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**JOINT COMMUNICATION TO THE EUROPEAN PARLIAMENT AND THE
COUNCIL**

Global Europe : A New Approach to financing EU external action

1. CONTEXT

With 500 million inhabitants, accounting for over 25 % of the world's gross domestic product and a fifth of worldwide trade, the European Union (EU) is a global player. Assuming its responsibilities for global governance, the EU takes an active political role and has specific regional and global interests. This is underpinned notably by providing more than half of all international development aid and being the world's biggest donor of humanitarian assistance. EU's role in global governance is reflected in its active support for democracy, the rule of law, the protection of human rights and human security alongside compliance with international environmental and social conventions, open trade as well as a decent work agenda.

The world has changed. The present economic crisis underlines the need for Europe to have deeper and stronger relations with its partners, including neighbouring regions, as they have a major impact on Europe's financial and economic prospects. Security-related challenges have taken on new forms as the world becomes more interconnected. Natural resource scarcities, a rapidly growing world population and threats associated with climate change have questioned the way we deal with our international partners.

The developing world is also changing rapidly. A power shift is currently taking place with a lengthening list of emerging powers entering the global arena. Brazil, Russia, India, China and South Africa in particular have new ways of engaging with the rest of the world and also often different values. The rules of global governance are being redefined with the rise of the G20. Many areas of great interest to the EU, such as sustainable development, security including non-proliferation, disarmament and cyber-security, financial regulation, trade and investment, climate change, biodiversity and the use of new technologies require multi-lateral solutions.

In this more fluid global environment, the EU has a key interest to promote a rules-based international system. Emerging economies also play an increasing role in developing countries with south-south trade outpacing north-south. The poorest countries, on the other hand, face an increasing threat of marginalisation. Lastly, Europe's immediate neighbourhood is undergoing tremendous change with the initiation of democratic transition processes in the Southern Mediterranean.

The European Union has changed. The Lisbon Treaty offers new scope to promote a comprehensive and consistent EU approach. It sets out the overarching principles, objectives and overall framework for EU external action and also establishes the European External Action Service (EEAS), under the authority of the High Representative and Vice President who is tasked with ensuring the consistency of the Union's external action. The EEAS and the Commission co-operate closely in the delivery of the Union's external policies, both in Headquarters and in EU Delegations. The European Parliament was also given additional powers, in particular under the budgetary procedure. New Treaty provisions on EU relations with enlargement and neighbouring countries, development cooperation, humanitarian aid and civil protection should be matched with adequate legal and financial tools.

The Communication, 'A Budget for Europe 2020', adopted by the College on 29 June 2011 highlighted the areas where the EU can play an important role in a changing and globalising world and is clearly based on the Europe 2020 strategy and the new architecture of the Lisbon Treaty. In the midst of a global economic crisis, the EU must more than ever seek to target its

resources where they are needed most and where they could have the greatest impact and add the most value.

The overall objective for external action under the new MFF will be to ensure that, despite the economic crisis and its budgetary consequences, the EU is able to speak with one voice, to live up to its ambitions in promoting democracy, peace, solidarity, stability and prosperity and poverty reduction, both at global level and in our immediate neighbourhood, and to help safeguard global public goods. These are the guiding principles for the proposals for revised external action instruments accompanying this Communication¹.

2. WHY SHOULD THE EUROPEAN UNION INVEST IN EXTERNAL RELATIONS?

2.1 An interconnected world

The relative weight of our main partners is increasing, both in economic and political terms, making it ever more necessary for the EU to speak with one voice. Events in other parts of the world can have direct repercussions on European citizens. Man-made or natural disasters can quickly undermine stability across many countries. As we have seen in the context of the 'Arab Spring', events taking place in our neighbourhood have direct and immediate consequences. The EU has a particular interest and responsibility in proactively promoting democratisation leading to stability and prosperity in this region.

Our societies are increasingly globalised. Everyday life is shaped by global trends in international trade and investment, energy, migration and climate change. The planet has to share limited resources in a sustainable manner and we have to adapt to a changing landscape. At the same time, and for the sake of stable and fair international governance, we must continue our efforts to help all those who risk being left behind.

By the same token, EU internal policies can have a direct impact on third countries and can often only be fully realised by close co-operation with our international partners. Against this backdrop of increasing interdependence and in light of its commitment to effective multilateralism, the EU has a vital interest in actively participating in decision-making processes on a global scale, in particular the multilateral fora such as the UN, the WTO and the G8 / G20.

Addressing global challenges such as climate change, biodiversity loss, terrorism, organised crime and cyber-security and trade imbalances requires key players to work more tightly together. The EU has to adapt to this new reality when pursuing its interests abroad and needs to pursue a more coherent and consistent approach in its bilateral and multilateral relations. The Union must be equipped to address all developments potentially affecting our citizens, be it by seizing opportunities or by anticipating possible risks and threats.

¹ Instrument for Pre-accession Assistance, European Neighborhood Instrument, Development Cooperation instrument, Commission Decision of implementing Council decision on relations between the European Union on the one hand and Greenland the Kingdom of Denmark on the other, Partnership instrument, European Instrument for Democracy and Human Rights, Instrument for Stability, Instrument for Nuclear Safety Cooperation. This will also guide the use of instruments related to Humanitarian Aid, Civil Protection and Macro-Financial Assistance.

2.2 EU added value

In a globalised world, joining forces has become all the more crucial. The EU's added value is evident in a number of areas:

- Resources can be pooled for use on a broad range of policies and instruments. All EU Member States can benefit from the EU's wide geographical representation in third countries which provide a platform to addressing specific challenges, combining a range of instruments and measures which individual countries are often unable to match.
- Improving our negotiating position and political leverage by increasing overall weight and representation on the basis of well-defined common interests and commitments. Similarly advancing multilateral discussions and solutions on matters of global concerns such as climate change, environmental protection and energy security.
- Projecting our policies, standards and values on the basis of shared European interests where, starting with enlargement and neighbourhood policies, the EU is best placed to accompany its partners in their political and economic transformation, help them stabilise their economies and align to EU rules and standards.
- Implementing best practices that build high international credibility in promoting human rights, pursuing democratisation, including electoral observation, and improving governance. Similarly, maintaining a high degree of neutrality and impartiality in delivering humanitarian assistance, and finally, exploiting our long experience in mobilising long-term and predictable development assistance on a global scale.
- Achieving economies of scale in delivering technical and financial assistance or cooperation activities, and providing diplomatic and development services abroad.

3. STRATEGIC OBJECTIVES

In line with the June MFF Communication, the EU's external financial instruments will pursue the following strategic objectives²:

- Promoting and defending EU values abroad, putting human rights, democracy and the rule of law at the core of EU external action,
- Investing in the long-term prosperity and stability of the EU's neighbourhood and supporting the reform process in those countries preparing for EU membership,

² COM(2011) 500 'A budget for Europe 2020 — Part II'.

- Supporting EU interests abroad, such as protecting EU citizens, enhancing trade opportunities, promoting EU norms and standards, ensuring energy security, etc.
- Projecting EU policies to address major global challenges, such as combating climate change, reversing biodiversity loss, and protecting global public goods and resources.
- Increasing the impact of EU development cooperation, with the primary aim of contributing to eradicate poverty,
- Enhancing mechanisms of European solidarity following natural or man-made disasters,
- Improving crisis prevention and resolution capabilities, preserving peace, preventing conflict and strengthening international security.

4. UNDERLYING PRINCIPLES

4.1 Seizing new opportunities

The emphasis for the post-2013 period will be on adapting the EU's methods of designing, programming and delivering external assistance to the new political, economic and institutional realities while building on what has proven to be successful so far.

Addressing short-, mid- and long-term challenges on a variety of issues and mobilising a mix of external instruments at EU and Member State level will require particular efforts ensuring overall policy coherence in our engagement with our partners in the pursuit of a comprehensive EU approach. The proposed revision of the programming process will ensure greater consistency between the different areas of EU external action and a more result-driven approach, while allowing flexibility to respond to political priorities.

The new generation of external instruments will facilitate political dialogue, negotiations and implementation of existing and future agreements with our partners in support of an overall political strategy for that country. In this framework, policy coherence for development remains a key priority. At the same time, the EU will strengthen its dialogue and coordination with other non-state partners including civil society organisations (including social partners), local authorities, multilateral organisations, international financial institutions, other donors and the private sector.

4.2 Maximising impact of scarce resources

The EU must seek to target its resources where they are needed most and where they could 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. The EU should continue to recognise the particular importance of supporting development in its own neighbourhood and in Sub-Saharan Africa. On the other hand, many countries are graduating from EU development assistance because they are capable of funding their own development.

Assistance will be allocated on the basis of country needs, capacities, commitments, performance and potential EU impact. The specific needs of countries in vulnerable, fragile,

conflict-affected and crisis situations will be a priority. Differentiation will allow for ***different forms of cooperation*** such as blending grants and loans from international financial institutions, including the European Investment Bank. The increased use of innovative financial instruments should mobilise additional funding, including from the private sector. This will ensure maximum impact of EU spending in the context of a very tight budgetary situation. The EU will also ensure ***concentration of external spending***, to avoid the inefficiencies resulting from sectoral dispersion and aid fragmentation. More focus should be placed on investing in the foundations and drivers of inclusive and sustainable growth and on supporting human rights, democracy and other key elements of good governance including the promotion of Gender equality and women's right.

In a fast-changing world, EU financial instruments have historically been hampered by a lack of ***flexibility***. The Instrument for Stability (IfS) was created partly to address this issue. In order to further increase the EU's capacity to respond to unforeseen events, new mechanisms have been introduced for revision of the instruments to increase flexibility, in particular by earmarking funds for unforeseen needs and defining *ad minimum* allocations.

Simplified rules and procedures for programming and delivering EU assistance, including in the context of a revised Financial Regulation, are proposed for all external instruments to ensure more effective delivery of EU assistance. Simplification should first and foremost benefit partner countries and regions but will also allow for more efficient management, through the reduction of administrative burden. A horizontal legislative instrument will ensure a high degree of harmonisation of financial provisions.

The EU will aim for ***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. With enlargement and neighbouring countries, country allocations and delivery of assistance should be more closely linked to progress in implementing reforms. For developing countries, the EU will strengthen mutual accountability in respect of commitments and the fulfilment of objectives as agreed with partner countries. Indicative country allocations will be reviewed according to changing conditions and the above-mentioned criteria. Humanitarian aid will remain based on needs and on respect for the principles of neutrality, impartiality and independence.

In line with the Lisbon Treaty provisions, the new instruments will implement new mechanisms to ensure more democratic debate on EU external assistance through a ***stronger involvement of the European Parliament***. An example of this is the use of delegated acts³, which can increase the flexibility of external instruments. Democratic scrutiny over the European Development Fund (EDF) will also be improved by bringing it into line with the Development Cooperation Instrument, while taking into account the specificities of the instrument.

5. A REVISED AND SIMPLIFIED PROGRAMMING PROCESS

A major innovation in this revision of EU external instruments is in the changes proposed for the programming process. The Lisbon Treaty sets out a clear obligation for the EU and its

³ Based on Article 290 of the TFEU.

Member States to coordinate their policies on external action⁴, including development cooperation⁵.

5.1. Agreeing on comprehensive joint EU strategies

To achieve this goal and to generate more impact and visibility in their relationships with third countries, the EU and Member States need to have a clear shared strategy in their relations with a partner country or region. In appropriate cases, this could mean drafting a *Joint Framework Document (JFD)* on the basis of a joint analysis⁶. A JFD would integrate all aspects of EU external action and all EU tools/instruments to achieve an adequate balance between flexibility and predictability as well as between short-, medium- and long-term objectives. The JFD would define strategic lines of action, and a broad policy mix referring to the EU and Member States instruments and policies to be used in a country or region taking into account diplomatic and political aspects (Common Foreign and Security Policy, political dialogue, democracy and human rights, etc.), development cooperation, humanitarian aid, security, and the external projection of internal policies. As reflected in the proposed new instruments, where a JFD is prepared for a partner country or region, it would be used for the programming process and therefore no country paper for such country or region shall be required.

5.2. Promoting a more flexible and reactive programming process

The EU needs to simplify its programming process to make it more reactive to possible changes in the situation and make it more flexible to facilitate joint programming with Member States, which should become the norm for the EU. The programming of funds must be based on a clear strategy laid down in strategy papers for each partner country or region with a multi-annual allocation beyond a certain level⁷. Any of the following documents may be considered as a strategy paper:

1. A partner country's national strategy paper (National Development Plan or similar) recognised by the Commission and the EEAS services;
2. A joint programming document prepared by the EEAS and Commission services with Member States;
3. A Country or Regional Strategy Paper or its equivalent prepared by the EEAS and Commission services;

As mentioned above, the Joint Framework Document (JFD) should also serve as a strategy paper, where there is one. Having one of these papers does not exclude drafting others, but at least one is needed for programming EU funds. In the neighbourhood region, for countries that have concluded with the EU an Action plan or an equivalent document, Country Strategy Papers will be replaced by Single Support Frameworks. For the Instrument for Pre-accession Assistance, the new Country Strategy Papers will foster increased coherence between all policy areas covered by the instrument.

⁴ Articles 21 and 22 TEU.

⁵ Article 210 TFEU.

⁶ Except for Enlargement countries, where the strategic planning of financial assistance is prepared by the Commission, based on the Enlargement Strategy.

⁷ Exact amount to be decided. Provision is already made in the draft DCI Regulation. As regards IPA, multi-annual programmes may be adopted irrespective of the amount.

On the basis of the strategy paper, the programming of EU funds should, in principle, be laid down in a Multi-annual Indicative Programme or its equivalent. EEAS and Commission services will endeavour, wherever possible, to develop joint multi-annual programming documents with the Member States.

EU funds are programmed in response to the needs and strategies of partner countries and the programming period should become, in principle, synchronised with their strategy cycles. The EU programming cycle may vary from one country to the next, and the amount of funds programmed upfront may therefore not cover all the 2014-2020 cycle nor all the country indicative allocations.

A higher degree of flexibility is essential for states in fragile, crisis and post-crisis, including conflict affected, situations allowing EU assistance to be swiftly (re)programmed in line with the JFD or Country Strategy Paper and/or any EU strategies on conflict prevention, crisis response/management and peace-building. This should provide the necessary mix of approaches and instruments in particular by ensuring an appropriate balance between the security-oriented, development and humanitarian approaches, and by seamlessly linking the short-term response with the long term support.

The (re)programming process should mainly focus on key areas like governance, re-establishing social service delivery and livelihoods, peace and state building and address identified root causes for fragility or (risk of renewed) conflict, as well as vulnerability to disasters. The process of adoption or adjustment of the Multi-annual Indicative Programmes should be shortened, given the speed at which political situations often evolve. Programming documents will be reviewed if and when needed.

6. PROPOSED STRUCTURE FOR THE NEW HEADING ON EXTERNAL ACTION

6.1 Cooperation with partner countries

The European Union will focus its work with its external partners on four broad policy priorities in direct application of the Treaty: enlargement, neighbourhood, cooperation with strategic partners and development cooperation.

The *Instrument for Pre-accession Assistance* (IPA) will remain the financial pillar of the Enlargement Strategy, encompassing all aspects of internal policies and thematic issues. The aim will be to ensure that candidate countries and potential candidates are fully prepared for possible accession by encouraging them to adapt emerging EU strategies and policies into their national priorities. Emphasis will be placed on support for political reforms, notably strengthening the democratic institutions and the rule of law and promotion of human rights and fundamental freedoms, socio-economic development, regional cooperation, adopting and implementing the *acquis*, EU 2020 objectives, and preparing to manage internal policies upon eventual accession. The coherence between the financial support and the overall progress made in the implementation of the pre-accession strategy will be strengthened.

The *European Neighbourhood Instrument* (ENI) will benefit the EU's neighbouring countries supporting deeper political cooperation, closer economic integration with the EU and an effective and sustainable transition to democracy. Cooperation with the EU's neighbours will be based on the 'more for more' principle, as proposed in the Joint

Communication of the High Representative of the EU for Foreign Affairs and Security Policy and the European Commission 'A new response to a changing Neighbourhood'⁸.

The *Development Cooperation Instrument* (DCI) will focus on combating poverty. It will also contribute to the achievement of other objectives 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. It will be organised around:

- i) Geographic programmes to support bilateral and regional cooperation with developing countries that are not covered by the ENI, IPA or the European Development Fund. Given the need to address partner countries' needs and priorities and secure their engagement, in line with the international commitments on Aid Effectiveness, geographic programmes will continue to be the dominant focus of the DCI.
- ii) Streamlined thematic programmes with enhanced flexibility to allow for swift responses to new global challenges. The 'programme for global public goods and challenges' will target the main global public goods and challenges, notably climate change, environment, energy, human development, food security and sustainable agriculture, and migration while ensuring coherence with the poverty reduction objective. No less than 25 % of this programme will be spent on climate change and environment objectives to reach the objective of the Europe 2020 strategy. At least 20% of the global public goods and challenges programme will support social inclusion and human development and notably key priorities such as basic health and education. The 'civil society organisations and local authorities programme' will aim to empower these actors to get involved in development strategies and processes. iii) The Pan-African programme in the DCI will support the implementation of the Africa-EU Strategic Partnership in complementarity with other instruments for cooperation with African countries and regions.

Due consideration will be given to coherence and consistency of EU's overall policy through reinforcing the mainstreaming of the external dimension of internal EU policies within the DCI and its programming, taking into account the needs and priorities of partner countries in line with the principles of aid effectiveness.

Links between humanitarian relief and development aid will be better addressed through the differentiation concept with a priority given to countries facing transition challenges in terms of funds allocation. Specific modalities for programming and flexibility for countries in crisis or post-crisis situations should promote better coordination between relief rehabilitation and development. In this light, the possibility of keeping unallocated funds would allow mobilisation of funds to address transition challenges through amendment to the Multi-annual Indicative Programmes.

Cooperation with African, Caribbean and Pacific countries will mostly continue to be funded outside the Budget, under the eleventh *European Development Fund* (EDF). Cooperation with overseas countries and territories will also be covered by the EDF. The differences in

⁸ COM(2011) 303.

Member States' contribution keys to the 11th EDF should be brought closer to the general EU budget contribution keys in order to facilitate the integration of the EDF in the EU budget at a later stage.

The EU-Greenland partnership aims to preserve the **close links** between them, while supporting **sustainable development** in Greenland society. This partnership should be reinforced and include areas such as raw materials, given their significant economic potential in that country.

The new *Partnership Instrument* (PI) will advance and promote EU and mutual interests and give the Europe 2020 strategy a global reach. It replaces the Industrialised Countries Instrument and will allow the EU to respond in an effective and flexible manner to cooperation objectives arising from our relations with partner countries and by addressing challenges of global concern. Although there will be a focus on strategic partners and emerging economies, the instrument will remain global in scope. It could also underpin new relationships with countries graduating from bilateral development cooperation. There will be no mandatory classification of expenditure as Official Development Aid although this will remain possible. The Partnership Instrument could also contribute to EU climate and biodiversity but there will be no ex ante earmarking of funds.

Future external instruments should also enable the EU and its Member States to increase their impact in the political and economic partnerships they are engaged in and to comply with the commitments made in different fora. The EU has, for instance, the ambition to allocate at least 20% of its budget to contribute to a low-carbon and climate-resilient society and to mainstream action on climate and biodiversity throughout its external instruments.

Moreover, in addition to the financial envelope of "Erasmus for All" programme under Heading 1 of the EU budget, and in order to promote the international dimension of higher education, an indicative amount of EUR 1 812 100 000 from the different external action instruments (Development Cooperation Instrument, European Neighbourhood Instrument, Instrument for Pre-accession Assistance, Partnership Instrument and the European Development Fund), will be allocated, in line with EU external action objectives defined in Article 21 of the TEU, to actions of learning mobility and to cooperation and policy dialogue with authorities/institutions/organisations of the countries eligible under these external action instruments..

6.2 Promoting democracy and human rights globally

Boosting the *European Instrument for Democracy and Human Rights* (EIDHR) 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.

6.3 Crisis prevention and management

The *Instrument for Stability* (IfS) will be increased to reflect a more challenging international context. The non-programmable capacity will address crisis situations, including natural disasters. The programmable capacity will focus on capacity building for crisis preparedness

and on addressing global and trans-regional threats such as terrorism, organised crimes, illicit trafficking, protecting critical infrastructure and public health and mitigating risks related to chemical, biological, radiological, and nuclear materials. It will also support measures to ensure that the specific needs of women and children in crisis and conflict situations, including their exposure to gender-based violence, are adequately met.

The *Instrument for Nuclear Safety Cooperation* (INSC) will continue to aim at promoting high levels of nuclear safety, radiation protection and the application of efficient and effective safeguards of nuclear material in third countries, in particular in neighbouring countries, in support of international conventions and standards.

6.4 Other financial instruments for external action

One of the other external instruments the EU has at its disposal is Macro-Financial Assistance to third countries. This instrument is used in exceptional circumstances to grant financial assistance of a macroeconomic nature to address temporary balance of payments difficulties. IMF participation is a precondition and its use is primarily focussed on the EU neighbourhood. Any decision to grant MFA will be consistent with the EU's external action priorities.

Although not detailed above, instruments such as Humanitarian Aid and Civil Protection will continue to be funded under the "Global Europe" heading of the MFF 2014-2020.

In addition, the Common Foreign and Security Policy budget will continue to support action without military and defence implications.

7. COHERENCE BETWEEN INSTRUMENTS

Different instruments of EU external policy action will continue to be implemented in the same country as has been the case in the past. For those emerging economies who will graduate from bilateral development cooperation, such as Brazil, China and India, different partnerships should be established using the various instruments available to them beyond bilateral development cooperation. These could include regional development cooperation and thematic programmes under the Development Cooperation Instrument, European Instrument for Democracy and Human Rights, Instrument for Stability, Partnership Instrument, external components of internal instruments.... In line with new Treaty, the EEAS and the Commission services will place a particular emphasis on coherence in the mix of different policies and instruments during their programming phase.