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DRAFT REPORT

on the implementation of the EU external financing instruments: mid-term review 2017 and the future post-2020 architecture
(2017/2280(INI))

Committee on Foreign Affairs

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EXPLANATORY STATEMENT – SUMMARY OF FACTS AND FINDINGS

Over a seven year period, between 2014 and 2020, the European Union (EU) dedicated 51.8 billion Euros to its external action. A large share of this funding, 32 billion, is disbursed through so-called external financial instruments ('the instruments'). These consist of 9 different thematic and geographic instruments and a Common Implementing Regulation (CIR).¹

- Instrument for Pre-Accession Assistance (IPAI),
- European Neighbourhood Instrument (ENI),
- Development Cooperation Instrument (DCI),
- Partnership Instrument (PI),
- Instrument contributing to Stability and Peace (IcSP),
- European Instrument Democracy and Human Rights (EIDHR),
- Instrument for Nuclear Safety Cooperation,
- Instrument for Greenland,
- European Development Fund (EDF).

Of these instruments, 5 fall within the remit of Parliamentary scrutiny by the Foreign Affairs committee (AFET) of the European Parliament. The AFET committee exercises this scrutiny by means of regular meetings of its working group on the external financial instruments, chaired by the rapporteur,) as well as Strategic Dialogues with the European Commission ('Commission') and European External Action Service (EEAS).

In the CIR the various institutions agreed a mid-term review (MTR) would be conducted into the implementation of the various instruments. The MTR, partly based on the findings of external evaluators, was published by the European Commission in December 2017. In parallel to the MTR process, all institutions have started preparatory work for the next MFF. An important issue that will be raised during the MFF negotiations is the post-2020 architecture of the funding of EU external action.

The goal of this report is to contribute to this discussion to provide a clear view from the European Parliament. In addition to examining the mid-term review conducted by the Commission and the reports published by the external evaluators, this report is based on a study conducted by the European Parliamentary Research Service. Information used includes: facts and recommendations originating from regular exchanges in the working group on the EU's external financial instruments and Strategic Dialogues with Commission Services and the EEAS as well as information received from civil society and non-governmental organisations which are or have been recipients of EU funding under the instruments.

The EU has in recent years been faced with a number of external and internal challenges which are closely interlinked. Along European borders conflicts have erupted and continue to exist. The situations in Yemen and Syria, continued fighting in Ukraine and (political) instability and chaos in Libya are but a few examples. Leaders such as Erdogan in Turkey and Sisi in Egypt have further consolidated their tight grip over societies and populations. At the same time, governments of countries such as Russia, China and Iran are actively pushing their interests on the world stage. Their governance models and the values they are rooted in are

¹ The EDF is currently not part of the EU budget.

often at direct odds with the values and interests of the European Union, its Member States and populations. Yet the democratic and liberal principles on which the EU was founded have also come under increasing pressure from within.

Inconsistencies in the manner in which the EU behaves, in comparison to how it interacts in relation to third countries, risks undermining our position as a normative role model and our ability to bring about positive change. What happens in Europe has a direct impact on our credibility to lead globally.

Far too often, the goals and objectives of external relations, as laid down in article 21 of the Treaty on the European Union, have become subordinate to short-term and/or national interests. A clear vision and comprehensive strategy on EU foreign policy, and the way in which resources are allocated towards clear objectives, is urgently needed. The European Parliament needs to take its role in ensuring proper oversight and assessment of whether stated goals are met in practice seriously.

The current architecture of the instruments, lacks strategic and overarching vision and is managed by different services within both the Commission and EEAS. This has proven at times to be inefficient and incoherent. At the same time, legal barriers and institutional structures have prevented flexibility, which has reduced the EU's capacity to swiftly respond to new and emerging challenges.

The different actors and procedures involved have also led to a form of implementation that is instrument- rather than policy-driven and results orientated. Transparency and accountability are unnecessarily challenging. This is further complicated by the lack of solid and consistent evaluation mechanisms and systems to measure progress and accordingly adjust political and policy objectives.

The new MFF, set to come into force in 2020, provides for an opportunity to improve at least the current institutional structure of EU external funding. It should directly contribute to greater efficiency, flexibility and transparency of EU external relations, with the aim of strengthening EU values and interests worldwide.

MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on the implementation of the EU external financing instruments: mid-term review 2017 and the future post-2020 architecture (2017/2280(INI))

The European Parliament,

- having regard to Regulation (EU) No 232/2014 of the European Parliament and of the Council of 11 March 2014 establishing a European Neighbourhood Instrument (ENI)¹,
- having regard to Regulation (EU) No 231/2014 of the European Parliament and of the Council of 11 March 2014 establishing an Instrument for Pre-accession Assistance (IPA II)²,
- having regard to Regulation (EU) No 230/2014 of the European Parliament and of the Council of 11 March 2014 establishing an instrument contributing to stability and peace (IcSP)³,
- having regard to Regulation (EU) 2017/2306 of the European Parliament and of the Council of 12 December 2017 amending Regulation (EU) No 230/2014 establishing an instrument contributing to stability and peace⁴,
- having regard to Regulation (EU) No 234/2014 of the European Parliament and of the Council of 11 March 2014 establishing a Partnership Instrument (PI) for cooperation with third countries⁵,
- having regard to Regulation (EU) No 235/2014 of the European Parliament and of the Council of 11 March 2014 establishing a financing instrument for democracy and human rights worldwide⁶,
- having regard to Regulation (EU) No 236/2014 of the European Parliament and of the Council of 11 March 2014 laying down common rules and procedures for the implementation of the Union's instruments for financing external action⁷,
- having regard to Council Decision 2010/427/EU of 26 July 2010 establishing the organisation and functioning of the European External Action Service⁸,
- having regard to 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 Fund⁹,

¹ OJ L 77, 15.3.2014, p. 27.

² OJ L 77, 15.3.2014, p. 11.

³ OJ L 77, 15.3.2014, p. 1.

⁴ OJ L 335, 15.12.2017, p. 6.

⁵ OJ L 77, 15.3.2014, p. 77.

⁶ OJ L 77, 15.3.2014, p. 85.

⁷ OJ L 77, 15.3.2014, p. 95.

⁸ OJ L 201, 3.8.2010, p. 30.

⁹ OJ L 249, 27.9.2017, p. 1.

- having regard to Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002¹,
- having regard to the ongoing interinstitutional negotiations and the Opinion of the Committee on Foreign Affairs of 18 April 2017 for the Committee on Budgets and the Committee on Budgetary Control on the proposal for a regulation of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union and amending Regulation (EC) No 2012/2002 and Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1305/2013, (EU) No 1306/2013, (EU) No 1307/2013, (EU) No 1308/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014 and (EU) No 652/2014 of the European Parliament and of the Council and Decision No 541/2014/EU of the European Parliament and of the Council (COM(2016)0605 – C8-0372/2016 – 2016/0282(COD)),
- having regard to Regulation (EU) No 182/2011 of the European Parliament and of the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by Member States of the Commission’s exercise of implementing powers (‘Comitology Regulation’)²,
- having regard to Commission Decision C(2014)9615 of 10 December 2014 on the establishment of a European Union Regional Trust Fund in response to the Syrian crisis, ‘the Madad Fund’, and to Commission Decision C(2015)9691 of 21 December 2015 amending Decision C(2014)9615,
- having regard to Commission Decision C(2015)7293 of 20 October 2015 on the establishment of a European Union Emergency Trust Fund for stability and addressing root causes of irregular migration and displaced persons in Africa, and Commission Decision C(2017)0772 of 8 February 2017 modifying Commission Decision C(2015)7293,
- having regard to Commission Decision C(2015)9500 of 24 November 2015 on the coordination of the actions of the Union and of the Member States through a coordination mechanism — the Refugee Facility for Turkey³, and to Commission Decisions C(2016)0855 of 10 February 2016⁴ and C(2017)2293 of 18 April 2017⁵ on the Facility for Refugees in Turkey amending Commission Decision C(2015)9500,
- having regard to various reports of the European Court of Auditors on EU external financing,
- having regard to the Report from the Commission to the European Parliament and the Council of 15 December 2017 entitled ‘Mid-term review report of the External

¹ OJ L 298, 26.10.2012, p. 1.

² OJ L 55, 28.2.2011, p. 13.

³ OJ C 407, 8.12.2015, p. 8.

⁴ OJ C 60, 16.2.2016, p. 3.

⁵ OJ C 122, 19.4.2017, p. 4.

Financing Instruments' (COM(2017)0720) and the accompanying staff working documents on evaluation of the Common Implementing Regulation (SWD(2017)0606), of the European Neighbourhood Instrument (SWD(2017)0602), of the Instrument for Pre-accession Assistance (SWD(2017)0463), of the Instrument contributing to Stability and Peace (SWD(2017)0607), of the Partnership Instrument for cooperation with third countries (SWD(2017)0608), and of the European Instrument for Democracy and Human Rights (EIDHR) (SWD(2017)0604),

- having regard to external evaluations of the External Financing Instruments¹,
- having regard to ongoing European Parliament procedures on the future post-2020 multiannual financial framework (MFF),
- having regard to the forthcoming European Parliamentary Research Service (EPRS) European Implementation Assessment entitled 'The EU external financing instruments and the post-2020 architecture',
- having regard to the Report from the Commission to the European Parliament and the Council of 24 November 2015 entitled '2015 Annual Report on the European Union's development and external assistance policies and their implementation in 2014' (COM(2015)0578),
- having regard to the Report from the Commission to the European Parliament and the Council of 19 December 2016 entitled '2016 Annual Report on the implementation of the European Union's instruments for financing external actions in 2015' (COM(2016)0810),
- having regard to the Joint Communication from the Commission and the High Representative of the Union for Foreign Affairs and Security Policy to the European Parliament and the Council of 7 June 2017 entitled 'A Strategic Approach to Resilience in the EU's external action' (JOIN(2017)0021),
- having regard to its resolution of 13 December 2017 on the Annual Report on the implementation of the Common Foreign and Security Policy²,
- having regard to its resolution of 14 February 2017 on the revision of the European Consensus on Development³,
- having regard to its resolution of 13 April 2016 entitled 'The EU in a changing global environment – a more connected, contested and complex world'⁴,
- having regard to its resolution of 3 April 2014 on the EU comprehensive approach and its implications for the coherence of EU external action⁵,

¹ Published on the Commission website: https://ec.europa.eu/europeaid/public-consultation-external-financing-instruments-european-union_en

² Texts adopted, P8_TA(2017)0493.

³ Texts adopted, P8_TA(2017)0026.

⁴ Texts adopted, P8_TA(2016)0120.

⁵ OJ C 408, 30.11.2017, p. 21.

- having regard to its resolution of 9 July 2015 on the review of the European Neighbourhood Policy¹,
 - having regard to its recommendation of 15 November 2017 to the Council, the Commission and the European External Action Service (EEAS) on the Eastern Partnership, in the run-up to the November 2017 Summit²,
 - having regard to its resolution of 6 July 2017 on the 2016 Commission Report on Turkey³,
 - having regard to its resolutions of 15 February 2017 on the 2016 Commission Report on Albania⁴ and on the 2016 Commission Report on Bosnia and Herzegovina⁵,
 - having regard to its resolution of 16 March 2017 on the 2016 Commission Report on Montenegro⁶,
 - having regard to its resolutions of 14 June 2017 on the 2016 Commission Report on Kosovo⁷, on the 2016 Commission Report on the former Yugoslav Republic of Macedonia⁸, and on the 2016 Commission Report on Serbia⁹,
 - having regard to the Global Strategy for the European Union's Foreign and Security Policy presented in June 2016¹⁰,
 - having regard to the competences of its Committee on Foreign Affairs as the committee responsible for all legislation, programming and scrutiny of actions carried out under the ENI, the IPA II, the EIDHR, the PI and the IcSP, and the policies underpinning them (Annex V(I) of its Rules of Procedure),
 - having regard to the declaration of the European Commission attached to the Regulations establishing the external financing instruments, in which it commits to engaging in Strategic Dialogues with Parliament on Commission programming,
 - having regard to Rule 52 of its Rules of Procedure, as well as Article 1(1)(e) of, and Annex 3 to, the decision of the Conference of Presidents of 12 December 2002 on the procedure for granting authorisation to draw up own-initiative reports,
 - having regard to the report of the Committee on Foreign Affairs and the opinions of the Committee on Development and the Committee on Budgets (A8-0000/2018),
- A. whereas the combined assistance programmed under the ENI (EUR 15.4 billion), the IPA II (EUR 11.7 billion), the IcSP (EUR 2.5 billion), the EIDHR (EUR 1.3 billion)

¹ OJ C 265, 11.8.2017, p. 110.

² Texts adopted, P8_TA(2017)0440.

³ Texts adopted, P8_TA(2017)0306.

⁴ Texts adopted, P8_TA(2017)0036.

⁵ Texts adopted, P8_TA(2017)0037.

⁶ Texts adopted, P8_TA(2017)0094.

⁷ Texts adopted, P8_TA(2017)0262.

⁸ Texts adopted, P8_TA(2017)0263.

⁹ Texts adopted, P8_TA(2017)0261.

¹⁰ https://eeas.europa.eu/archives/docs/top_stories/pdf/eugs_review_web.pdf

and the PI (EUR 1 billion) amounts to EUR 32 billion for the period 2014-2020;

- B. whereas the Commission is responsible for the identification, formulation, implementation, monitoring and evaluation of EU assistance under these instruments;
- C. whereas various projects and grants under the current instruments cannot be evaluated fully as they remain in the early stages of implementation;
- D. whereas the dual nature of the office of Vice-President of the Commission / High Representative of the Union for Foreign Affairs and Security Policy (VP/HR) means that the holder must play a key role in the political coordination of the Union's assistance under the instruments;

Mid-term review

- 1. Notes that the Commission mid-term review (MTR) found the current instruments to be generally fit for purpose;
- 2. Is concerned, however, about a variety of other findings, including the lack of political guidance and overarching vision, inconsistent implementation of EU values and partnership principles, the absence of evaluation mechanisms and the lack of flexibility;
- 3. Is concerned that the EU and its instruments face significant challenges, including political trade-offs between the promotion of values and rights and short-term security interests, numerous violent global conflicts and a decline in trans-Atlantic consensus;
- 4. Reiterates the need for the instruments to be able to respond to new and unforeseen challenges quickly and effectively without losing sight of their original objectives;

IPA II

- 5. Welcomes efforts to make IPA II more strategic and results-orientated through long-term planning and a sectoral approach;
- 6. Regrets the current systemic and political inability to suspend or reroute IPA II funds in cases where countries do not meet their commitments or exhibit severe political backsliding;

ENI

- 7. Welcomes the support to structural reforms provided in the form of programmed assistance;
- 8. Recognises that current challenges and needs in the neighbourhood have placed serious strain on the ENI budget and human resources;
- 9. Is concerned that ENI funding in politically sensitive contexts remains challenging, especially with regard to promotion of the shared values of democracy and human rights;

IcSP

10. Recognises that the IcSP's primary added value is its speed and flexibility when it comes to addressing conflict;
11. Notes that the need for conflict prevention and to address security challenges have increased drastically in the recent period;

EIDHR

12. Underlines the added value of the worldwide holistic approach of the EIDHR, despite its relatively small budget;
13. Notes that in the current period the EIDHR has been used more flexibly and with more complementarity than in the previous period;
14. Is concerned about the difficulties in mainstreaming human rights and democratic values through geographic programmes, leading to increased pressure on the EIDHR;

PI

15. Underlines that the PI has been designed specifically to pursue thematic EU and mutual interests with partners;
16. Notes that in comparison with previous instruments, the PI has been able to engage in more cooperative ways with third countries, including strategic partners, countries graduated from bilateral development aid and various international fora;

CIR

17. Regrets that the high complexity and restrictive nature of the CIR have hampered the efficient use of Union resources and are preventing a timely response to new challenges and partner needs;

Recommendations for 2017/2018-2020

18. Calls for EU and universal values to remain at the core of all EU external actions;
19. Urges increased synergies and coherence between all instruments under Heading IV; calls, in this regard, on the Commission and the EEAS to strengthen their cooperation and coordination;
20. Calls for the establishment of solid monitoring and evaluation systems that are consistent for all instruments;

IPA II

21. Recommends a stronger emphasis on democratisation, strengthening the rule of law and improving respect for universal human rights;
22. Recommends enabling the transfer of funds to civil society when state authorities are unwilling to meet the EU's stated objectives and calls on the Commission to suspend funding for countries not fulfilling the basic Copenhagen criteria;

23. Demands Parliament involvement should a suspension of funds or significant changes in maximum indicative allocations be considered;

ENI

24. Emphasises the need for an overall strategic document for ENI implementation aligning assistance with the larger political framework and for better coordination with other instruments;
25. Underlines the need to take into account the link between stabilisation, conflict prevention, respect for human rights and socioeconomic development;
26. Is concerned that the response and financial capacities of the instrument have been stretched to the limit; regrets that in-house expertise in the form of political and geopolitical risk analysis was not taken into account at the planning stage to a sufficient degree;
27. Concludes that increasing the indicative financial allocations by means of legislative amendment may be necessary in the light of current challenges in the neighbourhood;

IcSP

28. Calls for better efforts to leverage IcSP influence through regular strategic dialogues with partners and international organisations;
29. Calls for an improved strategic framework and for synergies between IcSP and follow-up actions under other instruments and by other actors;
30. Calls for increased focus and cooperation with other international organisations and governments on countering emerging new threats, such as in the area of cyber-security, and hybrid conflicts;

EIDHR

31. Reiterates the importance of supporting and promoting democracy and human rights in third countries;
32. Reiterates that the EIDHR should not merely be used as an instrument to fill gaps left by other instruments, but that the targeted promotion of democracy and human rights should be a clear and strategic goal in itself;
33. Recommends increased strategic planning in conjunction with political guidance from EU authorities and coherence with the other instruments, especially in countries experiencing a decline in human rights and democratic standards, to counter the global trend of illiberalism;
34. Insists that urgent work is required to further diminish the bureaucratic obstacles encountered by local civil society organisations (CSOs);

PI

35. Welcomes the focus on the Union's strategic interests;
36. Recommends a more strategic and consolidated use of the scarce funds available under the PI, ensuring inclusive input and the identification of actions by all Commission departments and the EEAS, in close cooperation with Member States;

CIR

37. Recommends a better use of the harmonised rules though possible joint calls for proposals and improved cooperation across Commission departments and the EEAS;

The post-2020 architecture

38. Calls for funding of an external relations instrument to reflect ambitious external actions, based on values and fundamental rights and principles; reiterates that EU external actions also serve the common interests of EU citizens;
39. Reiterates that reform of the current instrument architecture is required in order to provide more flexibility, efficiency, coherence and responsiveness, and would also increase cost-effectiveness, accountability, transparency and public oversight;
40. Notes that this could be achieved through a simplification of the current architecture;
41. Stresses that a single instrument cannot exist without the inclusion of clear and dedicated envelopes for the various goals, objectives and priorities of EU external action, including democracy, human rights, the rule of law, support to civil society, conflict resolution, fragile states, development policy, economic and social development, and support to countries in various stages of EU accession;
42. Calls for the establishment of solid and consistent evaluation and monitoring procedures that are able to track progress in achieving set objectives by means of EU funding;
43. Reiterates that flexibility is reliant on the ability to transfer funds between envelopes; recalls that funds destined for external action objectives cannot be rerouted to serve other objectives, including migration management and internal security; calls for a dedicated proportion of the total external action instrument budget (no less than 15 %) to be reserved for flexible and/or urgent action and thus to remain unprogrammed;
44. Recalls the difficulties that beneficiaries currently experience in securing funding under the instruments; calls for simplified procedures, the establishment of a one-stop-shop for organisations applying for EU funding and the use of digital solutions where possible to streamline and reduce bureaucratic burdens;
45. Underlines the need for all Commission services and the EEAS to work together, making EU external funding policy- rather than instrument-driven, in order to prevent discrepancies, incoherence, unnecessary costs, overlap and a waste of knowhow and to achieve the goals and objectives shared by EU external action as a whole;
46. Stresses the need for an overarching strategy and accompanying documents, developed jointly and shared by all relevant Commission services and the EEAS, setting out the goals and objectives of EU external action for the coming period and the way in which

the instrument will be deployed to achieve them;

47. Calls for improved requirements for faster decision-making in order to increase the EU's capacity to respond to rapidly evolving events;
48. Emphasises that EU delegations play a key role in local programming, oversight of programming, the eventual disbursement of funds and the identification of beneficiaries, particularly in the case of human rights defenders and CSOs active in sensitive areas;
49. Underlines the importance of the more-for-more and conditionality principles; considers that stronger conditionality mechanisms should be set up under which direct budget support to state authorities and government bodies can be suspended in cases where such institutions do not comply with the objectives of the dispersed funding, or violate the rule of law and human rights;
50. Stresses that a simplified structure calls for proper checks and balances, transparency, the right of scrutiny of implementation, strategic policy input by Parliament, the use of delegated acts for revision of thematic priorities, if contained in annexes to legislative acts, and the adoption of substantial additional elements such as strategic and multi-annual programming documents;
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51. Instructs its President to forward this resolution to the Commission, the VP/HR and the Council.