profile or mandate. In all cases, care was taken to ensure a balanced representation of inputs that were in contradiction with each other.

To account for their distinctive characters, inputs from public authorities were summarised separately from those provided by civil society organisations. This distinction seemed further justified in light of the inputs received from these two categories which often differed in terms of their respective focus and concern. In the next section, the main results of the Open Public Consultation have been clustered and presented in such a way to reflect the key sections and elements of the impact assessment.



## **2. RESULTS FROM THE OPEN PUBLIC CONSULTATION**

### **PRIORITIES AND GEOGRAPHICAL SCOPE**

Several respondents from public authorities underline the need to align the new instruments with the priorities identified by the EU Global Strategy and the new European Consensus on Development. The new External Financing Instruments (EFIs) should also reflect commitments taken under recent international agreements such as the 2030 Agenda, the Paris Agreement, and the Addis Ababa Action Agenda. Civil society respondents are more specific and encourage the EU to reinforce its engagement in thematic areas, which include climate change, environment, gender, democracy, human rights, civil society, peacebuilding, conflict prevention, security, resilience, fragility and nuclear safety.

In addition, member states' respondents place particular emphasis on strengthening EU action in the field of security. Some emphasize the need to build more on the link (nexus) between security and development. Others suggest creating a separate instrument dedicated to Capacity Building in Support of Security and Development. Such an instrument would enable the EU to respond more effectively to unexpected challenges with security implications. Finally, some respondents mention the need to maintain the African Peace Facility due to its important role in supporting regional peacekeeping operations.

Civil society respondents highlight that emerging EU priorities, in particular migration and security, should not affect funding for other key global challenges. They emphasize that the allocation of development funds must be based on objectively assessed development needs rather than on the EU's emerging priorities. They also encourage the EU to uphold its rights-based approach to development cooperation. Respondents underline the need to ensure the respect for human rights including the rights of children, workers and persons with disabilities. Others recommend that the EU should include sustainability criteria in the procurement processes in order to ensure compliance with international environmental, health and labor standards.

In terms of geographical scope, respondents concur that the EU should continue to focus on Least Developed Countries and countries affected by fragility. At the same time, a number of respondents from civil society also emphasize the need to reshape the EU's engagement with Middle Income Countries. They highlight that despite the fact that the majority of the world's poor live in these countries, the EU's development assistance focuses on the category of Low-Income Countries. At present, none of the existing external financing instruments is dedicated to the objective of reducing poverty in MICs. As for the EU's engagement with the African, Caribbean and Pacific Group of States, there has been a variety of suggestions from public authorities' respondents including to maintain an ACP-focused instrument and even to approach these regions separately given their specificities.

## **FLEXIBILITY**

Respondents agree that the new financing instruments should be more flexible in order to be able to respond to unforeseeable challenges and crises, such as migration and conflicts. Member states respondents recommend that efforts to increase flexibility should aim to simplify lengthy and cumbersome procedures, as well as to address difficulties in adjusting programs and shifting funds between regions and aid modalities. Civil society respondents acknowledge that the rise of regional and global challenges has exposed the need for more flexibility across the EU's External Financing Instruments. The migration and security crises in particular have shown the limits of the instruments' ability to give adequate response to rapidly changing circumstances. Recognizing this issue, civil society respondents agree that the future instruments must be able to support both short-term and long-term objectives in partner countries.

However, it is underlined that increasing flexibility should not come at the cost of predictability, country ownership and less focus on achieving long-term development objectives. Member states respondents suggest that the instruments' flexibility should result from sufficiently available reserves, which can be mobilized and deployed in line with the instruments' original objectives. Related to flexibility, some Member States' respondents raise concerns about the recently-created trust funds highlighting that there has been limited evidence of the criteria used for the allocation of resources as well as limited data on impact. It is suggested that using special funds outside of the EU budget should be minimized.

In addition, civil society respondents encourage the EU to enhance the instruments' flexibility also in terms of engaging with relevant partners. It is highlighted that civil society organizations, both European and local, are facing accessibility challenges because of a new EU funding landscape. The increased grant sizes in calls for proposals, as well as requirements for large programs and consortia, put small CSOs at a disadvantage vis-à-vis larger, established NGOs, which are often international and already have experience with working for the EU. Respondents point out the risk that such an approach to channeling funds can result in EU grants becoming concentrated in the hands of a small group of international NGOs. In order to make funds more accessible for smaller organizations, respondents recommend a number of measures such as reducing the share of co-funding, accepting in-kind contributions as part of the co-funding, adapting pre-financing requirements and simplifying calls for proposals.

## **COHERENCE AND SYNERGY**

Most respondents consider necessary to ensure greater coherence between the internal and external policies of the EU, as well as between the external instruments themselves. In this respect, some public authorities' respondents wish to ensure coherence within the instruments themselves, as well as between different EU policy domains such as humanitarian assistance, development, security and trade, particularly in countries affected by fragility and conflict. They also suggest further elaboration of the existing comprehensive approach, which integrates development, security and diplomacy efforts.

Fostering synergies between development and commercial instruments is also viewed as necessary. The implementation of the EU Global Strategy is viewed as an appropriate basis for efforts to increase coherence between policies. Enhancing dialogue between different bodies of the European Union such as the European External Action Service (EEAS) and the Directorate-Generals of the Commission is highly relevant. Establishing joint working groups and promoting better information sharing are seen as important contributors to coherence.

Civil society respondents assert that the universal and integrated character of the Sustainable Development Goals makes the SDGs framework the most appropriate basis for increasing coherence between internal and external EU policies. Respondents emphasized that efforts to increase coherence should be aligned with the principles of the EU's approach to Policy Coherence for Development. Civil society respondents identify a number of areas where major challenges remain regarding policy coherence. Some highlight that consumption patterns in Europe may have harmful implications for development processes and outcomes in the rest of the world, particularly in the domains of food production, climate change, environment, biodiversity and natural resources. Others point to the tension between the EU's development objectives and emerging European political priorities related in particular to migration and security. Some respondents consider the ongoing efforts to address the root causes of migration problematic from a coherence perspective.

Respondents emphasize the need to strengthen complementarity and synergy between geographical and thematic instruments. Others encourage the EU to take a leading role in improving complementarity between various stakeholders both inside and outside the EU. Given its status as a multilateral organization unbound by domestic interests, the EU is encouraged by civil society respondents to play a leading role in improving complementarity between various stakeholders both inside and outside the EU.

In this context, the contribution that EU Delegations can make to better aid coordination and complementarity has been emphasized by many respondents. Public authorities' respondents encourage Delegations to work more closely with Member States' embassies and play a stronger role in information sharing in particular through the Heads of Cooperation meetings. Civil society respondents maintain that Joint Programming can have the potential to enhance complementarity and synergy between EU and Member States both at the country and the sectoral level. Findings emerging from the recent evaluation of Joint Programming should influence how such approaches can be further improved in the future.

## **SIMPLIFICATION**

The EU is strongly encouraged to further simplify the overall architecture of the instruments. In this respect, the EU should continue its efforts to simplify cumbersome administrative and financial procedures.

Member states respondents consider that the instruments should be further simplified. It is highlighted that the multiplication of EU funds and facilities adds extra layers of complexity to an already complex financing architecture. Member states also point to the excessive complexity of grant management rules and procedures and the consequent need to simplify them. In order to enable faster project adoption and implementation, efforts should also be made to revise the structure and different stages of the EU programming cycle.

Civil society respondents agree with the need to further strengthen on-going efforts to simplify the current administrative and financial procedures applied in EU external assistance. Although important improvements have been made in particular as a result of the Structured Dialogue process, more needs to be done in terms of simplification. It is emphasized by respondents that procedures and rules currently in place have important implications for the ability of civil society organizations to become more involved in development cooperation. Given their limited human and financial resources, small NGOs are often constrained in their capacity to participate in calls for proposals. It is underlined, therefore, that simplifying rules and procedures governing grant application and management is crucial to enable such organizations to access funding.

### **PERFORMANCE FOR RESULTS**

To make best use of existing and new instruments, an incentive-based approach in external assistance is viewed positively given its ability to promote reforms in partner countries. However, some respondents highlight the increasingly challenging nature of using development aid as an incentive due to the rising availability of alternative resources such as private finance and remittances.

Most public authorities' respondents underline that the decision on the allocation of funds should be made on the basis of a rigorous assessment which establishes objective criteria and is conducted by an independent panel of experts. It has also been highlighted that the incentive-based approach should not be utilized to make EU assistance conditional on a partner country's cooperation in other policy areas such as migration and security. It is suggested that the effectiveness of the incentive-based approach would increase if it were extended beyond development assistance to other – often more powerful – EU instruments such as trade.

Civil society respondents underscore the importance of maintaining incentive-based approaches in the EU's external assistance. They emphasize that incentives can improve accountability for results and also enhance the EU's impact in policy areas where progress is difficult to make such as in the field of human rights, good governance and rule of law.

Some respondents point to available evidence of success achieved through incentive-based mechanisms such as the 'More for more' approach applied to Neighbourhood countries or the Millennium Development Goals contracts introduced under the 10th cycle of the European Development Fund. Others recommend that the EU should utilize

its preferential trade agreements (e.g. Generalised Scheme of Preferences) in order to strengthen respect for human rights and international labor standards in partner countries.

Recommendations on efficiency and effectiveness were also given. As for efficiency, respondents recommend that the EU simplify burdensome procedures and the overall architecture of the instruments. As for effectiveness, some respondents emphasize the need for a clear results framework coupled with stronger monitoring systems to assess impact. Better monitoring and evaluation of results is seen as crucial to enhance institutional learning and to inform decision-making with a view to improve programme effectiveness. In this respect, respondents call for an improved traceability of results and accessibility of information on all actions financed by EU instruments.

### **PROGRAMME STRUCTURE**

Respondents expressed diverging views on the most appropriate approach to take when structuring the future instruments. Some Member States are in favour of maintaining both geographically and thematically structured instruments. As regards the relative importance of these categories, however, some respondents show preference for geographically-based instruments over thematic ones. Yet others suggest that instruments be thematically structured but have a certain geographical focus, which can be flexibly adapted when circumstances change. Regarding the approach to geographical structuring, some respondents consider that the category of ACP countries is artificial when viewed from a development perspective. Others suggest moving from a regional approach to one based on income categories such as low-income and middle-income countries.

Most respondents from civil society agree that the combination of geographic and thematic instruments delivers the best results. They emphasise that the value of geographically structured instruments lies in their capacity to address the specific needs of partner countries in a tailored manner. This is crucial given the diversity of the challenges and needs across these countries. It has been suggested, however, that this geographical structuring should be influenced less by European historical/political considerations (e.g. ACP and Neighbourhood countries) and, instead, more by developing country needs.

Civil society respondents equally agree on the importance of maintaining thematic instruments. These are viewed as capable of delivering on transversal priorities, which are not specifically addressed in bilateral programmes such as the support for civil society organizations and marginalized groups. Furthermore, thematic programmes allow the EU to engage with graduated middle-income countries, which are no longer eligible for Official Development Assistance (ODA).

While being in favour of combining geographic and thematic instruments, respondents also draw attention to the need for more complementarity. Some respondents highlight the risk of overlap and double funding whereby the same policy objectives are funded by multiple instruments. Respondents call for a clear delineation between instruments while

also underlining the need to ensure that geographic and thematic programmes do exploit cross-sectoral synergies and linkages between themselves.

### **DELIVERY MECHANISMS**

There is an agreement between respondents that innovative financing instruments can play an important role in leveraging public and private financing for EU external assistance. Positive findings on the leverage effects and financial additionality of such instruments emerging from the recent evaluation of blending are considered encouraging.

Nevertheless, some Member States identify areas where improvements should be made. Increasing the transparency of these mechanisms is considered necessary. Furthermore, it is suggested that funds become subject to thorough evaluations in order to inform decisions on their future application. Others stress that the use of funds should be limited to justified cases where other instruments cannot be deployed effectively. As for the implementation of blending projects, it is recommended that the group of entities mostly involved so far (EIB, AFD, KfW, EBRD, AECID) should be further diversified.

Civil society respondents gave recommendations and raised concerns regarding the role, use and impact of such innovative mechanisms. It is highlighted that private sector funding should not substitute, but rather complement, public support in the fight against poverty. In order to have an added-value when compared to other forms of finance, innovative financing mechanisms have to represent additionality, meaning that they are to support projects which are not commercially viable, and therefore would not have been implemented without using ODA funds. Civil society respondents also emphasize the need for putting in place safeguards to ensure that innovative mechanisms contribute to achieving the Sustainable Development Goals. To this end, the EU needs to make certain that private sector priorities do not override poverty reduction objectives in partner countries.

Most respondents agree on the need for a strengthened multi-stakeholder approach in EU external assistance. Partnership and dialogue with non-governmental actors such as civil society organizations and the private sector are considered necessary for building wider consensus around programmes in partner countries as well as in the implementation of EU development cooperation.

The EU is encouraged to strengthen its partnership with stakeholders who can make significant contributions to the implementation of the 2030 Agenda. Respondents highlight the need to build more on the capacity of Local and Regional Governments, private partners, universities and research institutes. The EU can play an important role in facilitating Public-Private Partnerships in developing countries. Civil society organizations and NGOs are seen as key partners in EU external assistance. However, some respondents caution that recent funding trends (e.g. increasing grant sizes) may risk concentrating grants with large consortia of NGOs vis-à-vis smaller organizations.



## Annex 3: Evaluation results

### Introduction

From 2016-2017, independent, mid-term evaluations took place for the following external financing instruments:

1. Development Cooperation Instrument (DCI);
2. European Development Fund (EDF) including on the Overseas Countries and Territories (OCTs)
3. European Neighbourhood Instrument (ENI);
4. Instrument for Pre-Accession (IPA II);
5. Instrument contributing to stability and Peace (IcSP);
6. European Instrument for Democracy and Human Rights (EIDHR);
7. Partnership Instrument (PI);
8. Instrument for Nuclear Safety Cooperation (INSC);
9. Greenland Decision (GD);
10. Common Implementing Regulation (CIR) (not a financing instrument but a regulation for implementing a number of the instruments mentioned above)

The aim of the evaluations was to provide the EU and wider public with an independent assessment of the external financing instruments, including how each instrument interacted with the remaining instruments<sup>77</sup>. In 2017, the Commission followed the independent evaluations with a set of staff working documents (one per instrument)<sup>78</sup>. The staff working documents were based on and for the most part concurred with the findings of the independent evaluations. In order to gain a better understanding of key messages occurring across the instruments, an independent coherence report (2017) was produced<sup>79</sup>. These documents all fed the Commission's mid-term review report<sup>80</sup> (2017) which responds to the requirement set out in the Common Implementing Regulation<sup>81</sup> (Article 17) for a review of the instruments at their mid-point.

### Regulatory Scrutiny Board

Two of the Commission's staff working documents were assessed by the Regulatory Scrutiny Board in 2017, namely the EDF and the ENI.

For the EDF the main comments of the RSB were as follows:

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<sup>77</sup> The independent evaluations can be found here: [https://ec.europa.eu/europeaid/public-consultation-external-financing-instruments-european-union\\_en](https://ec.europa.eu/europeaid/public-consultation-external-financing-instruments-european-union_en)

<sup>78</sup> The staff working documents can be found here: [https://ec.europa.eu/europeaid/mid-term-review-report-external-financing-instruments\\_en](https://ec.europa.eu/europeaid/mid-term-review-report-external-financing-instruments_en)

<sup>79</sup> The coherence report can be found here: [https://ec.europa.eu/europeaid/sites/devco/files/coherence-report-main-report-170717\\_en\\_0.pdf](https://ec.europa.eu/europeaid/sites/devco/files/coherence-report-main-report-170717_en_0.pdf)

<sup>80</sup> The report can be found here: [https://ec.europa.eu/europeaid/mid-term-review-report-external-financing-instruments\\_en](https://ec.europa.eu/europeaid/mid-term-review-report-external-financing-instruments_en)

<sup>81</sup> The Common Implementing Regulation can be found here: <https://publications.europa.eu/en/publication-detail/-/publication/43f92a44-af94-11e3-86f9-01aa75ed71a1/language-en>

Particular challenges with evaluating the 11th EDF were noted, and appreciation was made of the body of evidence that the external study compiled. The RSB considered the evaluation should be improved with respect to the following key aspects:

- (1) The Staff Working Document (SWD) should be a self-standing document.
- (2) The analytical approach should be sufficiently clear on how it assesses effectiveness rather than leaving out several relevant issues.
- (3) The analysis of coherence with other instruments should be complete and could be more informative.

For the ENI evaluation, the main comments from the RSB were as follows:

Limitations that the ENI evaluation faced were noted concerning tight timing, lack of monitoring data and a changed context in many partner countries. The RSB considered the report should be improved by the following:

- (1) The report should draw lessons for the future.
- (2) The report should adequately take up and examine critical feedback from the Court of Auditors and stakeholders.
- (3) The report should be more reader-friendly.

### **Evaluation conclusions**

The independent evaluations and staff working documents on the external financing instruments have overall shown that the instruments are, at the mid-point in their implementation, generally fit for purpose and positive trends are emerging in relation to the instruments' objectives. In conclusion, there is no need to amend the legislation that establishes the instruments.

### **Relevance**

The evaluation staff working documents have confirmed that the instruments' objectives were largely relevant to the policy priorities at the time of their design. Compared to the 2007-2013 MFF, the strategic relevance has improved substantially, as lessons from the past were integrated in the new regulations:

- confirmation of global reach (IcSP, PI);
- promotion of EU interests worldwide (PI);
- increased focus on conflict prevention (IcSP);
- new common programming principles (DCI, EDF);
- greater differentiation (DCI, ENI, IPA);
- sharper focus on sector approaches (IPA);
- clear delineation of specific objectives (EIDHR);
- enhanced consistency and complementarity between the IcSP and the geographical cooperation instruments<sup>29</sup> and with CFSP operations;
- broader ambitions for the Greenland partnership (GD); and

- harmonisation of implementing procedures (CIR)

Furthermore, the external evaluations underline the strategic relevance of the thematic instruments, in particular their ability to act without the explicit consent of the partner country if required, such as engaging in crisis response, human rights and democratisation in a deteriorating context and promoting EU interests and global actions on public goods, including climate change.

The set of broad, enabling instruments have been able to cover EU priorities without any major gaps, except for capacity-building in support of security and development (CBSD).

However, on programming (where programming applies) and implementation of the instruments, this potential was not always fully exploited. In some countries, actions under the instruments were strategically combined<sup>82</sup>, whereas in others, the potential for strategically combining actions was not always used<sup>83</sup>.

A benefit of the instruments' relevance is the flexibility that they have built into them. Flexibility to respond to unforeseen events is required at different levels:

- (i) short-term crisis response;
- (ii) flexibility in choice of programming and implementation methods;
- (iii) financial flexibility with reserve funds and reallocations within and between instruments;
- (iv) flexibility in the multi-annual programming with the possibility to adapt the duration of the programming to the situation on the ground and to swiftly redirect the funding in case of major changes; and
- (v) the use of special measures provided for by the Common Implementing Regulation<sup>38</sup>.

The evaluation staff working documents found that the instruments, due to their enabling character and sufficiently broad objectives, facilitated the EU to respond to new crises and its evolving needs and policy objectives as well as those of partner countries. However, the ability to reallocate financial resources was fully exhausted with the emergence of new crises in countries surrounding the EU.

Internal resources and funds that were not earmarked were insufficient to deal with the crises. Consequently, Heading 4 had to be increased during the mid-term review of the MFF, and the EU had to set up different crisis-related trust funds and coordination mechanisms such as a Facility for Refugees in Turkey (FRiT). Through the trust funds and the FRiT, the EU was able to respond fairly rapidly to the crises and mobilise additional funds from EU Member States and other donors, even if the contributions

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<sup>82</sup> See staff working document on the IcSP, section 5

<sup>83</sup> See coherence report, paragraph 16

from Member States were less than expected. The response also had to be facilitated by the use of special measures outside the regular programming decisions.

Overall, it appears that the priorities and sectors of intervention defined in the regulations for the 11th EDF, EIDHR, ENI, DCI, IPA II, IcSP and the PI are still relevant and encompass current needs and priorities. This implies that no amendments to the regulations are needed at this stage<sup>84</sup>. Nevertheless, the lessons-learned from the mid-term review of the MFF in terms of limited financial flexibility and complexity of the current architecture, thwarting enhanced complementarity on the ground, as well as to cover gaps in the area of security would need to be considered in the future architecture of the instruments<sup>85</sup>.

## **Effectiveness**

The staff working documents show that positive trends are emerging in relation to their objectives<sup>86</sup>. For example, most countries where the 11th EDF and DCI geographic programmes operate have experienced progress in poverty reduction and human and economic development over the last 10 years<sup>87</sup>.

In the western Balkans, IPA II assistance contributed to the implementation of reforms in key areas, such as the judiciary, anti-corruption, public administration and social inclusion, and supported the progressive alignment with EU legislation and standards.

In the Neighbourhood, ENI assistance produced visible results in various sectors, such as regional development, agriculture, the labour market, border management and migration. At the same time, the instruments (ENI complemented by IcSP<sup>88</sup>26) demonstrated a capacity to respond to evolving needs and crisis situations.

The INSC raised levels of nuclear safety, for example by supporting follow-up to the joint comprehensive plan of action cooperation with Iran, and stress testing nuclear power plants in various countries.

The PI effectively influenced policy developments in partner countries in line with EU interests and contributed to development of mutual relationship with third countries<sup>89</sup> complementing the larger thematic activities financed under the DCI, in particular the global public goods and challenges programme.

However, difficulties in measuring the achievement of objectives should be noted. As at the time the independent evaluations were taking place, several of the instruments only recently started being implemented (following the drafting of EU strategy documents), so it was too early to measure the achievement of high-level (and long-term) objectives. To

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<sup>84</sup> With the exception of the CBSD proposal.

<sup>85</sup> See coherence report, paragraph 65

<sup>86</sup> See staff working documents, section 4 for further examples of how the instruments are achieving their objectives.

<sup>87</sup> See indicators on poverty evolution in the last Millennium Development Goal Report (2015) [http://www.un.org/millenniumgoals/2015\\_MDG\\_Report/pdf/MDG%202015%20rev%20\(July%201\).pdf](http://www.un.org/millenniumgoals/2015_MDG_Report/pdf/MDG%202015%20rev%20(July%201).pdf)

<sup>88</sup> Source Commission staff working document on the evaluation of the IcSP, Section 5.

<sup>89</sup> Source Commission staff working document on the evaluation of the PI, Section 5

help mitigate this situation, the independent evaluations also collected data from previous instruments (2007-2013). That said, other limitations in measuring the achievement of objectives must be taken into consideration. Often EU support can only be seen as a contributing factor towards any results achieved. For example, the fight to eradicate poverty is a highly ambitious endeavour. Many factors, both internal and external, affect the development of the EU's partner countries and other objectives. Other major external relations actors play an active role, together with an increasing number of private donors including foundations. In addition, it is for the partner countries to adopt and implement the necessary reforms and policies that the instruments support. Also a number of results can only be measured at country and/or sector level and cannot be aggregated at instrument-level, partly because of the variety of countries and themes concerned.

Since the establishment of the instruments, the Commission has invested efforts and improved reporting on the results of projects and programmes. For example with the launch of the EU International cooperation and development results framework<sup>90</sup> in 2015 which produced its first report on selected results in July 2016<sup>91</sup>. Other, similar performance frameworks with strategic and operational indicators have also been created specifically for IPA II, IcSP and PI.

The range of implementation arrangements available plays a major role in the instruments' effectiveness<sup>92</sup>. The simplifications introduced in the Common Implementation Regulation such as the possibility of sub-granting or awarding grants to entities without legal personality, have reinforced the EIDHR's effectiveness. Benefiting from exceptions, crisis response under the IcSP can be as rapid as humanitarian aid.

The introduction of the budget support modality and the related policy dialogue under the IPA II have played an important role in improving policy dialogue in support of furthering real reforms and stabilisation programmes in beneficiary countries. This was particularly the case in the western Balkans where this was introduced for the first time<sup>93</sup>. Similarly in Greenland budget support arrangements resulted in stronger public financial management systems and improvements in the national administration's ability to plan and implement policies<sup>94</sup>. However, EU procedures (originating from the Financial Regulation) are still perceived by interested parties as lengthy and burdensome<sup>95</sup>.

In terms of mainstreaming EU priorities, significant progress has been noted in some programmes in the areas of climate change and environment<sup>96</sup>. However, more remains

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<sup>90</sup> See further information on the EU international cooperation and development results framework: [https://ec.europa.eu/europeaid/devcos-results-framework\\_en](https://ec.europa.eu/europeaid/devcos-results-framework_en)

<sup>91</sup> This report presents selected results achieved from EU funded development cooperation projects and programmes completed in mid-2013 - mid-2014 in EU partner countries. See: [https://ec.europa.eu/europeaid/eu-international-cooperation-and-development-first-report-selected-results-july-2013-june2014\\_en](https://ec.europa.eu/europeaid/eu-international-cooperation-and-development-first-report-selected-results-july-2013-june2014_en)

<sup>92</sup> See for example, PI, EIDHR and IcSP, staff working documents, section 5

<sup>93</sup> See IPA staff working document, section 5

<sup>94</sup> See Greenland staff working document, section 6

<sup>95</sup> See for example, EIDHR staff working document, section 6

<sup>96</sup> 11th EDF climate contributions increased from 3.3% in 2014 to 23.3% in 2016 and DCI climate change contributions increased from 17.7% in 2014 to 24.9% in 2016. Source: Indicator 12b, EU international cooperation and development results framework with input from the OECD DAC Creditor Reporting System.

to be done to integrate these areas across all sectors in view of the scale of the challenges<sup>97</sup>. Mainstreaming human rights issues including gender equality and women's empowerment is still a work-in-progress although some positive messages have emerged from the study<sup>98</sup> on the implementation of the EU gender action plan II, in particular for the IcSP. Overall, the external evaluations have shown partner governments' lack of interest or resistance to working in support of human rights often presents a major challenge in implementation.

## **Efficiency**

The level of administrative expenditure points to an efficient management of the instruments' respective budgets<sup>99</sup>.

While overall organisational performance may be efficient, some interested parties consider the implementation of the instruments in some cases as administratively burdensome. The Commission is perceived by some stakeholders as being more focused on process rather than on policy objectives and results. Requirements such as mainstreaming different policies and fulfilling international commitments such as ownership and partnership imply heavy processes. Other regulations (such as the Comitology Regulation<sup>100</sup>) add to the complexity and length of time needed to implement the instruments.

Modest efficiency gains were made in comparison to the instruments from the 2007-2013 MFF. For example by reducing the number of DCI thematic programmes from five to two, although rigidities remains within the global public goods and challenges programme since five different budget lines were created. Some efficiency gains resulting from the simplification processes (such as the use of national strategies rather than EU country strategies and that joint programming documents can replace multi-annual indicative programmes if quality criteria are met) were introduced for DCI, EDF, ENI and IPA II programming processes.

For geographic instruments, a lengthy programming process is in place to safeguard principles of ownership and partnership. In the case of the EDF, the procedures also include involvement of the National/Regional Authorising Officers whose function is often seen as hampering effectiveness and efficiency, in particular at regional level. An

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<sup>97</sup> See for example, DCI and EDF staff working documents, section 5

<sup>98</sup> EU gender action plan 2016-2020 at year one: European implementation assessment by the European Parliament: [http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS\\_STU%282017%29603256](http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_STU%282017%29603256) 57 The gender action plan 2016-2020 is the EU's framework for promoting gender equality and women and girls' empowerment in external relations in external relations. The above-mentioned European implementation assessment by the European Parliament states that the EU has mainstreamed the notion of gender equality and women's empowerment in partner countries and has taken on board a number of lessons identified from the previous identified from the previous Gender Action Plan (2010-2015). The IcSP was particularly commended on results to date in terms of engagement with women's NGOs/CSOs on the "whole of society" approach.

<sup>99</sup> See staff working document accompanying the document '2016 Annual Report on the implementation of the European Union's instruments for financing external actions in 2015', SWD(2016)456 final of 19 December 2016.

<sup>100</sup> Comitology refers to a process by which committees made of representatives from Member States assist in the making, adoption and implementation of EU laws. See Comitology Regulation: <http://eur-lex.europa.eu/legal-content/EN/ALL/?uri=celex%3A32011R0182>



explanation often given relates to capacity issues despite regular support in capacity-building<sup>101</sup>.

The establishment of the Common Implementation Regulation was a new, simplifying feature of the 2014-2020 MFF for the EU-budget instruments covered by this report, which was largely replicated in the 11th EDF implementation regulation. By harmonising rules and limiting differences of interpretation across the external financing instruments, the external evaluations point to efficiency gains thanks to the Common Implementation Regulation, albeit on a modest scale. Under, for example, the EIDHR (in specific cases) and especially the IcSP, direct award of funding speeds up implementation in situations of crisis or urgent need.

### **Internal coherence, external coherence, complementarity and synergies between external financing instruments**

Each external financing instrument has its own specific scope either based on the issues of substance it addresses (e.g. the EIDHR, INSC, IcSP, and PI) or in terms of geographical focus (the DCI, EDF, ENI, GD, and IPA II).

Three instruments are clearly designed to complement others through their distinct implementation modalities:

- 1) EIDHR (independent and flexible actions);
- 2) IcSP (for quick response with short and long-term actions); and
- 3) PI (actions in the EU and/or mutual interest that are not possible to fund under the DCI, ENI or IPA II).

The internal coherence within the instruments is largely satisfactory because of revised geographic programming instructions, sector concentration, appropriate decision-making processes and improved quality review systems. However, significant variations can be observed at the level of EU delegations.

The evaluation staff working documents provide some examples of complementarities between the instruments. For example, the EIDHR and the PI support certain actions that other geographic instruments are not able to finance, such as direct cooperation with civil society organisations on human rights issues or cooperation with industrialised countries<sup>102</sup>.

Effective synergies between the IcSP (with its ability to provide short-term reactions without programming) and the geographic instruments were also found. Although effective follow-up is hampered by the lack of flexibility in procedures of most other instruments which are bound by long programming periods<sup>103</sup>.

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<sup>101</sup> See EDF staff working document, section 5

<sup>102</sup> Including with some strategic partner countries such as Brazil, China, India and Mexico

<sup>103</sup> See IcSP staff working document, section 5

Nevertheless, overall coherence between instruments could be further improved, in particular by streamlining the instruments to reduce the boundaries between geographic (the 11th EDF, ENI, DCI, and IPA II) and thematic instruments/programmes (thematic programmes within the DCI, IcSP and PI) which can both intervene in the same areas<sup>104</sup>. The specific scope of the geographic instruments has made it difficult to engage strategically and coherently with some partner countries. Three geographical instruments are used to engage with Africa (the EDF, DCI and ENI) and cooperation at continental level is funded both from the DCI (the Pan African programme) and with a slightly reduced scope from the 11th EDF (intra-ACP programme)<sup>105</sup>. Similarly, it has proven difficult to build bridges between regions as, for example, EU relations with the Caribbean and Latin America are covered both by the DCI and the EDF.

Policy Coherence for Development<sup>106</sup> has gained momentum. The analysis of trade policy support to development in regional cooperation shows an increasing attention to the trade/development nexus.

On geographic instruments (the DCI, ENI and 11th EDF), in terms of coherence between partner country and EU priorities, some external evaluations mention tendencies towards predominantly EU driven agendas during the programming. This was despite the extensive consultation of interested parties during programming and project implementation, and, in particular in the EDF, the co-signature of the multi-annual programming documents and annual actions. This apparent trade-off between EU interests/international values and partnership principles should be seen within the new policy context of the universally agreed 2030 Agenda/SDGs<sup>107</sup>.

### **Added-value**

A combination of several factors explains the added-value of the EU's instruments<sup>108</sup>:

- the EU's competence or expertise<sup>109</sup>;
- the EU's nature as a supranational entity, and the relative neutrality, political influence and leverage this potentially entails<sup>110</sup>;

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<sup>104</sup> See coherence report, paragraph 33

<sup>105</sup> In addition, the IcSP crisis response component devoted 33% of its funds to Africa during the period under review.

<sup>106</sup> Through Policy Coherence for Development, the EU seeks to take account of development objectives in all of its policies that are likely to affect developing countries. It aims at minimising contradictions and building synergies between different EU policies to benefit developing countries and increase the effectiveness of development cooperation. Policy coherence in support of development objectives was first integrated in EU fundamental law in 1992 and further reinforced in the Treaty of Lisbon (Art. 208 Treaty on the Functioning of the EU) making the EU a forerunner on the international stage in this area. See 5th EU Policy Coherence for Development report, 2015: [https://ec.europa.eu/europeaid/policies/policy-coherence-development\\_en](https://ec.europa.eu/europeaid/policies/policy-coherence-development_en)

<sup>107</sup> See coherence report, paragraph 51-53

<sup>108</sup> See coherence report, paragraph 37 and section 5 of the staff working documents

<sup>109</sup> See for example the IPA II staff working document, section 5 on the centres of thematic expertise created by the Commission. Or the PI staff working document, annex 3

<sup>110</sup> The EU is largely perceived by partners as an actor not defending or advancing the interests of a particular country, which is important for the EU as a peace and security actor under IcSP crisis response and for Election Observation Missions under EIDHR.

- geographical spread of some instruments<sup>111</sup> including the presence in fragile contexts where there are fewer development partners and the significant volume of funds available<sup>112</sup>,
- the scope of the instruments and modalities (such as budget support, grants, indirect management, blending facilities and rapid decision-making for crisis response); and
- (v) the ability of the EU to lead on joint actions (i.e. joint programming and joint implementation), especially with Member States.

Additional factors are that the instruments can be used to intervene at various levels (i.e. national regional, continental), the predictability of funds (especially the EDF which is not subject to the annuality rule of the EU budget<sup>113</sup>), the emphasis placed on regional cooperation<sup>114</sup> and the unique position of the EU to prepare accession countries for EU membership through the IPA.

More specialised instruments have specific added-value linked to their scope. For example, the IcSP's speed, flexibility and capacity to adapt to evolving contexts, and presence in zones where other actors are absent, and the EIDHR actions in sensitive human rights situations without needing partner governments' consent.

### **Leverage effect**

Conditions are in place for the instruments to enable a strengthened policy dialogue at country level, in particular when programmes are implemented through budget support<sup>115</sup>. The PI substantiates policy dialogues/partnerships with third countries through support of specific cooperation activities (based on mutual interest) which help to promote EU interests and create a unique political leverage<sup>116</sup>.

Another important leverage effect stems from the donor coordination role the EU Delegations play: fostering complementarity and coherence between different EU actors and increasing the visibility of the EU. This is particularly true where joint programming processes have been launched<sup>117</sup>.

The specialised instruments also engage in targeted policy dialogue, for example through the INSC or the EIDHR on election observation. The IcSP contributed to leverage the EU's policy dialogue in increasing donor funds spent in a conflict-sensitive manner<sup>118</sup>.

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<sup>111</sup> EIDHR's worldwide scope, including Election Observation Missions and the PI (albeit focused on strategic partners).

<sup>112</sup> Especially the EDF and the thematic component of the DCI

<sup>113</sup> Annuality is the budgetary principle according to which expenditure and revenue are programmed and authorised for one year, starting on 1 January and ending on 31 December. Source: Article 9 of Regulation 966/2012 on the financial rules applicable to the general budget of the Union: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32012R0966&from=EN>

<sup>114</sup> See IPA II staff working document, section 5

<sup>115</sup> See IPA II and ENI staff working document, section 5

<sup>116</sup> See PI staff working document, section 5

<sup>117</sup> See external evaluation on Joint Programming: [https://ec.europa.eu/europeaid/evaluation-eu-joint-programming-process-development-cooperation-2011-2015\\_en](https://ec.europa.eu/europeaid/evaluation-eu-joint-programming-process-development-cooperation-2011-2015_en)

<sup>118</sup> See IcSP staff working document, section 5

The evaluations also point to some drawbacks for the political leverage exerted in terms of enhanced policy dialogue on human rights and fundamental values. The drawbacks were linked in particular to a decreasing acceptance of the liberal democratic model of development, the diminishing importance of official development assistance and the emergence of new actors<sup>119</sup>.

The instruments' financial leverage varies from case to case. Overall it is reasonably high, thanks mainly to blending facilities (i.e. for DCI, EDF, ENI and IPA)<sup>120</sup>. The creation of trust funds has also resulted in financial leverage, even if not always at the expected level.

### **Scope for simplification**

Cost-efficient and effective delivery mechanisms are essential to improve the instruments' performance. The Commission has embarked on a simplification process through the revision of the multi-annual programming guidelines and annual decision procedures. Nevertheless, the overall number of instruments as well as some instruments in particular was still viewed by interested parties as complex, administratively burdensome and lacking financial flexibility. The detailed budget distribution included in the DCI both for geographic and thematic programmes adds to the complexity and rigidity of the instrument, making the possibilities to transfer funds between objectives and for changing priorities within the instrument difficult, in particular when there is a need to face emergencies and crises.

Before the 2014-2020 Multi-annual Financial Framework, each instrument had its own implementing rules which led to divergences in their implementation. The Common Implementing Regulation, to which the EDF implementing regulation is largely aligned, contributed to the simplification agenda in that it prevented divergences and problems in interpretation. Since 2014, the continued simplification efforts in external relations have been focused on eliminating unnecessary burdens, increasing flexibility and reducing complexity for external partners at implementation level.

### **Contribution to a consistent EU external action**

The EU ensures the security and prosperity for Europeans by actively engaging on the world stage, to promote its interests and uphold the values of democracy, the rule of law and protection of human rights. EU external action policies include international commitments such as the 2030 Agenda and the Paris Agreement on climate change, together with the Global Strategy for the EU's Foreign and Security Policy, the new European Consensus on Development, the renewed EU-Africa partnership, the reviewed European Neighbourhood policy, the Enlargement policy and the Consensus on Humanitarian Aid, among others, which taken together provides the necessary framework for the EU to achieve its objectives.

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<sup>119</sup> See coherence report, box 1

<sup>120</sup> See for example, EDF and DCI staff working documents, section 5

To meet these objectives, the EU toolbox for external policies encompasses development cooperation, diplomacy, peace, security and defence actions, economic cooperation, enlargement, humanitarian aid and civil protection, enhanced neighbourhood relations, macro-financial assistance, partnership on global challenges and trade.

Furthermore, to improve the EU's effectiveness in supporting stability, security and sustainable development in partner countries the Commission adopted a proposal to amend the IcSP Regulation. The amendment closes the gap identified in the EU's ability to provide support when building EU partners' capacities in the security sector and would enable the EU to support military actors, under exceptional and clearly defined circumstances.

Through the use of joint programming with Member States and other donors, a more coherent and visible EU response to partner countries' development has been created. A specific evaluation published in March 2017 found progress on joint programming with Member States showing that, despite still being in its early stages, it is valuable for the EU and its Member States<sup>121</sup>. Challenges linked to ensuring ownership of the process and results by partner countries would need to be further addressed.

On civil society in partner countries, although the geographical instruments work mainly with their authorities, cooperation with civil society organisations remains a constant feature across the instruments with a view to contributing to reinforcing the organisations' capacity and to a civil society that is able to promote reforms and hold governments to account. Some instruments and programmes, such as the EIDHR and the DCI CSO/LA are primarily intended to support civil society.

The close interconnection between internal and external policies is self-evident, for instance, with the migration crisis where the coordination and complementarity between instruments was necessary. EU internal policy priorities have been integrated, to the extent possible, in external actions in a coherent and consistent way, in order to safeguard EU interests and promote mutual interest solutions and also benefited from the specialist focus of PI on the internal/external policy nexus.

To properly address external interest and achieve global objectives stronger collaboration between EU internal and external services have been pursued<sup>91</sup> to ensure coherent approaches and to avoid duplication and overlaps. To help reinforce coherence, to ensure that EU actions are mutually reinforcing and to avoid contradictory approaches, external services need to have a more complete picture of the activities that take place outside the EU, in particular on global challenges such as climate change, biodiversity or the fight against terrorism. The current multiple programming documents covering a given country/region/continent make it difficult to have a clear overview of external actions.

### **Contribution to EU priorities for smart, sustainable and inclusive growth**

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<sup>121</sup> See external evaluation of EU Joint Programming Process of Development Cooperation (March 2017) [http://ec.europa.eu/europeaid/evaluation-eu-joint-programming-process-development-cooperation-2011-2015\\_en](http://ec.europa.eu/europeaid/evaluation-eu-joint-programming-process-development-cooperation-2011-2015_en)

Smart, sustainable and inclusive growth is at the heart of the EU's external assistance. The instruments contribute to smart growth through support to trade-related projects and the development of collective approaches on climate change and environment.

In line with the Agenda for Change<sup>122</sup> that aims to significantly increase the impact and effectiveness of the EU's external assistance, EU assistance at country level has to focus on three or fewer sectors of concentration in most partner countries. EU support has since been more focused on the two priority areas of the Agenda for Change, one of those being inclusive and sustainable growth for human development.

IPA II has a clear objective of enhancing its beneficiary countries' economic and social development with a view to attaining the targets set in the Europe 2020 strategy for smart, sustainable and inclusive growth. The development instruments have a strong focus on smart, sustainable and inclusive growth as reflected in the actions adopted in the various Annual Action Programmes<sup>123</sup>. The PI also contributes to these EU priorities as does the Greenland Decision. On the PI, one of its specific objectives is the promotion of the international dimension of the Europe 2020 strategy in all its aspects (e.g. jobs, growth, and investments, SMEs).

Since 2008 the Commission has been setting up blending facilities in different regions of the world, resulting in the leveraging of investments, to promote sustainable economic development. These blending operations have covered different areas of intervention (infrastructure projects, Micro, Small and Medium Enterprise financing, etc.) and the value added they generate varies according to the specific additionality objective they are meant to address, as well as to the economic conditions in the given country of operations (e.g. macroeconomic framework, conducive business environment, investment climate).

### **Long-term impact**

The external evaluations have highlighted that there are obvious difficulties in measuring the long-term impact of the instruments at the mid-point of their implementation, as some of them have only recently started implementing a significant number of projects and programmes and baselines have, in many cases, not yet been established.

Nevertheless, some evaluations were able to look at achievements under previous instruments to show positive trends in key indicators. For example, the DCI supported the drafting of 50 national and regional climate strategies over the last years; in Neighbourhood countries, and despite difficult circumstances (e.g. the global economic crisis, regional crises, civil wars, terrorism, and the migration crisis), some countries showed significant progress in certain governance areas (e.g. Georgia in the area of public administration). For the PI the mid-term evaluation concludes that the support deployed is on track to deliver the expected impacts.

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<sup>122</sup> COM (2011) 637, 13 October 2011

<sup>123</sup> See Commission 2016 Annual Report on the implementation of the European Union's instruments for financing external actions in 2015, SWD (2016) 456 final of 19 December 2016



Performance against the current set of objectives contained in the instruments is dependent on various external factors outside the control of the instruments, such as national ownership, political will and a country's administrative capacity. The cost of non-action or late action in external relations would be catastrophic if instability, conflict and war were to increase, in particular in the EU's Neighbourhood, with potential spill-over effects for the EU itself.

### **Evaluation results for Humanitarian Aid**

The independent comprehensive evaluation of the European Union humanitarian aid during the period 2012-2016<sup>124</sup> concluded that the Commission-funded humanitarian actions were overall needs-based and implemented in line with humanitarian principles. The actions made an important contribution to the core objectives to save lives, reduce morbidity and suffering as well as improve dignity of life of the populations affected by disasters. The evaluation found that the scale of funding dedicated to humanitarian aid actions allowed the EU to have a real impact on the ground, addressing the needs of a significant number of beneficiaries in a large number of countries and regions. Positive impact on the ground was also found in regions where funding allocations were more limited, thanks to the selection of projects with high leverage or multiplier effect potential.

EU added value was found primarily in the very fact that the EU's humanitarian aid funding helps address humanitarian needs around the globe. In a global context where needs largely outpace the available resources, stopping EU humanitarian aid funding would leave a significant proportion of humanitarian needs globally unaddressed. EU added value was also found in relation to the Commission's use of a global field network (key unique factor compared to other donors), the focus on forgotten crises and the politically independent and principled approach.

The evaluation confirmed that the current configuration allows for a rapid response to crisis situations as they develop and to new needs as they emerge. It ensures the necessary flexibility, adequate expertise, relevance, efficiency and cost-effectiveness. The evaluation pointed to the fact that there is a clear and consistent approach towards the humanitarian principles. It also noted that keeping EU humanitarian aid separate from other external policy instruments supports its independence.

This is also supported by stakeholders at all levels<sup>125</sup>, including the European Parliament. The [DEVE Committee report] on the implementation of the Development Cooperation Instrument, the Humanitarian Aid Instrument and the European Development Fund insists on the need to ensure that humanitarian aid is not instrumentalised and that the humanitarian principles are respected. The report also calls for the recognition of the

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<sup>124</sup> [http://ec.europa.eu/echo/funding-evaluations/evaluations/geographic-evaluations\\_en](http://ec.europa.eu/echo/funding-evaluations/evaluations/geographic-evaluations_en)  
[http://ec.europa.eu/echo/funding-evaluations/evaluations/geographic-evaluations\\_en](http://ec.europa.eu/echo/funding-evaluations/evaluations/geographic-evaluations_en)

<sup>125</sup> The evaluation included a wide-range of stakeholders' consultations, including an Open Public Consultation.

specificity of humanitarian aid in the EU budget and recommends, therefore, keeping a separate instrument and budget for humanitarian aid.

### **Evaluation results of the External Lending Mandate (ELM)**

An independent external evaluation undertaken in 2016 found that the ELM enabled the European Investment Bank (EIB) to support EU external policy objectives and to respond to a number of challenges that have arisen during the course of the current mandate (2014-2020). It found that all the operations under the current ELM since its inception in July 2014 are fully aligned with the three high-level objectives set out in the ELM Decision. It also found that the three objectives themselves are aligned with the Sustainable Development Goals and that the ELM has supported the EU external policy agenda, showing sufficient flexibility and reactivity to new geopolitical challenges as demonstrated in Syria, Ukraine, Egypt and Morocco (the Arab Spring) and Jordan (the refugee crisis). The ELM has enabled the EIB, alongside other development partners, to play a positive role in the economic and political stabilisation of these countries hit by political crises. The consistency of the ELM with EU external, climate and allocation policies is ensured through regularly updated regional guidelines.

The evaluation also concluded that the ELM has substantially contributed to the EU's climate change-related objectives, especially in terms of climate change mitigation. ELM operations enabled the saving of an estimated 1.35 Mt CO<sub>2</sub>-eq/year of GHG emissions based on operations signed between July 2014 and December 2015. EIB lending volumes exceed the quantitative target of 25% and even the target of 35% by 2020.

The evaluation concluded that without the EU guarantee, the EIB would not have financed most of the projects it considered since the recipient countries were too risky for the EIB to lend to on its own risk. The financial added value of ELM financing operations is substantial compared to the private sector both in terms of the interest rate and longer maturity. Moreover, there is clear evidence of non-financial benefits for the final beneficiaries generated by EIB lending under the ELM: technical assistance, promotion of good financial standards within the local banking sector, procurement standards, etc.

ELM projects often take place in less developed markets with higher risks and more complex challenges. The EIB's added-value in these markets is often its ability to mobilise finance on terms that are not normally readily available in these markets (e.g. longer loan tenors, grace period, etc.). In addition, the EIB brings further added value by using its signalling power to crowd-in private sector investors.

A further mid-term evaluation required by recent amendments to the ELM Decision is ongoing and will be published before mid-2019. It will examine the ELM's capacity to crowd-in private investment, synergies with existing financial instruments and institutions, presence of experts on the ground, etc.

### **Evaluation results for Macro Financial Assistance**

All MFA operations are subject to an ex post evaluation, which is normally carried out within two years from the end of the availability period defined in the legislative decision granting assistance. The objective is twofold: (i) to analyse the impact of MFA on the economy of the beneficiary country and in particular on the sustainability of its external position; (ii) to assess the added value of the EU intervention.

The evaluations carried out so far conclude that MFA operations do contribute, albeit sometimes modestly and indirectly, to the improvement of external sustainability, the macroeconomic stability and the achievement of structural reforms in the recipient country. In most cases, MFA operations had a positive effect on the balance of payments of the beneficiary country and contributed to relax their budgetary constraints. They also led to a slightly higher economic growth. A few examples of recent ex-post evaluations of MFA operations:

- ON MFA I and II in Ukraine: *"The main conclusions from the evaluation are that the MFA, in part because of the speed of its deployment, had a positive impact on Ukraine's economy helping to stabilize the financial situation and avoided measures (such as further public spending cuts) that would have had serious negative social impacts. It also contributed to the reform effort in the country"*

On MFA I in Jordan: *"The evaluation concluded that the MFA, combined with a simultaneous IMF SBA programme, effectively contributed to the timely stabilization and the medium-term sustainability of Jordan's external financial and fiscal positions; [...], EU added-value was most prominent in reinforcing the promotion of structural reforms in several EU priority areas and in addressing short and medium-term social challenges"*.

An ex post evaluation for the MFA programme in the Kyrgyz Republic is currently ongoing and is expected to be finalised in 2018. Additionally, ex post evaluation for the MFA programmes in Tunisia I and Georgia II will be launched in mid-2018.<sup>126</sup>

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<sup>126</sup> All final reports of completed ex-post evaluations of MFA operations are published on [http://ec.europa.eu/dgs/economy\\_finance/evaluation/completed/index\\_en.htm](http://ec.europa.eu/dgs/economy_finance/evaluation/completed/index_en.htm)

## **Annex 4: Broad instrument - description of the programmes covered**

### **Common Implementing Regulation**

The CIR is not a financing instrument, but a regulation for the implementation of the financing instruments under its scope<sup>127</sup>. While each of the external financing instruments determine the objectives, scope, programming, financial envelope and process for allocation of funds for the respective policy they implement, the CIR provides a set of common rules and procedures applicable to project formulation, implementation, evaluation and audit. The CIR is not a standalone regulation: its provisions are heterogeneous and vary from some procedural/technical provisions which complement the Financial Regulation, to some overarching cross-cutting policy-commitments (on diverse punctual topics, such as accessibility for persons with disabilities, rule of law or environmental screening) which complement the commitments made in each external financing instrument.

In the MFF 2007-2013, each individual External Financing Instrument contained its own implementing rules. The CIR's primary achievement hence lies in the establishment of common rules, thereby ruling out the divergences which existed previously between the pre-2014 External Financing Instruments. The particularity of the CIR being that it is merely ancillary to the External Financing Instruments through which it operates, the 2014-2020 impact of the CIR beyond this harmonisation-aspect, is difficult to assess<sup>128</sup>.

### **Development Cooperation Instrument**

The DCI 2014-2020 is the EU's main financing instrument within the EU budget available to support its development policy. It is complementary to the EDF which is funded outside the EU budget and specifically covers African, Caribbean and Pacific countries. The aim of the DCI is to finance actions aimed at the eradication of poverty and provide a long-term response to global threats/challenges in countries included in the DAC-OECD list of aid recipients. Approximately<sup>129</sup> 24% of the programme will be spent on sustainable agriculture, food and nutrition security; 14% on natural resources and environment; 11% on Civil Society Organisations and 11% on education. Unlike other external financing instruments, the actions under the DCI must be designed to fulfil the criteria for Official Development Assistance<sup>130</sup>.

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<sup>127</sup> \The CIR applies to the Heading 4 external financing instruments under the EU budget. It does not apply to the EDF although the EDF's own implementation rules largely reflect those in the CIR.

<sup>128</sup> The qualitative and quantitative appreciation of the functioning of the CIR can only be based on the qualitative and quantitative results seen in the functioning of the various External Financing Instruments;

<sup>129</sup> Based on programmed amounts.

<sup>130</sup> A few exceptions exist in the case of the thematic global public goods and challenges programme and the pan-African programmes, where a limited percentage (5 and 10 % respectively) can be used for non-Official Development Assistance.

## **European Development Fund**

The 11<sup>th</sup> European Development Fund is funded by EU Member States outside of the EU budget. It is the EU's main financing instrument for providing development aid to the ACP countries and the Overseas Countries and Territories (OCTs). The objectives of the EDF are to reduce and eventually eradicate poverty in the ACP countries, and to attain sustainable development of the OCTs. With total financial resources of EUR 30.5 billion, the EDF is the largest of all EU's external financing instruments in terms of volume, representing the equivalent of almost half of the Multiannual Financial Framework Heading 4 'Global Europe' of EUR 66.26 billion for the same period. Approximately<sup>131</sup> 21% of the programme will be spent on sustainable agriculture, food and nutrition security, 11% on infrastructure and transport, 10% on energy and 8% on natural resources and environment.

Key features of the EDF includes its substantial reserve: 20% of its geographic programme is unallocated compared with only 6% for the DCI meaning it can respond quickly to emerging challenges; it is able to move unused funds from one year to the next (multi-annuality), enhancing flexibility to respond to evolving needs; and its off-budget nature permits the funding of actions that could not otherwise be financed (e.g. support to peace keeping operations).

## **European Instrument for Democracy and Human Rights**

The EIDHR 2014-2020 with EUR 1.33 billion, the equivalent of EUR 190 million per year, is the EU's financing instrument dedicated specifically to the promotion and support of democracy and human rights, allowing for assistance to be provided independently of the consent of the third countries' governments and public authorities. The EIDHR focuses, in complementarity to other EU financing instruments, on urgency situations where human rights and fundamental freedoms are most at risk and where disrespect for human rights is particularly pronounced and systematic. The EIDHR mandate is worldwide, with the exception of the EU Member States. In order to be able to respond in a flexible and timely manner, the EIDHR enjoys a number of more flexible administrative procedures and is untied. The EIDHR is mainly (not exclusively) implemented through civil society organisations and in support of civil society. Approximately 20-25% of the instrument is spent on Support to human rights and human rights defenders in situations where they are most at risks; 20-25 % on other EU priorities in the field of human rights; 15-20% on support to democracy, 25% on EU Election Observation Missions, and 5-10% on support to targeted key actors, including international and regional human rights instruments and mechanisms.

## **European Neighbourhood Instrument**

The European Neighbourhood Instrument implements the European Neighbourhood Policy. With an envelope of EUR 16.49 billion for the period 2014-2020, it aims at further advance towards an area of shared prosperity and good neighbourliness involving

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<sup>131</sup> Based on programmed amounts

the EU and 16 countries and territories. The ENI as financial instrument is based in Art. 208 and 208 TEU but it underpins the pursuit of Art. 8 of the TEU. Accordingly the ENI promotes enhanced political cooperation, deep and sustainable democracy, progressive economic integration and a strengthened partnership with societies between the Union and the partner countries and, in particular, the implementation of partnership and cooperation agreements, association agreements or other existing and future agreements, and jointly agreed action plans or equivalent documents.

The ENI features traditional bilateral and multi-country programmes (including those specifically based on the priorities of the Eastern Partnership and the southern dimension of the ENP as well as an ENI-wide dimension), along with cross-border cooperation programmes. The latter is unique to the ENI and IPA II instruments, and addresses cooperation between one or more Member States, on the one hand, and one or more partner countries and/or the Russian Federation, on the other hand, taking place along their shared part of the external border of the Union. The ENI makes use of a differentiated approach and it establishes country specific frameworks for bilateral cooperation in the form of Partnership Priorities, Association Agendas and Action Plans. The ENI employs an incentive-based approach ("more for more") to reward progress in key areas of cooperation.

## **European Sustainable Development Fund**

The EFSD guarantee is established by Regulation (EU) 2017/1601 of the European Parliament and of the Council of 26 September 2017 establishing the European Fund for Sustainable Development (EFSD), the EFSD guarantee and the EFSD guarantee fund.

The European Fund for Sustainable Development (EFSD) aims to support investments primarily in Africa and the Union's Neighbourhood as a means to contribute to the achievement of the Sustainable Development Goals of the United Nations (UN) 2030 Agenda for Sustainable Development (the '2030 Agenda'), in particular poverty eradication, as well as the commitments under the recently revised European Neighbourhood Policy. By supporting such investments, the EFSD aims to address specific socioeconomic root causes of migration, including irregular migration, and to contribute to the sustainable reintegration of migrants returning to their countries of origin and to the strengthening of transit and host communities.

The EFSD is composed of regional investment platforms, which have been established on the basis of the working methods, procedures and structures of the external blending facilities of the Union and which should combine their blending operations and the EFSD Guarantee.

The guarantee should give priority to funding projects which have a high impact on job creation and whose cost-benefit ratio enhances the sustainability of investment. In order to fulfil the political commitments of the EU on climate action, renewable energy and resource efficiency, a minimum share of 28 % of the financing under the EFSD Guarantee should be devoted to investments relevant for those sectors.

The EFSD guarantee shall be used to cover the risks from loans, guarantees, counter-guarantees, capital market instruments as well as any other form of funding or credit enhancement, insurance, and equity or quasi-equity participations for a maximum



amount of EUR 1.5 billion. The provisioning rate shall be at 50 % of total guarantee obligations.

The guarantee will be implemented through "investment windows", targeted amounts for specific regions and/or sectors. So far, five investment windows have been set up. All of them cover the two regions under the EFSD (Africa and Neighbourhood) and have a specific sector focus: sustainable energy, MSMEs financing, sustainable cities, sustainable agriculture and digitalisation.

## **External Lending Mandate**

The European Investment Bank (EIB) is 'the EU bank' and the largest multilateral borrower and lender in the world. In addition to its main mission to contribute to the development of the internal market, the EIB is also a major partner in pursuing the EU's external objectives: about 10% (approx. EUR 8 billion) of its annual activity takes place outside the EU. Given the EIB's policy to maintain its AAA-rating, the EIB's ability to lend outside the EU in support of EU policy objectives using its own resources is limited to relatively lower-risk projects. Under the External Lending Mandate (ELM) the EIB can benefit from an EU guarantee on part of its lending outside the EU, excluding those countries covered by the ACP Investment Facility. The ELM thus enables the EIB to support EU external policy objectives in a wider range of countries by investing in projects which the EIB would be otherwise unable to finance. For most projects in the private sector, the guarantee covers political risk only. For projects in the public sector and a limited number of projects in the private sector, the EU provides a comprehensive guarantee. Following recent amendments to the ELM Decision, the maximum amount of the EU guarantee has been increased to EUR 32.3 billion over the period 2014-2020, with sub-ceilings for each region.

EIB loans guaranteed by the EU under the ELM must meet one of four high level objectives: 1) local private sector development, in particular support to micro, small and medium-sized enterprises (MSMEs); 2) development of social and economic infrastructure, including transport, energy, environmental infrastructure, and information and communication technology; 3) climate change mitigation and adaptation; and 4) the long-term economic resilience of refugees, migrants, host and transit communities, and communities of origin as a strategic response to addressing root causes of migration. Regional integration among beneficiary countries and between beneficiaries and the EU is an underlying objective.

The ELM allows the EIB to grant large amount of loans with a limited impact on the EU budget. This is due to the mechanism whereby the Guarantee Fund which cushions the EU budget against calls under the ELM need only be provisioned at a rate of 9% of the EU's total outstanding liabilities under the ELM and two other (smaller) programmes including Macro Financial Assistance and Euratom loans.

## **Instrument Contributing to Stability and Peace**

The Instrument contributing to Stability and Peace (IcSP) with an envelope of EUR 2,366 million is primarily devoted to crisis response, conflict prevention and peace building actions. The IcSP makes non-programmable funding available in a timely, flexible way thereby providing a tool to address crisis or emerging crisis situations from a political perspective and allowing the EU to fulfil its Treaty mandate to preserve peace, prevent conflicts and strengthen international security. In addition, programmable funding is provided to structural peace building and crisis preparedness actions alongside support to reinforce third countries' capacity to deal with global risks and threats, ultimately ensuring long-term stability. The IcSP is a crucial tool for the EU as a respected and effective peace and security actor and underpins EU crisis response policies with quick and flexible action.

## **Macro Financial Assistance**

Macro-Financial Assistance (MFA) is an EU financial instrument designed to address exceptional external financing needs of countries that are geographically, economically and politically close to the EU. It is conditional on the existence of an adjustment and reform programme agreed with the International Monetary Fund (IMF), and can take the form of either loans, for which the Commission borrows the necessary funds in capital markets and on-lends them to the beneficiary country, or, under certain circumstances, grants financed by the EU budget. MFA operations are triggered by balance-of-payments crises within a country; the instrument thus delivers assistance of 'last resort'.

MFA has successfully contributed to both short-term stabilisation and medium- to long-term economic stability of countries around the EU's borders. This dual impact, which has been confirmed by ex-post evaluations, is derived from the instrument's two-pronged approach. Its primary and most immediate goal is to help countries overcome acute economic crises by filling an external financing gap and thereby restoring an adequate international reserve position. The second objective is to spur lasting change through structural and economic reforms; this contribution to medium- and long-term stabilisation is achieved through policy conditionality. The acute need of beneficiary countries for emergency funding tends to increase the traction of MFA conditionality compared with non-emergency, programmable support instruments. Thus, MFA endows the EU with significant policy leverage in beneficiary countries. Importantly, through its stabilisation and reform impetus in favour of a sound macroeconomic environment, MFA also supports the efficiency of other EU financing instruments.

MFA is available to accession and pre-accession countries, as well as countries covered by the European Neighbourhood Policy. The instrument's geographical scope reflects not only the regional priorities of EU external policy, but also the economic imperative to support economic stability in the EU's neighbourhood, which could otherwise be a source of negative spillovers to the EU economy. In this sense, MFA is part of the "network" of financial instruments contributing to the macro-financial stability of the EU, along with

the financial stability instruments put in place for EU Member States (the EFSM/BoP facilities and ESM).

Each MFA operation requires the adoption of a stand-alone legislative decision by the European Parliament and the Council, on a proposal by the Commission. A previous proposal by the Commission of a Framework Regulation for MFA of 2011, which would have laid down the key features of the instrument and streamlined the decision-making process, was rejected by the co-legislators, as they were not prepared to give up their decision-making power on individual operations.

## **Partnership Instrument**

The PI 2014-2020 with EUR 960 million in total, average annual allocation of EUR xxx million, is designed to pursue policy and political cooperation and alliance-building on issues of own/mutual interest with partner countries and challenges of global concern. The PI has world-wide coverage and is not subject to requirements for Official Development Assistance (ODA). It is designed to support the EU as a global actor partnering with third countries - notably middle-income countries and in particular strategic partners - on a peer-to-peer basis. The PI addresses four specific objectives:

- 1) Promotion of EU bilateral, regional and inter-regional cooperation partnership strategies by promoting policy dialogue and by developing collective approaches and responses to global concerns;
- 2) Implementation of the external dimension of 'Europe 2020';
- 3) Improvement of access to partner country markets and boosting trade, investment and business opportunities for EU companies and elimination of barriers to market access and investment; and
- 4) Enhancement of widespread understanding and visibility of the EU and thereby promotion of its values and interests via public diplomacy actions. The PI also contributes to the Erasmus+ programme.

## **Annex 4a Additional information on Macro-Financial Assistance**

MFA is not a programmable instrument; it is intended for exceptional circumstances and has been used to address key crises in the EU's neighbourhood. Future crisis moments will need to be catered for, but cannot necessarily be anticipated – even less so in terms of their magnitude – and thus it is difficult to evaluate well in advance the possible financing needs. In this respect, it will continue to be important to keep a level of both grants and loans sufficient to ensure that possible specific external financing needs, including in acute crisis moments, from third countries can be catered for.

MFA goes beyond budget resources in providing loans, in addition to grants. This reinforces the EU's capacity to act as it produces significant financial leverage.

In this context, it is important to highlight that in the context of the current MFF mid-term review, the Commission proposed to increase the lending volume for MFA loans substantially, from EUR 0.5 billion to EUR 2 billion per year for the remainder of this MFF, precisely to cater for the geopolitical and economic instability of the region, which is expected to persist. The Commission proposal was supported by both Council and Parliament, and given the importance that has been put on instruments that provide positive leverage for external policy priorities the current annual lending volume of EUR 2 billion as agreed in the current MFF mid-term review is taken as the baseline for also the next MFF (post-2020) period. MFA indeed is considered to be a programme with strong European added value and high leverage. A future new Guarantee Scheme will have to make sure that sufficient provisioning will be earmarked for enabling these volumes of MFA loans, so as to safeguard the important leverage capabilities of the instrument.

Although loans provide for the majority of assistance disbursed, in line with the logic behind the instrument, grants have proved to be a key element for complementing the operations in situations of high vulnerability. Eligibility for MFA grants is guided by the Joint Declaration of the European Parliament and the Council of August 2013 and relates mainly to the level of development of the recipient country and its debt sustainability and/or creditworthiness.

A sufficiently provisioned MFA grants budget line is a prerequisite for the EU to maintain the required flexibility of the MFA instrument and intervene with a suitable operation in case of emergency.

Indeed, in the upcoming MFF post-2020, a number of countries could still require large MFA operations, in terms of both loans and grants, to restore BoP and financial stability. Some of these might require large interventions from the international community, including possibly in the form of grants to support economic reconstruction. Syria, a likely future priority, could be such a case. When deciding on any possible cuts or reallocations, it should therefore be considered that a cut in the budget for MFA grants could increase the risk of the EU being less well prepared for upcoming challenges in the

neighbourhood and candidate countries. For that reason, the option to use grants in exceptional circumstances to incentivise and ensure reform implementation and economic stabilisation should be retained, even in a scenario of a fundamental redesign of the external action budget; sufficient flexibility for this purpose would need to be built into any revamped budget allocation system.

# **Annex 4b Additional information on the External Lending Mandate**

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## INTRODUCTION: POLITICAL AND LEGAL CONTEXT

### Scope and context

This annex presents information related specifically to the EIB External Lending Mandate (ELM). The ELM is a budgetary guarantee, not a grant-based instrument, so specific considerations apply to it beyond the discussion in the main body of this impact assessment.

#### *Introduction to the External Lending Mandate (ELM)*

The ELM supports the European Investment Bank's (EIB) lending outside the EU in support of EU policy objectives.

The EIB is 'the EU bank' and the largest multilateral borrower and lender in the world. In addition to its main mission to contribute to the development of the internal market, the EIB is also a major partner in pursuing the EU's external objectives: about 10% (approx. EUR 8 billion) of its annual activity takes place outside the EU.

The EIB's ability to lend outside the EU in support of EU policy objectives is, however, limited given its policy of maintaining its AAA credit rating. Under the ELM, the EIB can benefit from an EU guarantee on its lending outside the EU in non-ACP countries. The ELM thus enables the EIB to support EU external policy objectives in countries with higher political risk by investing in projects that the EIB would otherwise be unable to finance. For most projects in the private sector, the guarantee covers political risk and not commercial risk. For projects in the public sector, the EU provides a comprehensive guarantee.

The ELM therefore increases the firepower of the EIB, allowing it to increase its investments outside the EU in support of EU external policy. The current mandate which runs from 2014-2020 allows the EIB to lend up to EUR 32.3 billion under the ELM guarantee. Eighty-six percent of the overall guarantee ceiling is earmarked for operations in the EU's Neighbourhood partners and in Pre-Accession countries. The rest can be used in Asia, Latin America and South Africa.

The ELM enables EIB lending in support of one or more of the following four high-level objectives:

- i) local private sector development, in particular support to SMEs and micro-enterprises;
- ii) development of social and economic infrastructure, including transport, energy, environmental infrastructure, and information and communication technology;
- iii) climate change mitigation and adaptation;
- iv) long-term economic resilience of refugees, migrants, host and transit communities and communities of origin as a strategic response to addressing root causes of migration.

The fourth high-level objective was recently added via amendments to the ELM Decision which will enter into force in April 2018.

The ELM is an extremely efficient instrument from a budgetary perspective. The Guarantee Fund for external actions was set up to protect the EU budget in the event of a default on an EIB loan which the EU has guaranteed under the ELM. The Guarantee Fund (which plays a similar role for Macro Financial Assistance and Euratom loans) must be maintained at a level of 9% of the EU's total outstanding liability for these three programmes. In other words, each euro in the Guarantee Fund underpins approximately eleven euros of EIB investment abroad in support of EU policy objectives.

The table below shows the amounts paid each year into the EU budget to maintain it at the target level of 9% of outstanding liabilities:

**Annual average amounts of the current budget in nominal terms - Provisioning of the Guarantee Fund for external actions**

In EUR million						
2014	2015	2016	2017	2018	2019	2020
58,4	144,4	257,1	240,5	137,8	103,2*	287.8* **

(\*) Before use of external assigned revenue (which is EUR 55 million for both 2019 and 2020)

(\*\*) Forecast

**ELM in a changing context**

The *Reflection paper on the future of EU finances* identified the need to align EU external investment with new external action priorities to tackle challenges efficiently.<sup>132</sup> The paper indicated the need to leverage private funds to increase impact in line with EU objectives. The paper also identified notably the need to tackle the root causes of irregular migration.

The current ELM 2014-2020 has just been amended to add a fourth high-level migration-related objective in order to allow the EIB to invest in the economic resilience of countries most affected by the migration crisis. Due to the efficient nature of its budgetary provisioning, the ELM allows the EU collectively to 'do more with less.'

**Lessons learned from previous programmes**

There have been three recent independent evaluation studies analysing the ELM and one on the Guarantee Fund for external actions:

- Mid-term evaluation of the 2007-2013 mandate (2010)<sup>133</sup>
- Evaluation of the Guarantee Fund for external actions (2010)<sup>134</sup>
- Mid-term evaluation of the 2014-2020 mandate (2016)<sup>135</sup>

<sup>132</sup> COM(2017) 358, available at [https://ec.europa.eu/commission/sites/beta-political/files/reflection-paper-eu-finances\\_en.pdf](https://ec.europa.eu/commission/sites/beta-political/files/reflection-paper-eu-finances_en.pdf)

<sup>133</sup> DG ECFIN (2010), "Mid-term evaluation of EIB's external mandate", Final report, available at [http://ec.europa.eu/dgs/economy\\_finance/evaluation/pdf/ecfin\\_eval\\_en.pdf](http://ec.europa.eu/dgs/economy_finance/evaluation/pdf/ecfin_eval_en.pdf)

<sup>134</sup> COWI (2010), "EIB's external mandate 2007-2013 Midterm Review", the Evaluation of the Guarantee Fund for External Actions (March 2010), DG ECFIN, Copenhagen, available at [http://ec.europa.eu/dgs/economy\\_finance/evaluation/pdf/ecfin\\_eval\\_en.pdf](http://ec.europa.eu/dgs/economy_finance/evaluation/pdf/ecfin_eval_en.pdf)

<sup>135</sup> PwC (2016), "Final Report for the External evaluation of the application of the European Union Guarantee for the EIB lending operations outside the European Union", DG ECFIN, Brussels, available at [http://ec.europa.eu/dgs/economy\\_finance/evaluation/pdf/mid\\_term\\_201612-final\\_report\\_pwc\\_en.pdf](http://ec.europa.eu/dgs/economy_finance/evaluation/pdf/mid_term_201612-final_report_pwc_en.pdf)

- Further evaluation of the 2014-2020 mandate (ongoing in 2018)

This section builds on the 2016 mid-term evaluation and includes very preliminary results from the ongoing evaluation of the 2014-2020 ELM.

## **Objectives**

The independent external evaluation undertaken in 2016 found that the ELM enabled the EIB to support EU external policy objectives and to respond to a number of challenges that have arisen during the course of the current mandate. It found that all the operations launched under the current ELM since its inception in July 2014 are fully aligned with the three high-level objectives set out in the 2014 ELM Decision (which was subsequently amended to include a fourth migration-related objective which comes into force in April 2018).

The evaluation also found that the three objectives themselves are aligned with the EU's policy objectives, notably the Sustainable Development Goals and the fulfilment of the Paris climate agreement. It found that the ELM has allowed for sufficient flexibility and reactivity to new geopolitical challenges as demonstrated in Syria, Ukraine, Egypt and Morocco (the Arab Spring) and Jordan (the refugee crisis). The ELM has enabled the EIB to play a positive role alongside other development partners in the economic and political stabilisation of these countries hit by political crises.

The evaluation also concluded that the ELM has substantially contributed to the EU's climate change-related objectives, especially in terms of climate change mitigation. ELM operations saved an estimated 1.35 Mt CO<sub>2</sub>-eq/year of emissions based on operations signed between July 2014 and December 2015. EIB lending volumes under the ELM (39%) currently exceed the quantitative target of 25% and are on track to continue to exceed the target of 35% by 2020.<sup>136</sup>

## **Additionality**

The 2016 evaluation concluded that without the EU's guarantee, the EIB would not have financed most of the projects it considered since the recipient countries were too risky (speculative-grade) for the EIB to lend at its own risk. In some cases, with important exceptions, a project could technically have been realized in the absence of the EIB's involvement, as the borrower may potentially have found an alternative source of financing, mainly from other international financial institutions (IFIs). However, the other IFIs face their own lending constraints, so it is unlikely that even all sound projects would have attracted financing in the absence of the ELM. IFIs also seek to diversify risks and aim for risk sharing when engaging in project financing, in particular in emerging and developing countries. Thus in the absence of the ELM, other IFIs would probably scale down their overall lending volumes in proportion to the reduction in ELM lending, as the IFIs would reduce their risk exposure to some projects in the absence of the EIB's participation. Thus, other IFIs would not have been able to fill the gap entirely.

Furthermore, the evaluation found that the projects financed in the context of the EIB's external operations often take place in less developed markets with higher risks and more

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<sup>136</sup> SWD(2016) 295 final, mid-term evaluation of the ELM

complex challenges. The EIB's added-value in these markets is often its ability to mobilise finance on terms that usually are not easily available in these markets (e.g. longer loan tenors, grace periods, etc.). This significant financial capacity is complemented by technical expertise for the assessment of viable investments, leveraging the EIB's core experience within the EU. In addition, the EIB brings further added value by providing projects with both an EU and an IFI 'label,' enabling it to further crowd-in other investors including from the private sector.

### **Other findings**

Preliminary findings from the current ongoing evaluation (required to be published by mid-2019 by the amendments to the ELM Decision which will enter into force in April 2018) reinforce the above conclusions. However, the findings also point to the need to strengthen the granular link between ELM projects and the EU's policy objectives. Experience over the last several years suggests that for instance the Commission should have greater oversight over issues such as conditionality and other relevant aspects insofar as these elements have an impact on the EIB's ability to deliver EU policy objectives.

The ongoing evaluation has also pointed to monitoring to be a potential area for improvement in the next MFF, for example by changes in the timing of the EIB's three year lending forecast and its provision to the Commission. A further recommendation is for a rationalisation of the interaction between ELM projects and the EU's blending facilities which is currently organised on a more or less ad hoc basis.

### **Consultation**

No open public consultation has been undertaken recently on the ELM, in line with the exemption provided for in the relevant provisions of the Better Regulation Guidelines. However, each of the above evaluations has included a variety of forms of stakeholder consultation, including targeted interviews, workshops and online surveys of beneficiaries. The results of these consultations were used as a source of evidence to arrive at the conclusions described above.

## **THE OBJECTIVES**

### **Challenges for the programmes of the next MFF**

There are a number of challenges which the ELM must address in the next MFF.

Based on the findings of the evaluations described above, the ELM will need to be reformed in order to ensure a stronger alignment at the project level with EU policy objectives. In addition, challenges deriving from the cross-cutting objectives of the new MFF will include coherence, synergies and simplification. All instruments have to reinforce their capacity to attract private investments in order to contribute to achieving the Sustainable Development Goals. Finally, the ELM will need to continue to address rising political priorities in the next MFF, especially climate change and financing needs consistent with the approach of the Commission's new Action Plan on Sustainable Finance

## **Complementarity**

The ELM operates alongside other EU external instruments such as the blending facilities/platforms, the new European Fund for Sustainable Development (EFSD) and the African, Caribbean and Pacific (ACP) Investment Facility. These instruments have largely similar objectives. All three instruments, although to differing degrees, target the root causes of migration, local private sector development and climate change mitigation and adaptation. The ELM and ACP both also contribute to the development of social and economic infrastructure. Each instrument should strengthen the crowding-in of private investments to underpin the achievement the Sustainable Development Goals.

The ELM and the ACP Investment Facility are geographically almost entirely distinct, whereas both the ELM and EFSD cover the Eastern and Southern Neighbourhood. The ELM and the EFSD are complementary tools and both serve the objective of the EU Neighbourhood policy. Coordination of efforts in the next MFF will thus be required to ensure synergies. The EIB has a role in the governance of the EFSD which is designed to enhance the coordination and complementarity between the two instruments.

## **Climate change**

The EIB has already in 2015 expanded its climate-related target in developing countries from the current level of 25% to 35% by 2020, and the EU has increased the ELM target also to 35%. Any new legislative proposal should take into account such expansion as well as the EU's own commitments to climate policy in the coming years. Although the climate action under ELM operations is already at 39% and total EIB external operations (i.e., including non-ELM operations) is also at about 32% already quite close to the target level by 2020, more needs to be done to ensure continued delivery.

## **Economic diplomacy**

Economic diplomacy is an overriding EU policy goal, which not only seeks to defend the EU's strategic economic interests (business internationalisation, market access, jobs and growth, etc) but is also fully compatible with EU development policy and works in the interests of our development partners. Investment climate, the participation of private operators and private financing are critical for ensuring sustainable development in partner countries. This is reflected in the SDGs Agenda 2030, the EU Consensus on Development and the EU Global Strategy for Foreign and Security Policy.

The importance of EU Economic Diplomacy has been recognised in the Commission's *Reflection Paper on Harnessing Globalisation* adopted in May 2017.

EIB investments supported by the ELM could be among the tools for achieving the objectives of economic diplomacy, for example through an adjustment or update to the underlying objective of regional integration or the inclusion of a new objective related to support for European SMEs in third countries, one of the key aspects of economic diplomacy.

## **Objectives of the programmes**

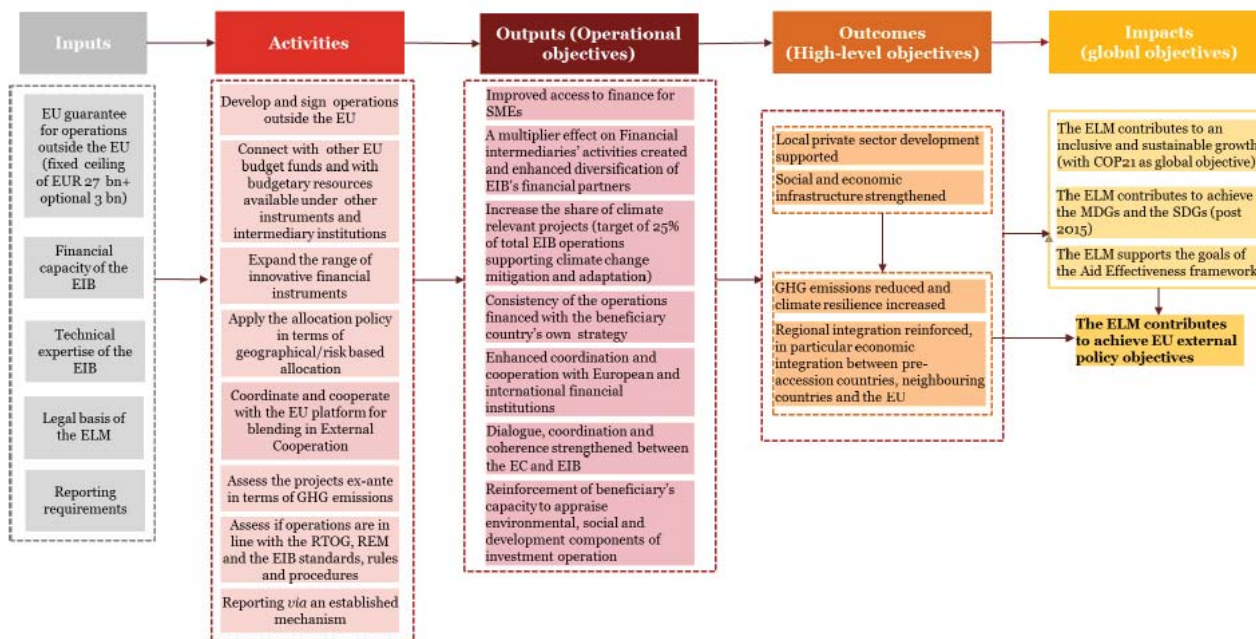


## EU external objectives

EIB external financing operations are required to support the EU external policy objectives in the areas of development cooperation, Neighbourhood policy, climate action, addressing the root causes of migration, etc. With the exception of the SDGs and Paris Agreement, which were finalised in 2015, the broadest EU external objectives were essentially unchanged for the current mandate.

The intervention logic of the current mandate as elaborated during the 2016 mid-term evaluation is below:

Figure 3: Intervention logic for the External Lending Mandate operations



Source: PwC

### Objective 1: Local private sector development, in particular in support of small and medium-sized enterprises (SMEs), possibly including the internationalisation of European SMEs

Access to finance is one of the key constraints to growth and private sector development in developing and transition countries. EIB funding through intermediaries aims to ease this constraint, consolidate existing jobs, and support the creation of new jobs. It also supports the development of local financial sectors to improve access to finance over time. While the EIB uses a variety of instruments to enhance access to finance, the most common of which are credit lines to financial intermediaries (mainly banks) for lending to SMEs. These credit lines aim to increase the number of loans that the local intermediary banks are providing and to extend the duration of the loans they offer to SMEs and midcaps.

Additionally, lending can be channelled to SMEs through other sources. For example, risk-sharing portfolio guarantees insure banks against losses on lending to SMEs in



difficult and underserved markets. Direct (or intermediated) lending to companies is also used for specific infrastructure and R&D improvements.

## **Objective 2: Development of social and economic infrastructure**

The development of social and economic infrastructure provides a foundation for economic growth, job creation and social development. It is also critical for the transition to a low-carbon future. The EIB's activities in the infrastructure domain mostly target public borrowers. As laid out in the 2014 ELM Decision, this high level objective is realised by the production and integration of energy from renewable sources, enabling energy systems to utilise lower carbon intensive technologies and fuels, sustainable energy security and energy infrastructure (including for gas production and transportation to the EU energy market), electrification of rural areas, environmental infrastructure (e.g. water, sanitation, and green infrastructure), and telecommunications and broadband network infrastructure. Support can also target health, education, and urban development infrastructure where specified by regional objectives.

## **Objective 3: Climate change mitigation and adaptation**

Climate action is a cross-cutting objective addressed in projects in various sectors such as transport, energy, natural resources and water. The overall aim is to limit global warming to 2 degrees Celsius or 1.5 degrees if possible as compared to pre-industrial times. Different projects contribute to climate action mostly via renewable energy generation and greater energy efficiency, but also by promoting a shift to a more circular economy, more sustainable transport modes and more sustainable management of forests and other natural resources. The financing is distributed among a large number of projects across almost all sectors. In fact, the funds for climate action also contribute to the above objectives of local private sector development or the development of social and economic infrastructure. Typical examples include credit lines for SMEs involving achieving greater energy efficiency in buildings or installing small-scale renewable energy generation capacity such as solar panels.

This objective also supports relevant EU commitments including: Paris Agreement/UNFCCC; the Sustainable Development Goals; the EU 2020 climate and energy package; the EU 2030 climate and energy framework; the EU 2050 low-carbon roadmap; the EU strategy on adaptation to climate change COP21; the Circular Economy Action Plan and the EU Strategy on Environmental Integration in External Policies.

The 2014 ELM Decision requires that 25% of ELM financing volumes support climate action, while the EIB targets at least 35% of external lending volume in developing countries to support climate action by 2020. Many Member States agencies also have climate finance targets (e.g., AFD's target of 50%).

There seems still room to improve the contribution of the ELM programme to climate action.

There are several options to achieve this. First, some carbon-intense sectors could be excluded from financing under the ELM. Second, the project pipeline could be made more climate-friendly with measures to increase climate adaptation. This would require more technical assistance in the pre-appraisal stage and a climate risk and vulnerability assessment for each project. Third, special windows for loans to SMEs/mid-caps that

deliver a climate contribution could be included in the contracts with financial intermediaries. This category of loans currently delivers the lowest climate contribution. Finally, the successful climate finance target in the current MFF could be built upon in the next budget period.

The introduction of a specific climate finance window would require that the financial intermediaries begin assessing the climate contribution of the SMEs/mid-caps. Besides the climate target, it would be important to ensure that the part of the operations that do not contribute to the climate action target are not detrimental to climate change. The climate impact of the entire portfolio should therefore be measured and considered. Reflecting a targeted external report on climate mainstreaming, this is in line with the Commission analysis, the European Court of Auditors Special report 31/2016, related Council Conclusions, and a recent statement of 14 Member States. The EP Budget Committee has in the draft report on the next MFF: *Preparing the Parliament's position on the MFF post-2020 (2017/2052(INI))* asked for a thorough climate mainstreaming, underlining that the EU should not finance projects and investments that are contrary to the achievement of EU climate goals. In terms of an external climate target, 30% could be envisaged over the next budget period.

#### **Objective 4: Long-term economic resilience / addressing the root causes of migration**

The current mandate (2014-2020) for the EIB did not originally contain an explicit objective related to migration. However, the refugee crisis has made migration-related issues an increasingly important element of the EU's foreign policy.

The recently agreed amendments to the 2014 ELM Decision will add a fourth high-level objective: addressing the root causes of migration, i.e. strengthening the long-term economic resilience of refugees, migrants, host and transit communities and communities of origin. The revision of the ELM regional guidelines will incorporate the new high-level objective and will define how to target the root causes of migration in practice. The fourth high-level objective will have a guarantee envelope specifically earmarked as described in the EIB's Economic Resilience Initiative (ERI) – EUR 2.3bn for private sector projects and EUR 1.4bn for public sector projects. At present, no other objective has funds that are specifically earmarked.

#### **Underlying objective**

The 2014 ELM Decision also stipulates that EIB financing operations support an underlying objective of regional integration among partner countries, including economic integration between Pre-accession countries, Neighbourhood countries, and the EU. Regional integration is particularly relevant for ELM projects targeting transportation and communication infrastructure.

### **PROGRAMME STRUCTURE AND PRIORITIES**

#### **Subsidiarity**

The ELM complies with the subsidiarity principle, as it allows the EIB to operate at a higher risk level than current Member State cooperation would allow by pooling resources and diversifying financing operations, thereby enabling the EIB to undertake

financing operations in third countries in support of the EU’s external policies without affecting the credit standing of the EIB. The ELM objectives could not be achieved by Member States acting alone due to the disparities in the capacities of national financial institutions.<sup>137</sup> In addition, the ELM allows to invest in a larger number of countries than what national promotional banks typically do.

### Proportionality

The proportionality principle requires that any EU action should not go beyond what is necessary to address the problem or meet the objectives spelled out in the Treaties. In this respect, based on stakeholders’ feedback and available evidence, the ELM has proven to be an efficient tool to cover the political and sovereign risks related to EIB external operations in support of EU external policies. In fact, with relatively little public support, the ELM is able to spur the functioning of the market and ensure that projects aligned with EU external policy priorities are implemented.

The leverage of the Guarantee Fund is relatively high, since the Fund is maintained with contributions from the EU budget at a level of 9% of outstanding liabilities under the ELM, and the EIB can finance in the limit of 50% of the total project costs. In addition, between 1994 and 2017, the Fund was called for a cumulative amount of about €850 million and had, over that period, a recovery rate of 100%, except more recently for defaults in Syria (which started in year 2012) and another more recent default of a project in the private sector in Tunisia, leading to a total default amounting to €270 million over a 24-year period.

### Changes to the structure of the programme: EFSD model

Several changes could be made to the structure of the ELM to address a number of challenges and lessons learned described above, notably related to complementarity.

One way to address these challenges would be to align the EU's two main budgetary guarantee instruments, the ELM and the European Fund for Sustainable Development (EFSD), including potentially the integration of the ELM within the EFSD.

The EFSD is the most recently launched EU external financial programme that integrates various financial instruments and blending tools and replicates recent experiences with similar fund-structures in the EU (e.g. EFSI & EFSI 2.0) and is the main financial component of the External Investment Plan (EIP). The EIP was adopted in September 2017 to stimulate investment in the European Neighbourhood region and Africa. Its objective is to boost inclusive growth, create jobs and contribute to the sustainable development of these regions, thereby addressing the root causes of irregular migration.

The following table compares the current ELM set-up with the EFSD/EIP model:

	ELM	EFSD/EIP
<b>Structure</b>		
<b>Financial instruments</b>	√	√
<b>Technical assistance</b>		√

<sup>137</sup> See Proposal for a Decision of the European Parliament and of the Council amending Decision No 466/2014/EU granting an EU guarantee to the European Investment Bank against losses under financing operations supporting investment projects outside the Union, COM(2016) 583 final., p. 6.

	ELM	EFSD/EIP
<b>Policy dialogue</b>		√
<b>Financial instruments</b>		
<b>Loans or credit lines</b>	√	√
<b>Intermediated loans</b>	√	√
<b>Guarantees</b>	√ (exceptional cases)	√
<b>Credit enhancement/ insurance</b>		√
<b>Capital market instruments</b>		√
<b>Equity or quasi- equity</b>		√
<b>Technical assistance</b>	Ad-hoc basis <sup>138</sup>	Integrated
<b>Transfer of EU standards</b>	Indirectly via capacity building and project requirements	Dedicated pillar focusing on local economic governance and the business environment
<b>Coordination &amp; Management</b>		
<b>Policy priorities</b>	European Commission	European Commission
<b>Programme strategy</b>	EIB in consultation with EC	European Commission
<b>Project pipeline</b>	EIB	EIB, other IFIs and NPBs
<b>Project assessment</b>	EIB	European Commission (EIB provides opinion on banking-related aspects)
<b>Project decision making</b>	EIB (EC has influence through Article 19 of EIB statutes and EIB board)	European Commission (advised by G-TAG [EIB {Lead}, KfW, AFD] on risk assessment, impact, monitoring and reporting)

Integrating the ELM into the EFSD would have as a main advantage that it would ensure a coordinated implementation of the EU's policy objectives for external actions by both the EIB and a wider range of international financial institutions.

Integration would potentially allow the use of the most appropriate financing instrument for an operation as well as make blending with grants and technical assistance more systematic, which could improve contribution to development respectively in both the EIB's own activities and those of other implementing partners. The coordination of such an instrument might be more resource intense and processes more time-consuming, unless an appropriate governance were established with the participation of the Commission and financial institutions.

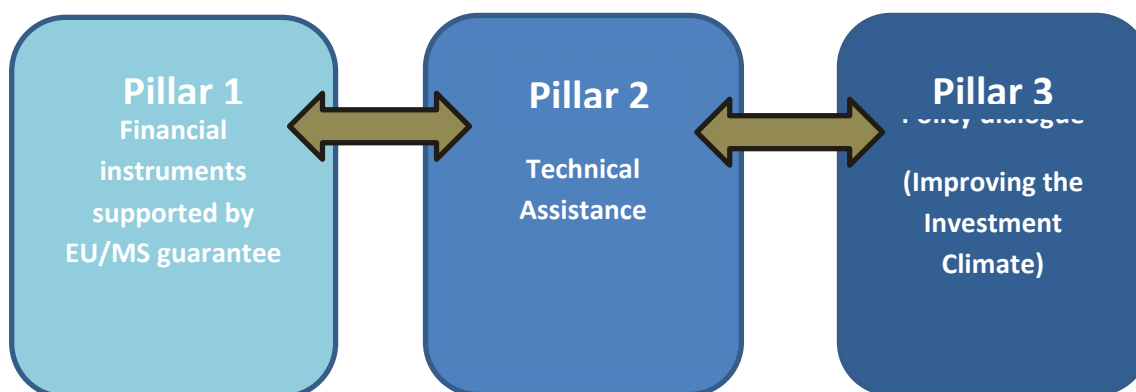
### **Structure of an integrated instrument**

The architecture of an integrated instrument would expand beyond the provision of a budgetary guarantee, incorporating several financial instruments and supplementary tools.

In its main structure, the instrument could follow the three-pillar architecture of the EIP (see figure below). The first pillar of the EIP is the European Fund for Sustainable Development (EFSD) that contains besides the EFSD guarantee two regional blending

<sup>138</sup> For example through the Neighbourhood Investment Facility (NIF), Western Balkans Investment Framework (WBIF), Latin America Investment Facility (LAIF), Asia Investment Facility (AIF), Investment Facility for Central Asia (IFCA) or the Facility for Euro-Mediterranean Investment Partnership (FEMIP).

platforms<sup>139</sup>. The second pillar provides technical assistance (TA) to projects to allow for capacity building and improved project quality. The TA can be provided to public or private entities. These measures are interlinked with the third pillar aiming to improve the investment and business climate in the country/region through policy dialogue.



The three pillar structure provides a holistic approach and facilitates the inclusion of technical assistance and investment climate enhancing measures into projects. Encompassing the three elements under one umbrella aligns the tools for the purpose of investment windows or individual projects.

This approach may have an impact on the likelihood that technical assistance (TA) is used in a project which could provide a substantial advantage to beneficiaries and contribute to the policy objectives. The ELM included TA measures in only around 15% of its operations in this MFF period. An explanation for this low rate is the targeted recipients<sup>140</sup> and more importantly the administrative burden associated with the application for a TA grant from external providers, such as EU Member States (incl. public institutions or agencies thereof), IFIs or other entities. If the single fund structure mitigates these barriers, it could be a great added value since previous studies<sup>141</sup> have shown that projects with TA deliver a higher contribution to long-term development.

Moreover, coordinating the TA efforts within the single structure could realize economies of scale and thus improve efficiency. The aggregated impact depends on the required additional staff resources and the costs/efforts to attract externally organized TA. Another aspect is beneficiary awareness. Final beneficiaries are not always aware of the possibility to include TA in projects<sup>142</sup>, thus pointing to a need for enhanced communication, which may be easier when integrated in a single instrument.

A single EIP-style instrument incorporating the ELM might be therefore more directly equipped to create an investment package catered to the needs of beneficiaries and regions in general. This is also reflected in form of the range of financial instrument which could be provided. The EFSD is endowed with a large set of financial instruments, while under the ELM the EIB receives the EU guarantee only for loans, credit lines and intermediated loans and exceptionally for guarantees. Innovative financial instruments could be added to the arsenal of a stand-alone structure such as counter guarantees and other types of financial instruments such as equity, credit enhancements and insurance.

<sup>139</sup> The Neighbourhood Investment Platform and the Africa Investment Platform.

<sup>140</sup> Public sector actors are less likely to require technical assistance than private sector activities.

<sup>141</sup> See for example Wise persons report (2010).

<sup>142</sup> See for example see European Court of Auditors (2015).

This array of financial instruments enables a flexible combination targeted to the recipient's needs. In many cases these financial instruments will still need to be bundled with the aforementioned grants to finance technical assistance or provide interest rate subsidies. Under an integrated instrument, the financial instruments and technical assistance can be centrally developed to properly reflect respective needs of the country, region, sector or particular beneficiary – an advantage highlighted by several stakeholders during the interviews in the context of the ongoing ELM evaluation.

This flexibility could also be extended to the investment windows and ceilings. The current ELM is flexible in allowing its operations to match shifts in priorities. An integrated EFSD/ELM instrument would bring greater flexibility as opposed to stringently defined investment windows or separated instruments.

Conversely, for monitoring and evaluation purposes, ensuring that investment windows are linked to specific (or high-level) objectives is desirable. There is a trade-off between flexibility allowing to shift priorities on the one hand and transparency and security of minimum allocation to certain objectives/regions on the other. The flexibility of the stand-alone ELM has been a great asset and an integrated structure would have to be well-designed to maintain this advantage.

### **ELM as a potential window of the EFSD**

The analysis carried out shows the advantages of an integrated structure and the limits of a standalone instrument, setting the basis for the need of a financial tool-box where the ELM is one of the budgetary guarantees/financial instruments needed for the implementation of the external policy objectives. In this scenario the ELM could be integrated as an EIB-exclusive window inside the successor EFSD.

There are currently five investment windows under the EFSD covering the following areas:

- Energy and connectivity
- SMEs and micro-enterprises
- Agriculture, rural entrepreneurs and agribusiness
- Cities
- Digital

In the future, the ELM could be folded into the EFSD potentially as an investment window exclusive to the EIB. This would require an adaptation of the definition of 'investment window' to allow the coverage of a number of sectors.

Such an investment window could retain a separate provisioning rate within the future Common Provisioning Fund which will replace the Guarantee Fund for external actions in the next MFF.

### **Management and coordination**

To ensure complementarity and to generate synergies, the ELM currently relies on extensive cooperation with other institutions and facilities. An integrated structure could internalize some of these channels, which could increase adaptability and the efficiency of coordination.



An integrated solution would allow one decision-making body to build a coherent programme that reduces complexity and fragmentation and enhances synergies between different objectives and actions. The integrated structure could theoretically facilitate the complementarity of the fund with the EU external action goals, however the ELM mid-term reviews suggested that this has also been adequately accomplished in the current stand-alone structure of the ELM.

In terms of coordination efficiency, the potential impact of an integrated structure depends on the efficiency of the existing structure within and between stand-alone programmes. Exchanges via the strategic board<sup>143</sup> would in both cases provide guidance on the investment strategy and ensure activities are coordinated and complementary. In addition, operational boards support the coordination on a more granular level. This structure allows for regular exchanges and coordination of the different stakeholders via the boards and secretariat. The integrated structure internalises some of these exchanges and could thereby increase the frequency of interactions and coordination, and improve responsiveness of the system.

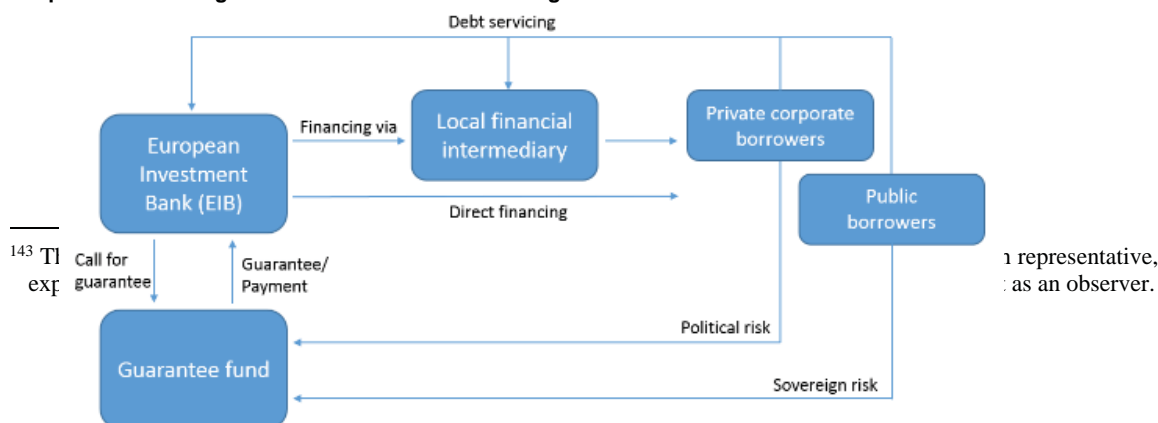
### DELIVERY MECHANISMS OF THE INTENDED FUNDING

The ELM entails a guarantee from the EU to the EIB which is administered by the European Commission and protects the bank from potential financial risks linked to these operations. The guarantee allows the EIB to preserve its credit rating, while expanding the lending portfolio and maintaining attractive lending rates.

The need for this guarantee stems from the EIB's obligation under its statutes to ensure adequate security for all its lending operations and the need to safeguard its creditworthiness in general. The guarantee allows the EIB to preserve its high credit rating despite its higher leverage compared to other international financial institutions (IFIs) and the significantly higher risk of lending in third countries, which otherwise would potentially put the high credit rating at risk and consume more capital or reduce lending.

An overview of the functioning of the guarantee under the External Lending Mandate is presented in the figure below. In principle, the EIB grants or issues loans, loan guarantees and debt capital market instruments (for example, bonds) for eligible EIB investment projects. Loans in the public sector are covered by a comprehensive guarantee, which is provided for financing operations where the borrower (or a guarantor) is a local, regional or central government or corporations under state control (Public borrowers). The political guarantee is provided for cases not covered by the comprehensive guarantee and is more restricted. It only covers non-payment due to non-transfer of currency, expropriation, war or civil disturbance, and denial of justice upon breach of contract.

**Simplified overview guarantee under External Lending Mandate**





## Monitoring and evaluation

This section sets out the arrangements that could be put into place to monitor the performance of the programme in delivering the objectives. The section identifies the information that will be needed to compile the indicators allowing an assessment of the degree to which objectives are achieved. It takes into account the existing information and what new information will need to be collected and by whom. Moreover, potential targets against which success will be measured are discussed.

### General

The external financing activity under the EU guarantee is managed and monitored by the EIB under its own rules and procedures, which include measures for audits, control and monitoring. Moreover, the Board of Directors of the EIB approves each financing operation and monitors whether it is managed according to the provisions in the EIB Statute and with the general directives. The Commission is represented in the Board of Directors with a Director and an alternate Director. The EIB must inform the European Commission when it obtains any information or considers likely that a guarantee on a project will be called. In case the guarantee is actually called, the EIB is obliged to provide the European Commission with detailed information on it according to the ELM Decision and related guarantee agreement.

The EIB has the obligation to provide the Commission statistical, financial and audited accounting data on every financing operation under the EU guarantee, necessary for the reporting to the European Parliament and the European Council. The European Court of Auditors can obtain the same information at request. Moreover, the EIB will also provide the information on the outstanding financing operations covered by the EU guarantee with a certificate of an auditor. The Commission requests this information to determine the provisioning amounts for the Guarantee Fund.

The Court of Auditors can also conduct audits on EIB financing operations under the EU guarantee. This is determined based on a Tripartite agreement of the Court with the EIB and Commission. While no ELM audit is presently available, the Court of Auditors has published a special report on a parallel EIB external finance instrument: the ACP Investment Facility. This report's conclusions may apply, *mutatis mutandis*, to ELM activities as well. The ACP Investment Facility was found to generate added value and be coherent with EU external policy. The Court of Auditors found that cooperation with recipient countries and coherence with EU development policy had improved since the EIB began taking on higher-risk projects. However, the special report found that the 'allocation procedure' was not always effective. Stated simply, numerous banks receiving EIB loans broke their contractual agreement by failing to inform the beneficiary SMEs of EIB funding. Additionally, TA provided to supplement credit lines did not always sufficiently target the end beneficiaries. To address these issues, the Court of Auditors recommended systematic disclosure of EIB contribution in on-lending agreements, and greater cooperation between the EIB and financial intermediaries to ensure effective TA.

Additionally, the EIB must regularly conduct evaluations of its financing activities on relevance, performance and development effects. This is important for the accountability

of EIB, but also to find ways to improve the future financing activities. Furthermore, it must provide all independent evaluation reports assessing the results of EIB external lending activity under the ELM to the European Commission, European Council and European Parliament.

The Commission reports annually to the European Parliament and the European Council on the EIB's implementation of the mandate. The reports are based on information on the full portfolio or sector obtained via the ReM from the EIB, which provides information on various indicators from the appraisal level to the full implementation of the project. The indicators include for instance the contribution of the external lending to the objectives (e.g. climate change, biodiversity), but also whether the financing is blended with financing under other programmes or other European or international financial institutions. This system of reporting from the EIB to the European Commission could be better synchronised, which would result in cost savings and more effective reporting.

Currently there are various monitoring and reporting provisions in the Decision and Guarantee agreements. The most important legal obligations for monitoring are found in the Decision and EIB Statute. Article 19 of the Decision is a particularly important reporting requirement. Further consideration of Article 19 reporting requirements would be worthwhile as sometimes the information provided by the EIB to the Commission is in some cases too limited to allow for sufficiently detailed consideration.

As noted above, one key finding of previous evaluations is that the final beneficiaries are frequently unaware that the EU is providing them funding. According to an interviewee in the context of the ongoing evaluation, this has the impact that beneficiaries may be unable to lodge a complaint if project implementation is contrary to relevant standards. For the EIB, control and accountability in this sense is provided with the EIB Complaints Mechanism (EIB-CM). The EIB is currently updating its complaints procedure. It will be important for future evaluations to consider the ability of beneficiaries to lodge complaints, and the EIB to respond to them.

### **Project level**

At the project level, monitoring and evaluation is primarily accomplished with two frameworks: ReM (results measurement framework) and the RTOG (Regional Technical Operational Guidelines). Generally, the project level monitoring and reporting is sufficient. However, given that the EIB is demand-driven and operates on a project by project basis, additional efforts in identifying gaps, and the impact of ELM activities on market development, is advisable. Otherwise, it is possible that the ELM funds projects with individual merit, but no coherent strategy.

The RTOGs are agreed between the Commission and the EIB and set out in greater operational detail how the EIB should contribute to the high-level objectives set in the ELM Decision. These will need to be refined in any future programme to ensure that they are useful to the bank in its lending decisions and to the Commission in its consideration of EIB loans during the Article 19 process.

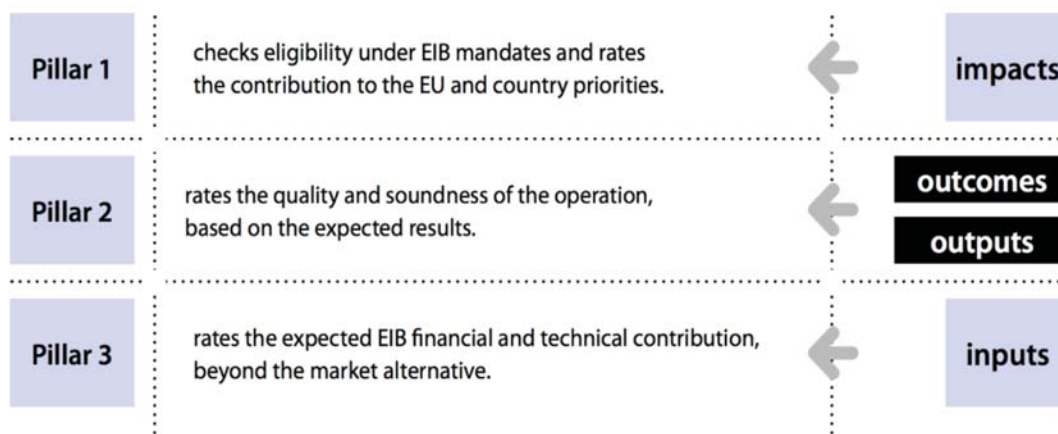
### *ReM*

The ReM is a framework in place since 2012 that incorporated many best practices from other IFIs. The ReM is still evolving, as the EIB continues to exchange best practices and

share lessons with other development banks. The ReM provides concrete criteria for ex ante assessments of the contribution of projects to ELM objectives, but also for tracking project implementation, and ex post assessment at two milestones. The milestones are immediately upon project completion, and three years after project completion (or end of fund life for micro-finance and equity). At both milestones, performance is measured against benchmarks set at the beginning of the project cycle, then performance is rated and reported to the EIB. The most recent ELM midterm assessment found that ReM had absorbed best practices from other IFIs, and is effective for monitoring project contribution to operational objectives. As such, monitoring at the project level is mostly effective.

The ReM framework is composed of three pillars. The first pillar evaluates consistency of the project with the three existing high-level objectives and overarching objective of regional integration. Contribution to the high-level objectives and overarching objective are based on a number of indicators. For example, the first high-level objective - local private sector development - is measured by indicators including number of sub-loans to SMEs, average size of sub-loans to SMEs, and employment sustained. Pillar two evaluates the quality and soundness of a project. This is based on separate sets of guidelines for investment loans, intermediated operations, and non-intermediated framework loans. Pillar three evaluates the EIB’s technical and financial contribution based on EIB inputs and market alternatives. This pillar considers the EIB’s ‘financial contribution’, or to what extent the loan makes a difference for the beneficiary, as well as the EIB’s ‘financial facilitation’, which concerns to what extent the EIB can contribute to raising project standards and attracting other financiers. Each pillar is graded on a scale of 1-4, with 1 corresponding to ‘unsatisfactory’ and 4 corresponding to ‘excellent’. Based on the 2016 EIB report, the majority of projects are found to be good or excellent across all three pillars.

### Pillars of EIB Result Measurement Framework



Source: EIB (2017).

ReM indicators are specific to sectors and beneficiary groups, and around 150 indicators are in use. The EIB is continuing its efforts to harmonise ReM indicators with those of other IFIs so that projects are more readily comparable, and their impacts can be better understood. In 2013 EIB signed a MoU with 25 other IFIs to harmonise 27 indicators,

and 16 additional indicators are currently being harmonised. For indicators that concern 'blended' projects, which contain a mixture of grant and loan funding, the EIB has harmonised indicators with the EC within the framework of the EU blending platform.

ReM is an evolving instrument that the EIB seeks to continually improve, and additional changes may be necessary. Should an additional high-level objective be approved, i.e. addressing the root-causes of migration, the EIB would need to develop guidelines for its implementation. Given the new emphasis on economic resilience, specifying a set of relevant indicators would be helpful. Furthermore, the EIB only recently adopted a gender strategy. Several interviewees indicated that it is not yet clear if this strategy is far reaching enough. The EIB should ensure its gender strategy is fully incorporated in practice, including with dedicated ReM indicators and guidelines.

Most publicly available information on ReM is contained within the annual report 'The EIB outside the EU'. These annual reports aggregate results for ELM and other EIB activities, so it is not possible to evaluate ELM activities alone. The EIB did provide 'ReM sheets' for the ten projects considered as case studies in time for the present impact assessment. Still, it would increase transparency and allow interested parties to better understand the ELM if it were reported separately from other EIB activities.

## **Annex 5: Additional Information on IPA**

The Instrument for Pre-accession Assistance (IPA II) - with an envelope of EUR 12,138.63 million for the period 2014-2020 - aims at supporting seven beneficiaries in adopting and implementing the reforms required for EU membership. IPA II assistance focuses predominantly on a selected number of policy areas to help beneficiaries strengthen democratic institutions and the rule of law, reform the judiciary and public administration, respect fundamental rights and promote gender equality, tolerance, social inclusion and non-discrimination. It also aims at enhancing their economic and social development with a view to attaining the targets set in the Europe 2020 strategy for smart, sustainable and inclusive growth. In addition, IPA II assistance supports the progressive alignment of beneficiaries with EU legislation and standards.

Support under IPA II is spelled out in indicative strategy papers, and takes the form of bilateral assistance, cross-border cooperation between IPA II countries, territorial cooperation with EU Member States, multi-country programmes in the Western Balkans and Turkey, and support measures.

According to the Mid Term Review (MTR), IPA II is overall fit for purpose. It corresponds to EU priorities and to beneficiary needs. Compared to its predecessor, IPA II has become more strategic. In terms of priorities, it increasingly focuses on promoting key reforms, i.e. the three "fundamentals" of the enlargement strategy (rule of law and fundamental rights, strengthening democratic institutions and public administration reform, and economic governance), as well as on results of reforms, through the introduction of a performance framework. It has also demonstrated its capacity to react in a flexible manner to emerging crises/challenges (floods, migration, security).

IPA II is unique in addressing the objective of preparing candidate countries and potential candidates for EU membership. Through IPA II, the EU is by far the biggest donor in the beneficiary countries and IPA II serves as an important catalyst for the actions by other donors, including EU MS and non-EU donors.

The introduction of the sector approach, especially when implemented through budget support, has improved the strategic focus of IPA II and the IPA beneficiaries' focus on reforms. Key results have been achieved, such as the development of public administration reform strategies in most IPA II beneficiary countries.

A feature of the Instrument for Pre-Accession Assistance, which distinguishes it from other external instruments, is the use of indirect management by the beneficiary country that allows the latter to adapt to the possible management of EU's structural funds after accession. The use of indirect management has generally increased ownership by beneficiary countries, although there have been poor contracting performance and longer delays of implementation, especially in Turkey.

IPA II has an increased focus on performance and results, however, there is some room for improvement. Other features, such as the use of Twinning and TAIEX and the

promotion of territorial cooperation, add further value to the instrument. Twinning and TAIEX initiatives provide concrete benefits to recipient institutions through exchanges of valued European public expertise.

The Western Balkans Investment Framework (WBIF) provides co-financing and technical assistance to strategic investments in the energy, environment, social, and transport sectors, and also supports private sector development initiatives. Such projects could not be funded solely from EU Member States' funds.

Territorial cooperation in the form of cross-border, transnational and interregional cooperation programmes, as well as macro-regional strategies, favours reconciliation and confidence building in the Western Balkans, overcoming geographical barriers and legacies of the past, and developing good neighbourly relations.

IPA II continues to be relevant, as also pointed out in the MTR, and only minimal changes would be necessary at the level of objectives and main principles set in the current IPA II regulation. Three key elements will need however to be taken into consideration:

For the period 2021-2027, the new instrument should be clearly positioned in the context of the new Western Balkans Strategy , and reflect the developments in the relations with Turkey, and allow for sufficient flexibility to take into account evolving circumstances .

For the Western Balkans an important element of IPA III is the indicative date of 2025 mentioned in the Strategy when Montenegro and Serbia might be potentially considered ready for accession, if all conditions are met, i.e. within the next MFF period. This would mean not only the need for a rapid and flexible mobilisation of funds under the next period, but also an increase of current IPA II allocations for these countries in order to ensure that the necessary financial means are available for all preparations and investments required in the years before accession, including to ensure a gradual and seamless transition from pre-accession status to that of Member State to allow the necessary absorption capacity to be developed

The countries are still adjusting to IPA II changes and the implementation for IPA II is still in an early stage as a result. While continuity should be secured, a phased-in approach should also be applied with intensity of support increased in the second half of the MFF period for the countries approaching accession.

In terms of political priorities, IPA III will be shaped around the following key political priorities: Rule of Law, Fundamental Rights and governance; Socio-Economic development; EU policies and acquis; and Reconciliation, good neighbourly relations and regional cooperation. While these were already spelt out under IPA II, new challenges such as migration, security and climate change will also have to be taken into account.

At the same time, in order to respond to the new priorities and integrate lessons from the MTR, IPA III will need to be further aligned with recent developments in enlargement policy. This requires in particular close links to the objectives of the new Strategy for the



Western Balkans, to maximise the impact of the Flagship Initiatives set forth in the Strategy to help the transformation process in the Western Balkans in the next period, to implement robust Economic Reform Programmes (ERPs), or to renew the focus on reforms necessary for future membership. Greater flexibility in funding allocations will have to be ensured in order to cater for unexpected/emerging priorities and to take into account the level of progress of respective countries in EU related reforms. Implementation will need to be accelerated, in particular in the first years, to avoid structural contracting and implementation backlogs, and to progressively absorb current delays. In a context of constrained budgetary resources, IPA III will have to work to further mobilise the leveraging potential of IFIs and other partners, including the private sector, in particular for supporting competitiveness and inclusive growth, or financing large scale infrastructure investments. The overall performance framework will have to be strengthened and simplified.

For these reasons, whereas the objectives and logic of the intervention will remain similar, on the planning and programming side it is proposed to structure the delivery of funding in a different manner around the creation of facilities reflecting the specific objectives of the instrument.

The instrument will continue to be a toolbox and foresee all the existing implementation modes deployed in a coherent way depending on the facility, type of intervention and state of preparation of countries on their path towards EU accession and their administrative capacities. An indicative allocation will be identified in the beginning of the period for each of the facilities, and a mid-term review will take place to take into account of the evolving situation and results achieved.

No fixed or indicative national/geographical envelopes will be established, although a principle of "fair share" allocation for beneficiary countries will be integrated. Performance will be part of the process of accessing to funds, which will be based on criteria such as project/programme maturity, absorption capacity, administrative capacity, expected impact and progress on rule of law, fundamental rights and governance. Therefore, no additional performance reward mechanism will be needed.

Increased financial flexibility could be achieved by strengthening possibilities for reallocating funds within the instrument, in particular between and within facilities. Establishing a reserve within IPA could be considered; this would mean that a share of the total budget (e.g. 10 %) could be kept unallocated to cater for unforeseen needs (e.g. migration) provided the carry over for commitments is allowed.



## **Annex 6 Additional information on CFSP**

The European Union's Common Foreign and Security Policy (CFSP) contributes to the preservation of peace, the prevention of conflicts and strengthening international security. It is one of the main instruments used to implement the European Union's Global Strategy for Foreign and Security Policy, the relevance and importance of which are demonstrated by events worldwide.

As such the CFSP continues to be a core part of the EU's external action instruments; notably contributing to safeguard the Union's values, fundamental interests, security, independence and integrity as well as helping to support and consolidate democracy, the rule of law, human rights and the application of principles of international law worldwide. As such CFSP plays an essential part in implementing the EU Global Strategy and underpin the EU's role as a global actor.

By providing for joint action, the EU can provide added value beyond the activities of individual Member States; by reaching critical mass when responding to global challenges and providing for joint ownership. CFSP also enjoys the credibility inherent in a proven mechanism and the ability to act as an impartial external actor on behalf of and alongside Member States.

In contrast with other policy areas, the CFSP operations are not financed under an overarching instrument / regulation adopted for the full period of the multiannual financial framework period. For the CFSP to be effective, the EU needs to be ready to react rapidly and with determination, to respond to new emerging threats to its strategic interests. As and when needs or opportunities for action arise, the Council adopts specific decisions for each CFSP action under the CFSP provisions of the Treaty on European Union (TEU). Typically the decisions provide for:

- The conduct of civilian CSDP Missions to promote stability and build resilience through strengthening rule of law on the strategic and operational levels in fragile environments.
- The work of the European Union's Special Representatives (EUSRs) who promote the EU's policies and interests in troubled regions and countries and play an active role in efforts to consolidate peace, and to promote stability and the rule of law.
- Actions to combat the proliferation of weapons of mass destruction (including their delivery mechanisms) and to combat the illicit spread and trafficking of other conventional weapons, particularly through supporting effective multilateralism.

In addition, through the CFSP the EU provides funding for the European Security and Defence College (ESDC) and for the operation of the Kosovo Specialist Chambers. The CFSP can also be used to fund other operations on the basis of Article 28 TEU.

During the 2014-2020 MFF period, the funding for CFSP operations is budgeted in chapter 19.03 of the budget. The total allocation for CFSP operations over the current MFF is EUR 2 121 million.

CFSP actions have concretely contributed to putting the EU's Global Strategy into place by (a) providing capacity building, support and advice through the civilian CSDP missions deployed in Africa, Afghanistan and the Middle East as well as in Ukraine, Georgia and Kosovo; (b) promoting peace and stability as well as promoting and advancing the values of the EU by means of the EUSRs; (c) promoting multilateral responses to the security threats posed by weapons of mass destruction and the illicit trafficking and accumulation of conventional weapons through dedicated non-proliferation and disarmament projects.

The overall impact and achievements triggered by the CSFP budget are of much greater value than the sum of its individual actions. In particular in the field of CSDP missions, the scope and reach of the agreed actions goes beyond the limits of what a single EU MS could do alone. CSDP missions profit in particular from their multinational EU nature both in terms of image - EU credibility as a peace actor - and of accessing a larger pool of human resources and expertise. They also regularly attract contributions (co-financing) from interested third countries willing to participate in EU-led actions. Such missions are the concrete and visible operational translation of the EU's ambitions as a security actor.

Given the political priorities of the EU and challenges worldwide, CFSP operations will remain a fundamental pillar of the EU Global Strategy post-2020, in support of three strategic priorities: (a) responding to external conflicts and crises, (b) building the capacities of partners, and (c) protecting the Union and its citizens.

The CFSP operations will coordinate with the future EU external action instruments to ensure synergies and avoid overlaps, but they will keep their distinct management and implementation modalities, in order to ensure their responsiveness, flexibility and close alignment with the political priorities of the EU in the external field.

## **Annex 7 Additional information on the Overseas Association Decision (OAD) and the Greenland Decision**

### *Context*

The mid-term review report (December 2017)<sup>144</sup> on ten of the external financing instruments, including the Greenland Decision<sup>145</sup> and the 11<sup>th</sup> European Development Fund (EDF), which includes the programming for the other Overseas Countries and Territories (OCTs) concluded that the external financing instruments were ‘fit for purpose’. However, in the report and in the consultations conducted during the evaluation, a need for flexibility, simplification, coherence and performance was reflected.

The Overseas Association Decision<sup>146</sup> covers the relations between OCTs – including Greenland – the Member States to which they are linked and the EU. This Decision outlines the special relationship that OCTs have with the EU as part of the ‘EU family’ and the specific legal framework which applies to them.

The Greenland Decision complements the Overseas Association Decision but outlines some specificities of the relations with Greenland as well as providing its financial resources.

The Overseas Association Decision and the Greenland Decision should not be integrated in the new broad instrument or to any other co-decided instrument due to their specific procedures of adoption: Council decision by unanimity following consultation of the European Parliament<sup>147</sup>. However, in order to streamline the number of programmes it is proposed that all OCTs, including Greenland, be regrouped by merging both Decisions in one single instrument.

### *Rationale for integrating the Overseas Association Decision and the Greenland Decision into one sole decision for Overseas Countries and Territories*

The financial source of the current Overseas Association Decision is the EDF which covers the programming and funding of territorial and regional programmes for OCTs other than Greenland, which is covered by the Greenland Decision and funded under the Budget.

The Overseas Association Decision does not have an end date, but would need amendments due to the EDF being ‘budgetised’ and a need for a new financial envelope. The Greenland Decision ends on 31 December 2020. Historically, the need for defining

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<sup>144</sup> The mid-term review report was based on ten staff working documents, one per instrument (see list below), which in turn were based on ten independent evaluations. The mid-term report, staff working documents and independent evaluations can be found at here: [https://ec.europa.eu/europeaid/public-consultation-external-financing-instruments-european-union\\_en](https://ec.europa.eu/europeaid/public-consultation-external-financing-instruments-european-union_en)

<sup>145</sup> Decision (EU) No 137/2014 of 15 March 2014 on relations between the European Union on the one hand, and Greenland

and the Kingdom of Denmark on the other, OJ L76, p.1

<sup>146</sup> Decision (EU) No 755/2013 of 25 November 2013 on the association of the overseas countries and territories with the European Union, OJ L344, 19.12.2013, p.1

<sup>147</sup> Treaty on the Functioning of the European Union, OJ C326, 26/10/2012 p.1 – article 203

the financial cooperation in a separate manner (other OCTs/Greenland) corresponds partly also to the fact that Greenland receives its funding from the EU budget (Heading 4) instead of the EDF<sup>148</sup>. With the budgetisation of the EDF, this important constraint disappears, as all the OCTs should now be funded under the Budget.

Moreover, the legal basis of Article 203 in the Treaty on the Functioning of the European Union is the same for the Overseas Association Decision as for the Greenland Decision. In light of this, it has been decided to keep the Greenland Decision under Heading 4 of the EU Budget and include the other OCTs under the same heading.

Considering the specificities of the OCTs and their special relationship with the EU, a new financial instrument covering all OCTs both concerning the political and legal frameworks as well as the implementation of the cooperation will ensure:

- unity of management with all the OCTs under a same source of financing – the Budget – will create synergies in programming and implementation;
- consolidation of shared objectives;
- simplification and coherence in the legal framework;
- more visibility for the OCTs as a group.

As both Decisions have been deemed ‘fit for purpose’, the guiding principle is to preserve what works well, while improving what hinders the partners’ effectiveness to deliver on their policies and priorities.

#### *The future instrument/decision*

- The future OAD would comprise of a merger of the current Overseas Association Decision and the Greenland Decision, integrating the two decisions in all the areas where they are similar or have synergies and highlighting specificities of the Greenland Decision such as the objective to preserve the close and lasting links between the EU, Greenland and Denmark, the acknowledgement of the geostrategic position of Greenland and policy dialogue and potential cooperation on Arctic issues and food security.
- It is foreseen that the structure and the majority of the current Overseas Association Decision provisions be maintained, with specific provisions for Greenland such as Arctic issues and the special historical and political links to be integrated. In the mid-term review report, it was concluded that the Greenland Decision was designed in such a way as to cover and better deliver on the wider political aims of the partnerships and it is important to ensure that this framework will still be provided in the new Decision. As such the new Decision will remain very similar to the current Overseas Association Decision with few new and updated provisions.
- The future Decision should consist of the same pillars as the current Overseas Association Decision: political, trade and cooperation. The OCTs have a special

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<sup>148</sup> Greenland was until 1985 part of the EU as a region in the Kingdom of Denmark, which entailed support through structural funds. When Greenland left the EU, the support to Greenland continued as well as the EU’s fishing rights in Greenland waters.

place in the EU as part of the 'EU family' and it is important to ensure that this continues to be reflected in the same way in the future instrument.

- The Instrument will take into account the consequences of the withdrawal of the United Kingdom (UK) from the EU and the fact that the special regime regulated in Part IV of the Treaty on the Functioning of the European Union would no longer apply to the 12 UK OCTs. These OCTs would no longer come under the territorial application of the Overseas Association Decision from March 2019 nor in the future instrument.
- The future Instrument should provide for financial allocations under the Budget for the OCTs, including a ring-fencing of the financial allocation for Greenland.
- There will be a general “clause de renvoi” to the broad instrument for the implementation of the instrument. Hence, ensuring the coherence between and simplification of implementation and management across instruments, the new Decision will be aligned with the new implementing regulation including implementation modalities, monitoring, evaluation etc. as outline in the Impact Assessment.
- Following the latest developments in EU cooperation, it is envisaged to introduce a specific provision/facility to promote a better integration of regional projects between OCTs, African Caribbean and Pacific countries and the Outermost Regions.

## **Annex 8 Additional Information on Humanitarian Aid**

As the world's largest humanitarian aid donor, the EU and its Member States play a central role in tackling humanitarian challenges worldwide.

The Humanitarian Aid programme provides emergency assistance to people, particularly the most vulnerable, hit by man-made or natural disasters.

In line with the Humanitarian Aid regulation (1257/96), the EU's humanitarian assistance goes directly to people affected by disaster or conflict, irrespective of their race, ethnic group, religion, sex, age, nationality or political affiliation and must not be guided by, or subject to, political considerations. The EU acts on the basis of the international humanitarian principles of humanity, neutrality, impartiality and independence.

The main objective is to provide needs-based delivery of EU assistance to save and preserve life, prevent and alleviate human suffering and safeguard the integrity and dignity of populations affected by natural disasters or man-made crises, also including protracted crises. In addition, the EU is committed to build capacity and resilience of vulnerable or disaster-affected communities, in complementarity with other EU instruments, and has put in place a resilience action plan. These objectives contribute to the overall objectives, principles and actions of the Union's external action as defined in Article 21 of the Treaty.

The EU is recognized as a leading player in humanitarian assistance both in terms of its ability to provide rapid and flexible assistance across a wide range of crises, and in virtue of its influence in shaping the global humanitarian policy agenda. Because of the financial weight and world-wide scope of its humanitarian actions, the EU is also able to encourage other humanitarian donors to implement effective and principled humanitarian aid strategies. A key comparative advantage of humanitarian aid stems from the fact that it is often the only EU instrument able to intervene in acute conflict situations. Thanks to its flexibility, humanitarian aid has also made a significant difference on the ground in many of the countries and crises at the origin of the global refugee and migration crisis.

In a context of insufficient funding to address ever-growing needs, the EU is also able to fill gaps in global humanitarian aid by addressing needs in areas which are difficult to access and by providing response not only to the biggest and most visible humanitarian crises, but also to forgotten crises (i.e. crises receiving no or insufficient international aid, political and media attention). Moreover, Member States often look to the EU as a donor to provide assistance in crises where they are not able to intervene in a national capacity.

Member States also benefit from the EU's "humanitarian diplomacy" which results in more effective provision of humanitarian aid. Another key element of EU added value for Member States lies in the strong operational knowledge and technical expertise of the EU's unique network of humanitarian field offices spread over almost 40 countries.

The Commission implements EU humanitarian aid operations through over 200 partner organisations, including United Nations agencies, other International Organisations including the Red Cross and Red Crescent movement and non-governmental

organisations (NGOs). The EU has been playing a leading role in the development of new policy approaches (e.g. education in emergencies) and innovative funding modalities (e.g. cash-based assistance).

The scale, frequency and duration of crises that demand international humanitarian response is increasing, aggravated by long-term trends such as climate change, population growth, rapid and unsustainable urbanisation, resource scarcities as well as increasingly protracted armed conflicts. These are, and will continue to be, among the main drivers of humanitarian crises, which in turn generate growing humanitarian needs globally. The projected number of people in need of humanitarian assistance worldwide in 2018 reached a new record high (136 million people in 25 countries)<sup>149</sup>. And the figures are increasing every year. On the other hand, the amount of available resources at global level to respond to these ever growing humanitarian needs is not increasing at the same level. The overall gap between available resources and humanitarian needs is expected to continue to grow. Against this background, there will be an ever greater need for front-line life-saving humanitarian assistance. At the same time, given the protracted nature of several crises, there will also continue to be a need for enhanced cooperation between humanitarian and development assistance in order to cater for the needs of people affected by protracted crises.

Against this background, the EU will continue to play an active role as an important actor in humanitarian action at global level, also beyond 2020. The EU will continue to promote the development of more effective coordination of humanitarian aid at global level, to push for the development of new policy areas (such as education in emergencies) as well as to support efforts aimed at making the delivery of humanitarian aid more effective and efficient (for instance, through the continued roll-out of the use of cash as an effective delivery modality; or by exploring possibilities to move towards a more programmatic partnership between the EU as a donor and its humanitarian partners, in line with the Grand Bargain commitments agreed at the 2016 World Humanitarian Summit).

Providing rapid and flexible life-saving assistance both in the major crises and in so-called "forgotten crises" will continue to be a hallmark of the EU's profile as a donor. The EU's extensive network of humanitarian field experts based in countries in crisis will remain a key element of the EU's humanitarian aid delivery and a clear comparative advantage as a donor.

The EU's action as a humanitarian aid donor will continue to be complementary with EU Member States' bilateral contributions in response to crises. A share of the annual EU humanitarian aid budget will continue to be pre-allocated to on-going crises and for prevention/preparedness measures, while the rest will be deployed to respond to new crises or deterioration of existing ones.

The policy and legal framework for the EU's humanitarian aid is not expected to change. The comprehensive evaluation on humanitarian aid for the period 2012-2016 confirmed the relevance of the current framework for humanitarian aid. The evaluation underlined that the EU humanitarian objectives are very relevant with respect to the continuing global humanitarian needs and that they are future-proof and in line with the

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<sup>149</sup> See: <https://www.unocha.org/sites/unocha/files/GHO2018.PDF>



humanitarian principles. Consultations at all levels also confirmed that stakeholders want the EU to continue most of what it has been doing to date. Some areas for improvement were also identified, but these do not require a change to the current legal framework.

The Humanitarian Aid Regulation (HAR) continues to offer wide flexibility. This ensures that assistance is channelled effectively and efficiently to people in need. The Regulation is also flexible enough to allow adaptations to working modalities where needed (e.g. to fulfil new commitments such as those undertaken at the World Humanitarian Summit in 2016; or to allow the EU's humanitarian aid to contribute effectively to the humanitarian-development nexus or to resilience-building).

In light of the above, and considering that the HAR is not linked by duration to a specific Multi-Annual Financial Framework, a revision of the HAR is not deemed to be necessary at this stage.

## **Annex 9 Additional Information on Union Civil Protection Mechanism**

The Union Civil Protection Mechanism (UCPM) was established in 2013 by Decision 1313/2013/EU with the objective to support, complement and facilitate coordination of Member States' action in the field of civil protection. The UCPM ensures the coordination of in-kind assistance provided by the participating states to victims of natural and man-made disasters in Europe and elsewhere. The total UCPM's financial envelope for the period 2014-2020 is EUR 368.4 million, 144.6 million out of which are funded by Heading 4 (40% approximately). There are two budget lines within Heading 4 for the UCPM: a) Prevention & Preparedness outside the EU, and b) Response actions outside the EU. The combined budget of both external lines amounts to approximately EUR 20 million per year.

The funding provided by Heading 4 is explained by the fact that the UCPM is not an intra-EU disaster management tool solely, as it can be activated by any country in the world (or UN body) following a disaster. Indeed, the external dimension of the UCPM has steadily grown in importance in recent years. According to the most recent data<sup>150</sup>, of the 96 times that the UCPM has been activated since 2014 64 of those activations were for activations from outside the EU, i.e. 66 % times.

Despite the rather positive results of the recently conducted UCPM Interim Evaluation (2017), it is difficult to measure the expected impacts post-2020, especially for the international dimension of the UCPM. According to recent scientific research, climate change is expected to significantly increase the frequency and magnitude of natural disasters around the world<sup>151</sup>. Against this backdrop, the UCPM might be confronted to an increasing number of activations outside the EU borders, sometimes in remote locations, which will put the UCPM to the test.

The European Commission adopted in November 2017 a proposal to amend Decision 1313/2013 with the objective of improving the efficiency and effectiveness of the Union's Civil Protection Mechanism by developing additional overall capacities at EU level (rescEU), increasing funding in support of operations and reinforcing the prevention component of the Mechanism. This proposal is currently under negotiation in the Council of the EU and the European Parliament, with the aim of reaching agreement before the end of 2018.

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<sup>150</sup> Source: Emergency Response Coordination Centre, January 2018

<sup>151</sup> Forzieri, G. *et al.*, 'Increasing risk over time of weather-related hazards to the European population: a data-driven prognostic study', *Lancet Planet Health*, vol. 1, 2017, pp. e200-08.

## **Annex 10 Additional Information on Support to the Turkish Cypriot Community**

At the time of Cyprus' accession to the EU in 2004, the Council stated its determination to "put an end to the isolation of the Turkish Cypriot community and to facilitate the reunification of Cyprus by encouraging the economic development of the Turkish Cypriot community". Therefore, in parallel to supporting negotiations for a comprehensive settlement of the Cyprus issue, the EU provides support through a single EU Aid Programme for the Turkish Cypriot community.

This programme was established in 2006, following a request of the Council and amounts to 232 million (33 million yearly) for 2014-2020

The Programme aims at facilitating the reunification of Cyprus by encouraging the economic development of the Turkish Cypriot community with particular emphasis on the economic integration of the island, improving contacts between the two communities and with the EU, and preparation for the EU acquis. The Aid programme pursues six specific objectives: a) developing and restoring infrastructures; b) promoting social and economic development; c) fostering reconciliation, confidence building measures, and support to civil society; d) bringing the Turkish Cypriot community closer to the EU; and e) preparing the Turkish Cypriot community to introduce and implement EU acquis following a comprehensive settlement of the Cyprus problem.

The Aid Programme is an unique instrument with its own legal basis<sup>152</sup>. Contrary to most external action instruments, its duration is not linked to the MFF and the programme has not an end date. The Aid Programme presents little scope for synergies with other instruments and the Aid Programme should remain a separate instrument financed under Heading IV allowing its implementation to pursue the scope and the objectives defined in the basic act.

The EU is in a unique position to provide political and economic support towards the reunification of the island.

The programme is directly implemented by the European Commission. Some projects are implemented under indirect management by International Organisations or Member States Agencies.

A third of the Aid Programme funds have been dedicated to environmental infrastructure projects. This resulted in the replacement of old asbestos pipes in water distribution networks, and the construction of wastewater treatment plants and sewerage networks. Another third was allocated for socio-economic development enabling some 400 grant awards to farmers, businesses and civil society organisations to help modernise and improve competitiveness. The remaining funds were allocated for bi-communal efforts and familiarisation with EU matters (including the EU acquis). This allowed the Committee on Missing Persons (CMP) to exhume 1217 sets of remains out of 2002 missing persons. In addition, 72 island-wide Cultural Heritage initiatives were completed

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<sup>152</sup> Council Regulation (EC) 389/2006

involving more than 6000 Greek and Turkish Cypriots. More than 1000 grants for studying in the EU have been awarded to Turkish Cypriot students and professionals upgrading their qualifications and their EU awareness.

Finally, the impact of EU investment through TAIEX medium term assistance has been significant, with around 200 legal texts prepared with the support of TAIEX experts.

## **Annex 11 Additional Information on Instrument for Nuclear Safety Cooperation**

The INSC, with EUR 250 million, is addressing nuclear safety in third countries, alignment with EU policies and priorities and addressing specific needs. The set-up in 2015 of a multilateral Environmental Remediation Account on remediating legacy mining waste in Central Asia is an example of how the Instrument addresses these needs, in coordination with international donors and organisations. The Instrument duly promotes the highest standards and practices used in the European Union on the basis of the Euratom Treaty and a set of relevant Directives<sup>153</sup>. The Instrument also matches recognised priorities as pursued by the International Atomic Energy Agency (IAEA) and the G7 Nuclear Safety and Security Group (NSSG). Coordination with the European External Action Service ensures compatibility of actions with international Conventions and Treaties and international developments.

The INSC can foster unique added value to engagement in nuclear safety cooperation with third countries, well beyond the capacities of Member States and other donors. The institutional framework allows the Commission to act at a global level on nuclear safety cooperation with consultations with the G7/8, and features specialized know-how and expertise, high nuclear safety standards and exclusive EU powers to address nuclear safeguards and based on continuity for nuclear safety cooperation with a track record of over a quarter of a century. It allows the EU to assume a world leading role in nuclear safety and permits engagement in policy level dialogue with Partner Countries and, in specific cases the triggering of political dialogue in the wake of nuclear safety negotiations.

The activities under this instrument should continue as much as possible under the broad instrument, notwithstanding the need for a specific instrument with a Euratom legal base, to preserve its competence, in full coherency and complementarity. Therefore a new instrument complementing the broad instrument should cover these types of activities.

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<sup>153</sup> Euratom Directives on Nuclear Safety (amended 2014), Radioactive Waste management (established 2011), and Basic Safety Standards on radiation protection (amended 2013). Common Implementing Regulation

## **Annex 12 Minutes of the Inter-service Steering Group Meeting, 23 March 2018**

### **REPORT – ISSG Meeting - MFF External Policy Cluster on 23 March 2018**

Services participating: BUDG, CLIMA, CNECT, DEVCO, EAC, ECFIN, ECHO, EEAS, ENV, HOME, MARE, NEAR, SG, SRSS, TRADE (participants list attached).

*The SG together with DG DEVCO provided feedback to questions on the draft impact assessment (IA), and invited DGs to provide written comments by Monday 26 March 12h. SG also outlined the next steps including the submission of the IA early next week, with the RSB meeting taking place on 25 April.*

The SG (W. Sleath) highlighted the context of the current draft impact assessment, and the need to clearly point to the costs of a non-Europe and the European added-value. Guidance was provided by the joint note from Commission President Juncker and Commissioner Oettinger. The SG also reminded that the Impact Assessment (IA) was a document that would be shared with the general public and that the minutes of the ISSG meeting will accompany the IA when sent to the Regulatory Scrutiny Board (RSB).

DG DEVCO underlined that the objective should be to secure a positive opinion from the RSB. The work on the new broad instrument in general, and the IA in particular, was a collaborative undertaking of contributions and discussions with several DGs. The work was based on the mid-term review evaluations (MTR), taken forward by sketching out where the EU would like to go in the future, and taking into account RSB guidance. The SG had confirmed that the ex-ante evaluations listed in the guidance note were not required as separate texts if covered properly in the IA. The IA was an analytical document informing future discussions - not a position paper- focusing on the future broad instrument. DG DEVCO stressed that the instrument would be primarily an enabling instrument and not a place to set policies. The Annexes to the IA would focus on the instruments that would exist outside the new broad instrument.

DG CLIMA asked whether the Partnership Instrument (PI) would be covered by the geographical or thematic pillar of the future instrument, highlighting that the former instrument would deliver through both channels. A link to the SDGs was important, including in the context of G20 discussions, where PI support was a valuable bargaining chip. The FPI added that the PI had a proven track-record and in the future would also need a thematic perspective. DG DEVCO recalled that the new broad instrument was not a copy-paste of previous instruments and would not put entire previous programmes in individual pillars, but would rather look at the actions financed under the former instrument and assign them to pillars where maximum synergies with other efforts could be reaped. This would also apply to the external projection of EU policies. The

geographic pillar would focus on national and regional cooperation, while the thematic pillar should address truly global issues. Crisis management and the development-humanitarian nexus would be covered under the un-programmed pillar. SG added that since EU interests apply overall, it is not useful to define the structure of the instrument based on such interests.

DG HOME enquired on how migration would precisely be captured in the new external instrument, given the emphasis in the note from the President and Commissioner Oettinger, and noted the importance of an effective delineation with the funds with an internal focus. DG DEVCO highlighted the importance of migration across the three pillars of the new instrument, with migration having a national, regional but also global and possibly an emergency dimension; the latter of these would be covered by the un-programmed part of the new instrument, or under the unallocated heading (20% of the instrument). It was too early to discuss amounts.

DG ECHO wondered how the development-humanitarian nexus would be covered under the un-programmable pillar, how the European Development Fund's (EDF) ability to complement for emergencies would be preserved, and how the internal and external dimensions of disaster relief actions would be procedurally captured under the two respective headings (the SG pointed to the internal centre of gravity of RescEU financing actions). DG DEVCO stressed that that access to the broad instrument's unallocated funds for humanitarian purposes was not foreseen. If necessary, the successor to the emergency reserve should supplement funding of the humanitarian instrument. The development-humanitarian nexus would be covered under the un-programmed pillar.

The Legal Service (SJ) enquired about the place of the investment related parts (e.g. guarantees) in the new architecture, and wondered about a 'plan B' in case the EDF could not be budgetised (DG DEVCO confirmed there is no 'plan B'). The SJ also provided comments on the Instrument for Nuclear Safety Cooperation and the EU Aid Volunteers and on the need to verify the legal bases of the Regulation of the new instrument at a later stage, when the shape and form of the Regulation is clearer. DG ECFIN added that the investment-related provisions were part of the new instrument but this would have to be made clearer in the current draft IA.

DG BUDG asked for a clearer link between the objectives and the individual pillars, to which DG DEVCO replied that this was against the spirit (maximisation of synergies) of the new instrument, in the sense that objectives would be met by actions under all pillars (thereby benefitting from the possibility of addressing challenges at the most effective level (national, regional, and/or global). The SG added that the new broad instrument was an enabling tool to fulfil political set (and possibly changing) objectives.

The EEAS underlined that the Global Strategy should be clearly referred to, and pointed to the need for several thematic topics (climate change, human rights, peace and stabilisation) to maintain the current funding level, despite the smaller proportion of the thematic pillar compared to the geographical pillar. DG ENV was also in support of a thematic coverage to promote EU policies. DG MARE indicated their wish to maintain



the financing of their global ocean governance actions under the thematic pillar, highlighting global challenges such as illegal fishing, climate change and water pollution. DG CNECT asked for higher visibility in the current draft IA text for the digitalisation of societies, including in the developing world. DG EAC recalled the importance of simplifying the procedures of the Erasmus+ programme to overcome the current (planning and programming) mismatch between the different budget headings.

On the next steps, the SG invited the DGs and services to send written comments at the latest by Monday 26 March noon. Shortly thereafter the IA would be submitted to the RSB, which will meet on 25 April. College adoption of the MFF proposal is planned for 2 May, and the adoption of the individual instruments for the end of May.

*SG.E3*

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