



EUROPEAN COMMISSION

MEMO

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The Multiannual Financial Framework: The External Action Financing Instruments

1. What is the Multiannual Financial Framework (MFF)? What are the proposals for the external instruments?

The MFF translates the EU's political priorities for seven years into financial terms. It sets annual maximum amounts (ceilings) for EU expenditure as a whole and for the main categories of expenditure (headings).

On 2 December 2013 the Council adopted the regulation on the MFF 2014-2020 after the European Parliament gave its consent to it on 19 November 2013. The funding confirms the earlier political agreement of the European Council in February 2013.

Compared to the Member States, the European Union has a small budget, but with a large impact for Europeans and citizens of third countries. The multi-annual budget for 2014-2020 responds to today's concerns and tomorrow's needs. It represents a budget for investment and growth to ease the pressure on Member States' finances, focussing on Europe 2020 priorities, impacts and results. It is less than was suggested by the Commission and requested by the European Parliament, but the best possible deal in these difficult economic times. The MFF focuses further on priority funding at the EU level that provides true added value. The overall amount agreed for the next seven years in 2011 prices is €960 billion in commitments (1% of the EU GNI) and €908 billion (0.95% of EU GNI) in payments.

Global Europe: External financing instruments

The legislative package voted today forms part of the next MFF, it steers how the agreed amounts will be spent in the field of external action. It consists of legal acts setting up three geographic and three thematic instruments and a horizontal act with common implementing rules for all instruments. The new Regulations will enter into force on the day following that of their publication in the Official Journal of the European Union. They will apply from 01 January 2014 until 31 December 2020.

At a time when the world order is changing rapidly and emerging economies like China, India and Brazil are asserting their influence, Europe must stand together and be an active partner in shaping global change. These instruments will also enable the EU to further reinforce its role on the global stage and promote its interests and values.

The EU external relations budget will help make Europe count in a world of shifting alliances and emerging new powers. The overall objective for external action will be to ensure that the EU is also able to live up to its ambitions in promoting democracy, peace, solidarity, stability and poverty reduction and to help safeguard global public goods.

The EU will focus its work with its external partners on four policy priorities: enlargement, neighbourhood, cooperation with strategic partners and development cooperation.

The total amount agreed for this external relations package is €51,419 million (current prices) over the period 2014-2020.

Instrument for Pre-accession Assistance (IPA):	€11,699 million
European Neighbourhood Instrument (ENI):	€15,433 million
Development Cooperation Instrument (DCI):	€19,662 million
Partnership Instrument (PI):	€955 million
Instrument contributing to Stability and Peace (IfSP):	€2,339 million
European Instrument for Democracy & Human Rights (EIDHR):	€1,333 million

The package will also have to be voted by the Council and is expected to be adopted shortly.

In addition to the package voted today, the Instrument for Nuclear Safety Cooperation will provide €225 million and the Instrument for Greenland €184 million, from the EU-budget. Both instruments will be exclusively adopted by the Council.

A further €30,506 million will be made available for cooperation with African, Caribbean and Pacific (ACP) countries as well as Overseas Countries and Territories (OCT) through the 11th European Development Fund, which will remain outside of the EU budget and also is not subject to the ordinary legislative procedure.

Overall funding for all above mentioned instruments adds up to €96.8 billion in current prices.

2. What is new about the instruments, what changes?

The main differences lie in the underpinning principles rather than in a revised structure.

- A differentiated approach with different forms of cooperation

The EU will seek to target its resources where they are needed most and where they can make the most difference. A more **differentiated approach** to partnerships and aid allocation driven by the country context is a core principle of this proposal.

Assistance will be allocated on the basis of country needs, capacities, commitments, performance and potential EU impact. Differentiation will allow for **different forms of cooperation** such as blending grants and loans from international and European financing institutions, including the European Investment Bank.

- Concentration of spending

The EU will also concentrate external spending to avoid the inefficiencies resulting from sectorial dispersion and aid fragmentation.

- More flexibility

In a fast-changing world, EU financing instruments have historically been hampered by a lack of **flexibility**. In order to further increase the EU's capacity to respond to unforeseen events, new mechanisms have been introduced that allow to revise the instruments to increase flexibility.

- Simplification of rules

Simplified rules and procedures for programming and delivering EU assistance will ensure more effective delivery of EU assistance.

- Greater focus on human rights, democracy and good governance

The EU will aim for donor-recipient **mutual accountability** in allocating and disbursing funds. Overall, EU external instruments will take greater account of human rights, democracy and good governance when it comes to allocating external assistance to partner countries.

- Joint efforts between Member States and EU Institutions

In line with the Lisbon Treaty, the new instruments foresee more democratic debate on EU external assistance through a **stronger involvement of the European Parliament**.

Improved coordination between the EU and Member States to maximise our impact and visibility will also be a key feature of this new set of instruments, notably through joint programming of aid. Under joint programming the EU and its Member States jointly assess the priorities in each partner country to establish a common framework for their development programmes to reduce fragmentation and have better impact on the ground.

Better reporting will enhance transparency and ensure proper and continuous information on the way external financial instruments are being implemented.

3. What are the EU financing instruments?

The package includes nine financing instruments (of which six have been voted today) and one horizontal regulation on implementation modalities. The **Partnership Instrument** is the main innovative instrument of the 2014-2020 package, building on the Instrument for Cooperation with Industrialised countries (ICI). The existing financing instruments have been revised to adjust to new realities, be more strategic and easy to use.

THE INSTRUMENT FOR PRE-ACCESSION ASSISTANCE (IPA)

The EU will continue its support to aspirant countries (Albania, Bosnia and Herzegovina, Kosovo*, Montenegro, Serbia, Turkey, the former Yugoslav Republic of Macedonia)¹ through a renewed Instrument for Pre-accession Assistance (IPA), building on the positive experience from the current instrument. IPA will help these countries implement comprehensive reform strategies needed to prepare for future membership, with an emphasis on the rule of law, fundamental rights, economic governance and competitiveness, tangible socio-economic development, regional cooperation, implementation of EU laws and standards, and capacity to manage the Union's internal policies upon accession. More use will be made of innovative financial instruments set up with international financing institutions, with EU funds acting as a catalyst for leveraging investment in infrastructure.

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

¹ Iceland remains a beneficiary under IPA II. In light of Iceland's decision to put accession negotiations on hold and in agreement with the Icelandic government, the Commission has suspended preparatory work for IPA II.

Main elements of the new IPA

On the delivery side, while ensuring continuity and seamless transition from the current IPA, the new instrument will operate under simplified rules so as to facilitate access to the funding for beneficiaries. For better effectiveness and efficiency, the assistance will be made more result-oriented, flexible and tailored to specific needs. This will be achieved through:

- focusing on **a limited number of policy areas and sectors**, notably those that help beneficiary countries strengthen their democratic functioning, economic governance, enhance their economic and social development and help them progressively meet the accession criteria;
- ensuring an even closer **link between the enlargement strategy and the priorities for assistance**. Incentives will be available to countries that advance in reforms; in case of underperformance, funds will be reallocated.
- addressing more closely **the needs of the beneficiaries** and taking better into account their technical and administrative capacities; access to assistance will be granted under the same terms to all aspirant countries, without distinction based on the status of the country (i.e. whether candidate or potential candidate);
- reducing the administrative burden: strategic, multi-annual planning documents covering seven years – Country and Multi-Country Strategy Papers – and in principle reviewed only at mid-term will be the basis for a well-planned and sequenced programming of assistance. This will allow the Commission to focus more on the objectives themselves, rather than the mechanics of preparing individual projects;;
- improving **the effectiveness of the assistance**: there will be more flexibility to allocate funds to more result-oriented actions, to cater for emerging needs and to give incentives to improve performance;
- leveraging more funds and **exploiting synergies** to enable necessary investments to be made: the new instrument will provide for increased cooperation with international financing institutions and other donors, and for the use of innovative financial instruments;
- monitoring **progress in achieving key objectives**: pre-defined, clear, transparent and, where appropriate, country-specific and measurable indicators will be set out.

Budget

The final agreed budget is **€11,699 billion** (current prices), which means funding remains stable compared to the current IPA, roughly at the level of the 2013 budget (Croatia excluded). This will allow continuation of the successful work started under the current IPA in promoting important reforms in the aspirant countries.

The European Neighbourhood Instrument (ENI)

The new ENI Instrument will provide the bulk of funding to the 16 partner countries² covered by the European Neighbourhood Policy (ENP) in line with the principles of differentiation and the incentive based approach. Building on the achievements of the current European Neighbourhood and Partnership Instrument (ENPI), the ENI will support

² Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, the Republic of Moldova, Morocco, Palestine, Syria, Tunisia and Ukraine.

strengthening of relations with Neighbourhood countries and bring tangible benefits to both the EU and its partners. It will provide support through bilateral, multi-country and Cross Border Co-operation (CBC) programmes.

In line with the renewed Neighbourhood Policy launched in 2011, ENI support will mainly focus on:

- Promoting human rights and the rule of law; establishing deep and sustainable democracy and developing a thriving civil society;
- Sustainable and inclusive growth and economic, social and territorial development; including progressive integration in the EU internal market;
- Mobility and people-to-people contacts; including student exchanges;
- Regional integration; including Cross-Border Cooperation programmes.

Main elements of the new ENI

- Implementing differentiation and the incentive based approach: the EU will better **differentiate** levels of support by adjusting its assistance to the partner countries' needs and progress, based on clear criteria.
- The **incentive based approach**, the key aspect of the renewed Neighbourhood policy, will allow the EU to increase its support for those partners who are genuinely implementing deep and sustainable democracy, including respect for human rights, and agreed reform objectives, as assessed in regular progress reports. **Streamlining the scope of the Instrument** by focussing on a limited number of key policy objectives. This will make EU support more relevant, more aligned with policy priorities and more flexible.
- **Streamlining the programming process** by reducing its complexity and increasing its focus, especially for ENP partners that have jointly agreed to the EU strategic priorities in Action Plans or equivalent documents. This will further increase efficiency and speed of support provided to ENP partner countries.
- **Improving provisions on Cross-Border Cooperation (CBC) programmes.** These programmes aim at reinforcing cooperation between Member States and partner countries along the external border of the European Union. The revised provisions will facilitate effective and fast implementation.
- **Promoting closer links with EU internal instruments and policies;** including through promoting mechanisms for the pooling of funds from internal and external instruments of the EU budget. The aim is to enable partner countries and their citizens to participate in successful EU internal programmes in areas such as research and innovation, youth programmes, development of small and medium enterprises and industrial cooperation, while improving the efficiency and simplification of the implementation of assistance.
- **Responding to the evolving relationship with Russia** by amending Russia's eligibility for ENI funding to reflect the specific status of Russia as an EU neighbour and strategic partner. As a neighbour, Russia will remain eligible under the ENI for multi-country programmes (including regional cooperation and Erasmus +) and CBC programmes. Bilateral cooperation with Russia under the new MFF will be funded under the new Partnership Instrument, which supports cooperation with EU strategic partners.

Budget

The final budget for the ENI stands at €15,433 billion (current prices), which is overall comparable with the total funding allocated under the current ENPI in for 2007-2013.

DEVELOPMENT COOPERATION INSTRUMENT (DCI)

The DCI covers, through its different programmes all the developing countries except the countries eligible for the Pre-Accession Instrument. The geographic programmes under the DCI cover developing countries in Asia, Central Asia, Middle East, Latin America, and South Africa.

Objectives and general principles of the DCI have been formulated in line with the Lisbon Treaty and the latest policies, notably the 'Agenda for Change' of EU development policy. Its prime objective is the reduction of poverty, but it will also contribute to the achievement of other goals of EU external action, in particular fostering sustainable economic, social and environmental development as well as promoting democracy, the rule of law, good governance and respect for human rights.

The main elements of the new DCI are:

- Geographic programmes: they will support bilateral and regional cooperation with developing countries in several areas such as human rights, democracy, good governance and sustainable growth for human development and many other priorities relevant to each region.
- Thematic programmes are split into two categories:
 - 'Global public goods and challenges': this programme will address climate change, environment, energy, human development, food security and migration while ensuring coherence with the poverty reduction objective. No less than 27% of this programme will be spent on climate change and environment objectives. At least 25% of the programme will support social inclusion and human development.
 - 'Civil society organisations and local authorities': this programme will provide greater support to civil society and local authorities to encourage them to play a bigger role in development strategies.
- The DCI will also include a new Pan-African programme to support the strategic partnership between the EU and Africa. This programme will complement other financing instruments which are used in Africa (in particular ENI and EDF) and will support activities of a trans-regional, continental or global nature in and with Africa.

A differentiated approach

Differentiation will respond to needs, capacities and performance of **partner countries** and will target EU development cooperation where it can have most impact: The countries **most in need**, in particular the least developed countries, low income countries and countries in crisis, post-crisis, fragile and vulnerable situation, will be given priority.

Budget

The agreed budget for the new DCI is € 19,662 million (current prices) which corresponds to the funding level of the current DCI.

PARTNERSHIP INSTRUMENT (PI)

The Partnership Instrument is the main innovative instrument in the external action package.

Its overall objective is to advance and promote EU interests by supporting the external dimension of EU internal policies (e.g. competitiveness, research and innovation, migration) and by addressing major global challenges (e.g. energy security, climate change and environment). The external projection of the "Europe 2020" Strategy represents a major strategic component of this Instrument.

The Partnership Instrument will also address specific aspects of the EU's economic diplomacy with a view to improving access **to third country markets by boosting** trade, investment and business opportunities for European companies. It will support public diplomacy, **people to people contacts**, academic cooperation and outreach activities to promote the Union's values and interests.

The Partnership Instrument offers a different approach to established models of development co-operation to promote policy co-operation.

It will focus in particular on countries for which the EU has a strategic interest in promoting links with. This includes countries which play an increasingly prominent role in global affairs, international economy and trade, multilateral fora and global governance and in addressing challenges of global concern **or** where the Union has **other** significant interests. The Instrument will also underpin new relationships with countries which are graduating from bilateral development aid.

The Partnership Instrument will allow the EU to develop and engage in an overarching political dialogue with key partner countries. Its global reach and flexibility are essential elements to enable the Union to respond to the fast changing nature of partner countries and to key policy global challenges.

INSTRUMENT CONTRIBUTING TO STABILITY AND PEACE (IfSP)

The IfSP is a key instrument of the EU to help prevent and respond to crises and create a safe and stable environment. It has been re-named from its earlier title "Instrument for Stability" and streamlined to better contribute to a comprehensive EU approach to conflict prevention and peace-building, crisis response and security threats. Its specific objectives are to:

- Provide a swift crisis-response in political conflicts and when natural disasters occur, complementing humanitarian relief and interventions of the Common Foreign and Security Policy and the European Security and Defence Policy.
- Enhance the EU capacity for crisis preparedness, conflict prevention and peace building in cooperation with international, regional and civil society organizations and EU Member States.
- Build capacity to address global and trans-regional security threats, including - for the first time – dealing with security issues related to climate change. Special actions will be supported to counter terrorism. Activities will continue in the fight against piracy, organised crime and to promote aviation and security. The EU response will be through a regional approach. Efforts to fight terrorism could be done on a national basis.

Flexibility has been improved by expanding the maximum length of crisis response measures up to a maximum of 30 months and the deployment of a second Exceptional Assistance Measure in cases of protracted conflict to build on the results of a previous one.

EUROPEAN INSTRUMENT FOR DEMOCRACY & HUMAN RIGHTS (EIDHR)

The EIDHR's budget has been increased and will enable the EU to provide more support for the development of thriving civil societies and their specific role as key actors for positive change in support of human rights and democracy. This will include increasing the EU's capacity to react promptly to human rights emergencies and more support for international and regional human rights protection mechanisms. Support will also be given to carrying out electoral observation missions, following up their recommendations and improving democratic and electoral processes.

The EIDHR's objectives have been better defined with respect to the protection of human rights and support of democratic processes, including in particular:

- A stronger wording on the role of civil society, including a specific reference to the cooperation between civil society and local authorities and relevant state institutions
- A stronger emphasis on each vulnerable group (national, ethnic, religious and linguistic minorities, women, lesbian, gay, bisexual, transgender and inter-sex persons (LGBTI), indigenous peoples)
- A stronger emphasis on economic and social rights

The instrument will also have a stronger focus on the most difficult countries and emergency situations where human rights and fundamental freedoms are most in danger. In such situations, the EU will be able to respond in a more flexible and timely manner through ad hoc grants. This will particularly be the case where less speedy solutions would expose beneficiaries to the risk of serious intimidation or retaliation and in order to address the urgent protection needs of human rights defenders on the ground.

Concretely this means: re-granting within projects will be possible; grants for human rights defenders in urgent need of protection will be possible; direct award of grants will be used where calls for proposal are not possible due to the restrictive environment for civil society in a country.

COMMON IMPLEMENTING REGULATION (CIR)

This horizontal regulation offers new harmonised, simplified and flexible provisions for four geographic instruments (IPA, ENI³, DCI and Greenland)⁴ and four thematic instruments (PI, INSC, EIDHR, IfSP).

- Decision-making procedures have become more flexible, therefore implementing measures will be adopted faster, accelerating the delivery of EU assistance.
- The regulation fine-tunes the rules for the use of budget support, as well as innovative financial tools, such as blending of grants and loans.

³ The specific situation of IPA and ENI with their specific characteristics related to pre-accession and cross-border cooperation will require additional implementing rules and procedures.

⁴ The EDF is not covered by this regulation.

THE EUROPEAN DEVELOPMENT FUND (EDF)

The 11th EDF (2014-2020) will remain outside the EU budget; however, the negotiations in the Council on the different elements of the 11th EDF have taken place in parallel with the negotiations of the external instruments financed under the budget, to ensure consistency.

The EDF will continue to cover cooperation with **African, Caribbean and Pacific Countries (ACPs)** and **Overseas Countries and Territories (OCTs)**.

The 11th EDF was created by an intergovernmental agreement signed in June 2013, which still needs to be ratified by Member States. Pending the ratification, and in order to ensure the continuity of funding for cooperation with ACPs and OCTs as from 1 January 2014, transitional measures in the form of a 'Bridging Facility' will be adopted before the end of 2013.

There are only minor modifications foreseen in the 11th EDF compared to the 10th EDF. Mainly, Member States' contributions keys to the Fund will be further aligned with the keys used for the EU budget. Furthermore, it aims to ensure more flexibility and fast reaction in case of unexpected events. Regional funding will include allocations to cover unforeseen needs with a regional dimension. A new shock-absorbing scheme will be set up which will help ACP countries to mitigate the short-term effects of exogenous shocks such as economic crisis or natural disaster.

INSTRUMENT FOR NUCLEAR SAFETY COOPERATION (INSC)

The INSC's geographical coverage will be extended to all third countries, but priority will be given to accession and neighbouring countries. The Instrument will respond to the global challenges and the need for EU action in the field of nuclear safety, radiation protection and nuclear safeguards. Safeguards are of high importance in the fight against the illicit trafficking of nuclear materials. As part of a preventive approach the instrument will, for the first time, provide support to the upgrading of regulatory frameworks in countries in Africa. The aim is to ensure that uranium mining respects high safety and environmental standards. Initiatives to improve the day-to-day situation of the population in and around Chernobyl will continue. A special programme for dealing with the uranium legacy in parts of Central Asia will be implemented together with the European Bank for Reconstruction and Development.

INSTRUMENT FOR GREENLAND

This proposal of a revised partnership recognises the emerging international awareness towards Greenland and its geostrategic importance. The partnership allows for the EU to assist Greenland in diversifying its economy, for an increased focus on policy dialogue in areas of increased global importance (e.g. Arctic issues and climate change) and broadening the areas of cooperation (beyond e.g. education, culture and tourism) to include issues of mutual interest such as environment, biodiversity, raw materials and research.

For more information:

[MEMO/13/1135](#): Joint Statement by Commissioner for Enlargement and European Neighbourhood Policy Stefan Füle and Commissioner for Development Andris Piebalgs on the Approval of the financing instruments for EU external action by the European Parliament.

[IP/13/1236](#): EU enhances its comprehensive approach to external conflicts and crises.