

Implementation of the Union's instruments for financing external action (2014-2020)

2011/0415(COD) - 07/12/2011 - Legislative proposal

PURPOSE: to establish common rules and procedures for the implementation of the Union's instruments for external action for 2014-2020.

PHILOSOPHY AND ACTION PLAN FOR EXTERNAL AID 2014-2020: what happens outside the borders of the EU can and does directly affect the prosperity and security of EU citizens. It is therefore in the interest of the EU to be actively engaged in influencing the world around us, including through the use of financial instruments. The Lisbon Treaty marks, in this regard, a new departure in the EU's relations with the rest of the world.

The EU's engagement needs to be **tailored to individual circumstances**. Its partners range from development economies to the least developed countries in need of specific assistance from the EU.

In general, the overall objective for external action for the period 2014-2020 may be summarised as follows:

- long-term commitment to establishing an area of stability, prosperity and democracy in its own neighbourhood;
- facilitating the EU's engagement with third countries on issues that are of global concern, such as climate change, environmental protection, irregular migration and regional instabilities, and
- allowing the EU to respond rapidly and effectively to natural and manmade disasters around the world.

A major rationalisation of the instruments took place in 2003 and has begun to deliver more effective results. **The Commission does not consider that another major alteration of the legislative architecture is necessary for the next MFF period**, although some improvements are being proposed and the overall investment is being stepped up.

The Commission proposes to allocate **EUR 70 billion for the 2014-2020 period for external instruments broken down as follows:**

- [Financing instrument for development cooperation](#)
- [Partnership instrument for cooperation with third countries](#)
- [Instrument for Pre-accession Assistance \(IPA II\)](#)
- [European Neighbourhood Instrument](#)
- [Instrument for nuclear safety cooperation](#)
- [Instrument for Stability](#)
- [Financing instrument for the promotion of democracy and human rights worldwide](#)

In parallel and for the first time, the Commission proposes a single horizontal [regulation establishing common rules and procedures for the implementation](#) of the Union's instruments for external action. This is the purpose of the present proposal.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

BACKGROUND: a priority for the Commission within the context of the Multiannual Financial Framework (MFF) is to simplify the regulatory environment and facilitate the **availability** of Union assistance to partner countries and regions, civil society organisations, SMEs, etc. to the extent that they contribute to the objectives of the Regulation.

In the implementation of the new Instruments, simplified and flexible decision-making procedures would allow a swifter adoption of implementing measures and thus of delivery of EU assistance, in particular for countries in crisis, post-crisis and fragility. Furthermore, the revision of the Financial Regulation, which is particularly substantial with regard to the special provision on external actions, will facilitate the participation of civil society organisations and small businesses in funding programmes, for example by simplifying rules, reducing the costs of participation and accelerating award procedures. The Commission intends to implement this Regulation using the new flexible procedures provided for in the new Financial Regulation.

IMPACT ASSESSMENT: the Commission performed an internal review of different reports (evaluations, audits, studies, mid-term reviews). The review looked at what worked and what did not work, and drew lessons for the drafting of the financial instruments. The review showed that the current Instruments contributed to progress towards the MDGs in developing countries. The implementation modalities, such as budget support and the "sectorwide approach", have allowed deeper cooperation with partner countries and a more efficient division of labour through co-financing between donors. Nevertheless, the review identified a number of shortcomings. **The current implementation process was assessed as too complex and does not allow swift adjustments if required.** These shortcomings have been directly addressed in the present Regulation.

LEGAL BASIS: Article 209(1) and 212 (2) of the Treaty on the Functioning of the European Union (TFEU).

CONTENT: the Commission proposes set of simplified rules and conditions for providing the Union's financial assistance to actions, including action programmes and other measures, under the following Instruments:

- the Development Cooperation Instrument ('DCI'),
- the European Instrument for Democracy and Human Rights ('EIDHR'),
- the European Neighbourhood Instrument ('ENI'),
- the Instrument for Stability ('IfS'),
- the Instrument for Nuclear Safety Cooperation ('INSC'),
- the Instrument for Pre-accession Assistance ('IPA') and
- the Partnership Instrument ('PI').

The proposal sets out the objectives of the Regulation which are to provide a harmonised set of implementing rules for Relex Instruments, to protect the financial interests of the Union, and to promote simplification and flexibility in implementing these Instruments.

Adoption of Action Programmes, Individual Measures and Special Measures: the proposal provides that financing decisions taken by the Commission are to be in the form of action programmes, based on the **multiannual programming documents**.

Exceptionally, individual measures can be adopted outside the action-programme framework. In the event of unforeseen and duly justified cases, the Commission may adopt special measures not provided for in the multiannual programming documents.

Support measures: the proposal defines the types of expenditure that represent support to the implementation of this Regulation and which may be covered by Union financing (e.g. preparation, follow up, monitoring, audit and evaluation activities, provision of information and communication efforts). These measures can be financed outside the scope of the programming documents.

Provisions on the financing methods: The Union's financial assistance may be provided, inter alia, through the following types of financing envisaged by the Financial Regulation:

- grants;
- procurement contracts for services, supplies or works;
- budget support;
- contributions to trust funds set up by the Commission;
- financial instruments such as loans, guarantees, equity or quasi-equity, investments or participations, and risk-sharing instruments, possibly combined with grants;
- shareholdings or equity participations in international financial institutions, including regional development banks.

The Union's financial assistance may also be provided, in accordance with the Financial Regulation, through contributions to **international, regional or national funds**, such as those established or managed by the European Investment Bank, international organisations, Member States or by partner countries and regions, for attracting joint financing from a number of donors, or to funds set up by one or more donors for the purpose of the joint implementation of projects.

Implementing tasks: the Union's financial assistance shall be implemented by the Commission as provided for by the Financial Regulation, directly by Commission departments, Union delegations and by executive agencies, or indirectly by entrusting budget implementation tasks to the entities listed in the Financial Regulation, including under shared management with Member states.

Technical measures: the proposal also provides for innovative instruments, such as loans, guarantees, equity and risk-sharing instruments, and describes possible arrangements with respect to taxes, duties and charges. It describes that the measures under this Regulations may be implemented directly by the Commission or indirectly by entrusting budget implementation tasks to any entity or person listed in the Financial Regulation. This provision also defines the type of co-financing (parallel or joint).

It also lays down measures to protect the Union's financial interests, and in particular to enable it (notably the Commission, the Court of Auditors and OLAF) to carry out all the necessary checks on the measures implemented as well as conditions governing access to public procurement and grant awards for the purposes of implementing the Regulation. The proposed provisions are significantly simplified and indicate the objective to work towards untied aid delivery. Nevertheless, the articles introduce in detail the conditions for eligibility of third countries (reciprocity requirement, participation in the implemented programme, non-eligibility of certain countries, etc.) and exceptions thereto (unavailability of products or services provided, extreme urgency, triangular cooperation, etc.).

Evaluation and implementation report: the Commission should regularly evaluate the results of the implemented policies and programmes, sectoral policies and the effectiveness of programming itself. All relevant stakeholders will be associated to the evaluation and the report will be shared with the Council and the European Parliament. No later than **31 December 2017**, a report shall be established by the Commission on the achievement of the objectives of each of the Instruments by means of result and impact indicators measuring the efficiency of the use of resources and the European added value of the Instruments, in view of a decision on the renewal, modification or suspension of the types of actions implemented under the Instruments.

The Commission shall examine the progress made in implementing the measures of financial assistance taken in external action and shall submit to the European Parliament and to the Council a report **every two years** starting in 2016 on the implementation and results and, as far as possible, on the main outcomes and impacts of the Union's financial assistance. Specific tracking system based on the OECD methodology ('Rio markers') is proposed. By mid 2018, the Commission shall prepare and submit a report evaluating the implementation of this Regulation to the European Parliament and the Council, and, if appropriate, present a legislative proposal introducing the necessary modifications. Likewise, this report will assess the impact of the measures adopted on the basis of this Regulation.

Comitology: the proposal describes the involvement of the relevant committees in the implementation of this Regulation.

BUDGETARY IMPLICATIONS: the proposal has no implications for the EU's budget.