European Parliament

Partnership Instrument

In a nutshell

The EU's Partnership Instrument (PI) is a foreign policy tool established under the current Multiannual Financial Framework to fund strategic cooperation with third countries on 'issues of global concern', and pursue EU objectives set out in the Europe 2020 strategy related to sustainability, trade and innovation, and EU public diplomacy. While all third countries are eligible for PI-funded cooperation, the instrument is especially aimed at middle and upper-income countries that are current or potential strategic partners to the EU.

EU's Multiannual Financial Framework (MFF) heading and policy area

Heading 4 (Global Europe)
Trade policy; economic, financial and technical cooperation with third countries

2014-20 financial envelope (in current prices and as % of total MFF)

Commitments: €954.76 (0.09 %)

2016 budget (in current prices and as % of total EU budget)

Commitments: €125.65 million (0.08 %)
Payments: €109.04 million (0.08 %)

2017 budget (in current prices and as % of total EU budget)

Commitments: €133.71 million (0.08 %)
Payments: €135.87 million (0.10 %)

Methods of implementation

Direct management (European External Action Service (EEAS); Service for Foreign Policy Instruments (FPI))

In this briefing:

- EU role in the policy area: legal basis
- The Partnership Instrument's objectives
- Funded actions
- Assessment of the instrument
- Other EU programmes and action in the same field

EPRS | European Parliamentary Research Service
Author: Matthew Parry, with Philipp Wegner
Members' Research Service
PE 599.431

EN

EU role in the policy area: legal basis

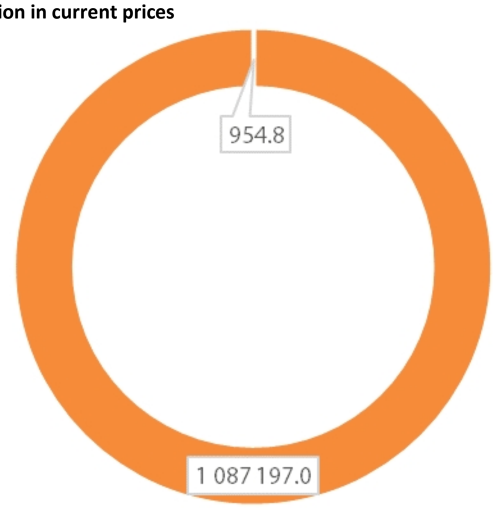
Regulation (EU) 234/2014 of the European Parliament and of the Council establishes an EU Partnership Instrument for cooperation with third countries (PI) for the duration of the 2014-2020 Multiannual Financial Framework (MFF). According to that regulation, EU action in this field is based on Articles 207(2), 209(1) and 212(2) of the Treaty on the Functioning of the European Union (TFEU), which concern, respectively, the common commercial policy, development cooperation policy, and EU-third country financial, economic and technical cooperation. Along with five other EU foreign policy instruments (see the section 'Other EU programmes and action in the same field' below), the PI is also subject to Regulation 236/2014, which lays down common rules and procedures for the implementation of the EU's instruments for financing external action, including protection of the EU's financial interests.

The PI's predecessor during the 2007-2013 MFF was the Instrument for Cooperation with Industrialised Countries (ICI) (Council Regulation (EC) No 1934/2006), which listed 17 eligible countries in an annex, whilst allowing the Commission some scope for extending cooperation to other countries where appropriate. Following the entry into force of the Lisbon Treaty in 2009, the ICI Regulation was amended in 2011 to explicitly include cooperation with both developed and developing countries, and reframed as the 'ICI+' with Regulation (EU) No 1338/2011 of the European Parliament and of the Council. The ICI+ Regulation was given a new legal basis in Articles 207(2), 209(1) and 212(2) of the amended TFEU, which was retained for the current PI Regulation. According to Article 2 of the PI Regulation, its scope is all third countries, but especially those 'with which the Union has a strategic interest in promoting links' and 'which play an increasingly prominent role in global affairs'.

The Partnership Instrument's objectives

The PI finances aid to, and cooperation with, countries outside the EU, in order to further the EU's interests around the world. All third countries are eligible to participate in PI-financed initiatives, but the focus is on middle and upper-income countries not already targeted by the European Neighbourhood Policy or EU Overseas Development Aid. Article 2 of Regulation 234/2014 states that PI-financed cooperation should further EU interests in four specific areas:

Partnership Instrument as a share of the 2014-2020 MFF
€ million in current prices



Data source: European Commission.

(i) bilateral and multilateral efforts to address 'issues of global concern', especially climate change, with the aim of promoting EU standards in other countries; to be measured, inter alia, against partner countries' progress in fighting climate change and adopting EU environmental standards;

(ii) implementing the international dimension of Europe 2020, the EU's strategy for 'smart, sustainable and inclusive' economic growth based on trade, innovation and poverty alleviation, to support the strategy at home in the EU; to be measured against partner countries' uptake of Europe 2020 policies and objectives;

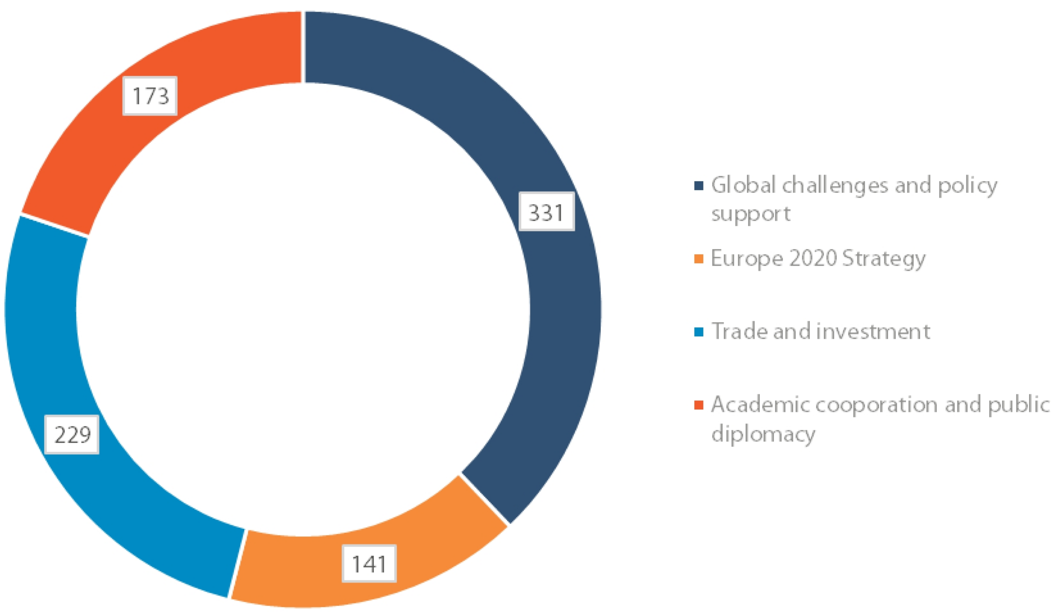
(iii) facilitating EU businesses' access to partner countries' markets for trade and investment, with the goal of boosting trade and investment volumes; as measured against the EU's share of foreign trade with key partner countries and trade and investment flows to countries targeted by PI programmes and measures;

(iv) enhancing the EU's profile through public diplomacy, people-to-people contacts, educational and academic cooperation, and outreach activities in third countries; which may be reflected in a more positive view of the EU as measured by surveys and evaluations. To help pursue this objective, €88 million from the PI will fund exchanges of students and academics via the EU's Erasmus+ programme,[1] particularly with those countries previously covered by the PI's predecessor, the ICI (see section 'EU role in the policy area: legal basis' above).

Funded actions

Projects funded via the PI are listed in annual Commission 'action programmes', within a broader strategy set out in a Multiannual Indicative Programme (MIP) for 2014 to 2017 (i.e. the first half of the 2014-2020 MFF), published on 3 July 2014. This programme is to be adjusted in the light of a mid-term evaluation of the PI to be published no later than 31 December 2017, in accordance with Article 17 of Regulation (EU) No 236/2014. However, the current MIP also contains indicative allocations by region and objective for the whole of the 2014-2020 MFF, including a reserve of €42.2 million in un-programmed funds, to allow the EU to 'respond in an effective and prompt manner' to emerging issues or priorities concerning partner countries.

Partnership Instrument: indicative allocations by objective during the 2014-2020 MFF
€ million in current prices



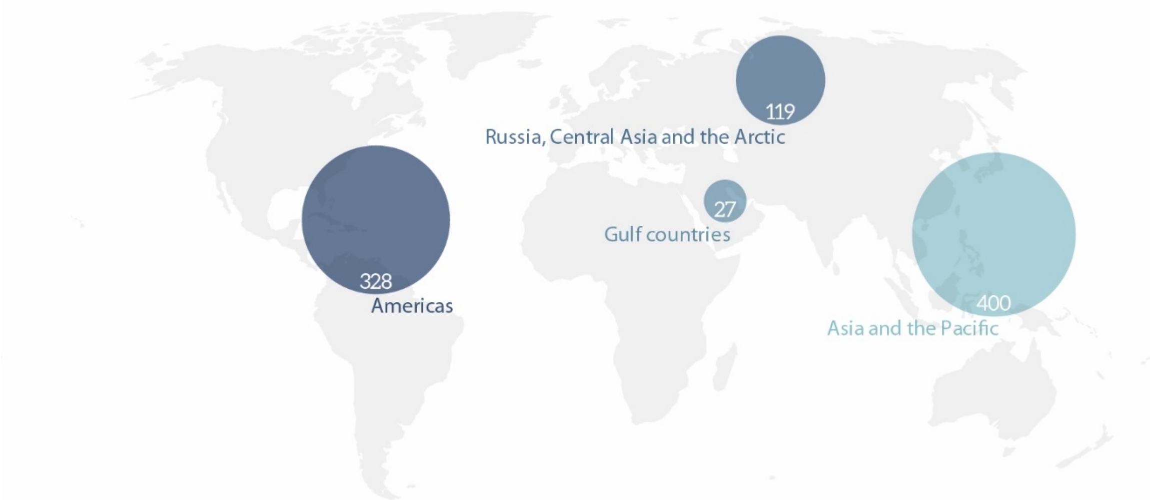
Data source: First Multi-annual Indicative Programme for the Partnership Instrument for the period 2014-2017, 3 July 2014. Does not include a reserve of €42.2 million in un-programmed funds for responding to contingencies, and €38.2 million for administrative support.

In line with the MIP, projects are planned using Annual Action Programmes (AAP). Under the PI AAP for 2016, €73.5 million has been allocated to projects related to climate change mitigation, water management, sustainable trade and intellectual property, among other areas of EU-third country cooperation. This was to be financed from budget line 19.0501 of the EU's 2016 general budget.

Climate-related projects launched in 2016 include an annual EU-China emissions trading policy dialogue platform to enhance EU-China cooperation in the field and support Chinese efforts to develop an emission trading system (EU contribution: €10 million), set to operate for 66 months; a project to support and encourage the phasing out of ozone-depleting substances in Latin American and Caribbean countries (EU contribution: €3 million), for a period of 54 months; and an EU-Korea low carbon urban development platform to facilitate networking and dialogue and promote low carbon urban development (EU contribution: €2.4 million).

Partnership Instrument: indicative allocations by region during the 2014-2020

€ million in current prices



Data source: European Commission Service for Foreign Policy Instruments.

Cooperation on water management is taking place via the India-EU Water Partnership over 66 months (EU contribution: €2.4 million); and the China-EU Water Platform (CEWP), set to operate for 78 months (EU contribution: €6 million). Originally run as a Development Cooperation Instrument (DCI) project in 2013 and 2014, the Commission decided to re-shape the CEWP for the 2015-2017period, using further funding from the PI and the Horizon 2020 programme for research and innovation. The CEWP funds projects related to water supply safety, water quality, and resource efficiency. The Commission hopes that the projects will bring about mutually advantageous innovations in water management and climate-friendly water savings.

Sustainable trade initiatives include a 66-month project to support responsible business supply chains in China, Myanmar, the Philippines, Thailand, Vietnam and Japan by promoting environmental protection and fair working conditions (EU contribution: €9 million); while intellectual property rights (IPR) are the focus of the IP Key China action fiche (EU contribution: €6 million); the IP Key South East Asia action fiche (EU contribution: €5 million); and the IP Key Latin America action fiche (EU contribution: €5 million) – the latter three projects all operating for a period of 78 months.

The 2015 PI Annual Action Programme included measures related to urban development, ecosystem management, multilateral diplomacy, academic exchange, and an action fiche to support implementation of the EU-Canada Comprehensive Economic and Trade Agreement (CETA). The 2014 PI Annual Action Programme, in addition to measures in the policy fields cited above, included ICT standardisation measures and an EU-China dialogue on migration and mobility.

Assessment of the instrument

According to the 2011 Commission impact assessment accompanying the proposal for a PI regulation, the instrument was created in response to the shifting balance of power and prosperity around the world. Emerging economies are 'graduating' from developing country status, and the EU needs an instrument designed to foster the potential strategic and economic benefits of collaboration with, and investment in, such countries as China, Brazil and India. The PI should allow the EU to leverage mutual EU-partner country economic interests and provide solutions to local problems in the form of poverty reduction, environmentally friendly development, gender mainstreaming and the promotion of social equality. Partner countries are expected to benefit, while EU businesses and civil society should have an opportunity to increase their business activities and influence abroad. The assessment states that the PI is an improvement on its predecessors (the ICI and the ICI+), because it no longer restricts eligibility to a short list of countries, described by some analysts[2] as narrow and inflexible.

The European Commission reports on the PI's activities and results in its annual report on the EU's foreign policy instruments, with the most recently published report concerning the year 2015. The Commission writes that in the PI's second year it was focused on urbanisation, and is therefore expected to help advance urban diplomacy and reach long-term strategic EU objectives in this area. The report also expects PI projects to boost trade in ICT technology with India, for example. The report measures the PI's objectives against four sub-indicators, corresponding to the instrument's four objectives: (i) the number of emissions schemes operating worldwide (totalling 17 in 2014 and 18 in 2015); (ii) the share of renewables in total energy production in nine strategic partners (currently stable or increasing); (iii) CO_2 emissions from fuel combustion in nine strategic partners (2015 data not yet available at the time of publication) and (iv) the number of local and regional authority signatories to the Covenant of Mayors (6 750 in 2015).

A report published in February 2014 by the European Centre for Development Policy Management describes the PI's financial envelope as 'modest' and observes that 'it remains to be seen how the instrument will perform and what balance will be struck between the promotion of EU economic self-interests versus mutual interests in addressing challenges of global concern'. More recently, a December 2016 European Parliament Policy Department study on the EU's foreign policy instruments and the needs of 'upper middle income countries' also concluded that the PI's budget was relatively modest in relation to its objectives, and, although formally open to all third countries, in practice the instrument was focused on a few of the EU's 'strategic partners'. As such, it was deemed a 'constrained instrument'.

A more detailed assessment of the actions and projects funded during the first half of the current MFF is expected in the PI's mid-term evaluation, which is scheduled for completion in the second quarter of 2017.

Other EU programmes and action in the same field

The PI is one of a package of six foreign policy instruments created by the Commission for the 2014-2020 MFF, and subject to Regulation 236/2014 laying down common rules and procedures for the implementation of the EU's instruments for financing external action. The other five are:

The Development Cooperation Instrument (DCI)
The DCI is chiefly aimed at addressing extreme poverty in developing countries. It also contributes to other EU foreign policy goals, such as driving sustainable economic, social and environmental development and promoting democracy, the rule of law, good governance and respect for human rights.[3] The DCI's financial envelope for the 2014-2020 period is approximately €19.7 billion, or 1.81 % of the MFF.

The European Instrument for Democracy and Human Rights (EIDHR)
The EIDHR supports projects in the area of human rights and fundamental freedoms, strengthening the rule of law, and democratisation in third countries.[4] The EIDHR's financial envelope for the 2014-2020 period is approximately €1.33 billion, or 0.12 % of the MFF.

The European Neighbourhood Instrument (ENI)
The ENI funds efforts to cooperate with and promote development in 16 countries and territories on the EU's eastern and southern frontiers, as part of a European neighbourhood policy. It is hoped that by incentivising reform and economic integration in the EU market, beneficiary countries will become more democratic, more prosperous and more stable.[5] The ENI's financial envelope for the 2014-2020 period is approximately €15.4 billion, or 1.43 % of the MFF.

The Instrument contributing to Stability and Peace (IcSP)
The IcSP provides short-term assistance to countries threatened or struck by crisis. It also supports conflict-prevention and peace-building efforts.[6] The IcSP's financial envelope for the 2014-2020 period is approximately €2.3 billion, or 0.22 % of the MFF.

The Instrument for Pre-Accession Assistance (IPA II)
The IPA II provides financial and technical assistance to countries that are candidates for future accession to the EU, to help them achieve economic and political reforms and ultimately adopt EU laws and standards (the *acquis communautaire*). The IPA's financial envelope for the 2014-2020 period is approximately €11.7 billion, or 1.08 % of the MFF.

In addition, the largest programme managed by the Commission specifically for developing countries is the European Development Fund, with a budget of €30.5 billion for the 2014-2020 period. It is targeted at the African, Caribbean and Pacific Group of States (ACP). Unlike the PI and the other EU funding instruments mentioned above, it is not formally part of the EU budget.[7]

The EU foreign policy instruments: financial envelopes for the 2014-2020 MFF

€ million in current prices

Data source: European Commission Service for Foreign Policy Instruments.

Endnotes

[1] In the same series: Chircop, D. and Mazur, S., How the EU budget is spent: Erasmus+, Briefing, European Parliamentary Research Service, November 2016. For more on Erasmus+, see Chircop, C., Implementation of Erasmus+, At-a-glance note, European Parliamentary Research Service, February 2017.

[2] Gavas, M. et al., The EU's Multi-Annual Financial Framework post-2013: Options for EU development cooperation, European Think-Tanks Group, June 2011.

[3] Cirlig, C., The Development Cooperation Instrument, Briefing, European Parliamentary Research Service, January 2014.

[4] In the same series: Dobreva, A., How the EU budget is spent: European Instrument for Democracy and Human Rights, Briefing, European Parliamentary Research Service, September 2015.

[5] In the same series: Parry, M., How the EU budget is spent: European Neighbourhood Instrument, Briefing, European Parliamentary Research Service, October 2016.

[6] In the same series: Dobreva, A., How the EU budget is spent: Instrument contributing to Stability and Peace, Briefing, European Parliamentary Research Service, March 2017.

[7] See D'Alfonso, A., European Development Fund. Joint development cooperation and the EU budget: out or in?, In-depth analysis, European Parliamentary Research Service, November 2014.

Disclaimer and Copyright

eprs@ep.europa.eu
http://www.eprs.ep.parl.union.eu (intranet)
http://www.europarl.europa.eu/thinktank (internet)
http://epthinktank.eu (blog)