

Establishing the Neighbourhood, Development and International Cooperation Instrument

Impact assessment SWD(2018) 337 final, accompanying a Commission proposal for a regulation of the European Parliament and of the Council on establishing the neighbourhood, Development, and International Cooperation Instrument COM(2018) 460 final.¹

This note is one of a series of brief initial appraisals of European Commission impact assessments accompanying MFF proposals, tailored to reflect the specificities of the MFF package and the corresponding IAs². It provides an initial analysis of the strengths and weaknesses of the European Commission's [impact assessment](#) (IA) accompanying the above-mentioned [proposal](#), submitted on 14 June 2018.

Political and legal context; objectives

The IA report presents the Commission's intention to integrate ten existing external policy instruments into one broader Neighbourhood, Development, and International Cooperation Instrument (NDICI).³ The proposal is linked to existing policy provisions for the EU's external action, such as the EU Global Strategy on Foreign and Security Policy, the European Neighbourhood Policy, the European Consensus on Development and the EU-Africa Partnership.⁴

The Commission explains that the instruments proposed for a merger have a common legal basis or similar objectives (IA, p. 20) The report spells out four main goals that the reform of the current framework aspires to achieve: to reduce the administrative burden, to diminish the gaps and overlaps between instruments, to be more responsive to evolving needs and priorities, and to focus more on performance. The IA draws on the findings of the mid-term evaluations and several stakeholder consultations carried out on the existing external financing instruments under the current 2014-2020 MFF. According to these findings, although the existing instruments are generally fit for purpose, there is room for improvement, notably in terms of coherence between the programmes and the administrative burden (IA, Annex 3).

The report identifies the specific objectives that are linked to the three complementary components of the new NDICI instrument: 1. to support and foster dialogue and cooperation with third countries and regions in the EU's Neighbourhood, in sub-Saharan Africa and the Pacific, and in the Americas and the Caribbean (approximately 140 countries in total); 2. to consolidate and support democracy, the rule of law and human rights, civil society organisations, further stability and peace, and to address other global challenges, including migration and mobility; and 3. to respond rapidly to: situations of crisis, instability and conflict, resilience challenges and the linking of humanitarian aid and development action; and foreign-policy needs and priorities (IA, p. 13). The specific objectives appear to be consistent with the main challenges identified by the IA with regard to the EU's external action in areas such as security, stability and resilience, migration, human rights and climate change) (IA, p.11-12).

Programme structure and priorities; delivery mechanisms of the intended funding

The proposed new instrument would have three pillars, where actions are grouped into a geographical, a thematic, and a rapid-response pillar. Geographical programmes would comprise country and multi-country actions in four regions.⁵ Thematic programmes are considered complementary to the geographical ones inasmuch as they address global and trans-regional initiatives (e.g. support to the UN sustainable development goals). Finally, the rapid response component would be dedicated to providing rapid response capacity for crisis management and conflict prevention. The Commission explains that the content of the existing programmes would largely remain unaltered and that changes made essentially relate to the way the instruments operate (IA, p. 14). The governance, coordination and delivery mechanisms, although described in the IA, would have benefited from further assessment by including, for example, a risk assessment exercise. Moreover, the IA does not discuss any alternative to the proposed merger of the instruments and appears to shy away from an analysis of its expected impacts, other than providing a brief analysis of advantages (increased coherence of EU external action, greater flexibility in defining actions that need to be financed, and greater access to unallocated funds, for example, for the European Instrument for Democracy and Human Rights) and disadvantages (possible loss of visibility and dilution of the importance of a certain programme within the broader external action framework, for example, for the European Development Fund and the Neighbourhood Instrument; or for others a potential loss of flexibility) of including each of the instruments in the broader instrument. However, the Commission's proposed solutions to the potential problems mentioned – such as ensuring proper communication to partners – are overall vague.

Budgetary or public finance implications

The new NDICI instrument is supported by a budget of €89.2 billion (current prices) for the 2021-2027 period (Article 6 of the proposal). Of this amount, €68 000 million will be allocated for geographical programmes, €7 000 million for thematic ones, and €4 000 million for rapid response actions.

SME test and SME competitiveness

While the report mentions that two of the existing instruments that the NDICI would comprise – the EIB external lending mandate (ELM) and the Partnership Instrument (IP) – have support to SMEs as their objective, it does not appear to provide further analysis with regard to SMEs or their competitiveness.

Relations with third countries

Although one of the overarching goals of the proposal is to further the EU's external relations, the impact assessment does not go into detail when it comes to the EU's partner countries or entities. A more detailed analysis of how the proposal to merge some of the existing instruments into one would affect the EU's relations with third countries across the globe, bringing at least partially the perspectives of the partner countries, would certainly have benefited the impact assessment.

Simplification and other regulatory implications

The Commission considers that streamlining a number of instruments within the context of one broad instrument will provide an opportunity to rationalise management and oversight systems, and thereby reduce the administrative burden for EU institutions and Member States. However, the report does not quantify the possible reduction of this burden. In the Commission's view, instead of focusing on multiple programming processes, debates would be more focused on political objectives and engagement with external partners. In addition, actions that receive cumulative funding from different Union programmes would be audited only once, covering all programmes involved and their respective applicable rules.

The Commission points out that simplification does not mean there would be less scrutiny or accountability. Rather, it argues that the budgetary and scrutiny powers of the European Parliament would be extended by the incorporation of the activities currently financed by the European Development Fund into the EU budget.

Subsidiarity / proportionality

The legal basis for this proposal is Articles 209, 212 and 322 of the Treaty on the Functioning of the European Union. According to the Commission, the EU is in a unique position to deliver external assistance with political influence and consequent leverage.

The Commission considers that, in line with the principle of proportionality, the proposed regulation 'does not go beyond what is necessary' to achieve its objectives. However, the report does not provide further assessment of proportionality, nor does it substantiate its claim that complementarities between EU action and the actions carried out by the Member States are 'increasing'. No reasoned opinions from the national parliaments were received by the subsidiarity deadline of 24 September 2018.

Quality of data, research and analysis

In preparing the impact assessment, the Commission used a [mid-term review report](#) on 10 of the external financing instruments, the *ex-post* evaluation reports on macro-financial assistance and the mid-term review on the European Investment Bank's external lending mandate. Details of the mid-term evaluations can be found in Annex 3 to the IA. The evidence base for the IA appears overall to have been limited – as the Commission itself admits – by factors such as difficulty in aggregating data due to a big number of partner countries, securing data in a timely manner, and applying relevant indicators to measure the attainment of the objectives (IA, p. 33).

Stakeholder consultations

The Commission explains that, in the context of the mid-term evaluations of the existing instruments, three types of consultations with stakeholders were held, including over a thousand structured interviews with EU officials, Member States and partner countries, as well as technical workshops and an open public consultation between 7 February 2017 and 3 May 2017. Details of the stakeholder consultations can be found in Annex 2 to the IA report. The Commission put 'ten forward-looking questions' to the public and received answers from 100 respondents (the majority coming from organisations (52 %) within the EU (78 respondents)). From the analysis provided by the Commission, it appears that stakeholders had rather divergent views on the future development of the external instruments. Furthermore, it is unclear from the responses whether the proposed merger of instruments was discussed with the stakeholders and in what detail. In any event, although the stakeholder consultations were broad, the stakeholders' views were not reflected in the report that well, and it is unclear how they fed into the assessment.

Monitoring and evaluation

According to the Commission, progress will be monitored on the basis of 'key performance indicators'; these include, for instance, a proportion of the population below the international poverty line, greenhouse gas emissions reduced or avoided with EU support, and political stability (IA, p. 34). It appears that these indicators, general as they are, remain only examples for the future.

In the same general manner, the Commission states that evaluations will be carried out in a timely manner to feed into the decision-making process. The proposed instrument should be evaluated once there is sufficient information available on its performance. Given the difficulties the Commission faced when evaluating the existing financing instruments, particularly as far as the relevant indicators are concerned, one could have expected a more elaborate discussion of the monitoring mechanisms.

Commission Regulatory Scrutiny Board

The Regulatory Scrutiny Board (RSB) issued a positive [opinion](#) with reservations on 25 April 2018. The RSB's opinion includes several significant recommendations for revision of the impact assessment, such as the need to sufficiently explain the governance structure of the new instrument, to provide clarity on funding issues, and to explain in greater detail how future monitoring and evaluation will work. The Board's opinion and the corresponding modifications made to the impact assessment are further

described in Annex 1 to the IA, in line with the better regulations guidelines. Several of the points raised by the RSB can be applied to the final version of the IA report.

Coherence between the Commission's legislative proposal and the IA

The proposal appears to be coherent with the impact assessment.

Conclusions

As part of the group of specific IAs accompanying the MFF proposals, this IA provides a detailed overview of the proposed regulation establishing the new NDICI, and focuses on the main considerations behind the large-scale overhaul of the existing financial framework in the field of EU external policy. The Commission engaged broadly with a wide range of stakeholders and did a thorough stock-taking through a mid-term review of 10 existing instruments. However, as alternative options have not been elaborated beyond a brief comparison of advantages and risks of merging the existing instruments into a broader one, it remains rather difficult to fully assess the proposed merger of different instruments as the only option available. Finally, this impact assessment would have benefited from a clearer account of how stakeholders' views fed into the analysis and a more thorough response to the scrutiny of the RSB.

ENDNOTES

¹ This IA additionally accompanies the proposal for a Council decision on the Association of the Overseas Territories COM(2018) 460 final, the proposal for a regulation on the Instrument for Pre-Accession Assistance (IPA III) COM(2018) 461 final; and the proposal for a European Instrument for Nuclear Safety (SEC(2018) 310 final). The IA deals primarily with the proposal for a merger, while the other three proposals are briefly described in Annexes 4-11 to the IA report.

² The almost parallel adoption of the spending programmes and the MFF proposals had an impact on the IA process and resulted in simplified IAs, with their format and scope differing from the standard IAs as defined in the Commission's better regulation guidelines (see also [Toolbox 10 Financial Programmes and Instruments](#)).

³ The IA lists 10 instruments proposed for a merger under the NDICI: the European Development Fund, the Development Cooperation Instrument, the European Neighbourhood Instrument, the Instrument contributing to Stability and Peace, the European Instrument for Democracy and Human Rights, the Partnership Instrument, the Macro-Financial Assistance programme, the European Fund for Sustainable Development, the EIB external lending mandate, and the Common Implementing Regulation (IA p. 20)

⁴ For an analysis of the Commission proposal, see the [EPRS 'EU Legislation in Progress' Briefing](#) on the topic, 2018.

⁵ The four regions are the EU's Neighbourhood, sub-Saharan Africa, Asia and the Pacific, the Americas and the Caribbean.

This briefing, prepared for the Committee on Foreign Affairs (AFET) and the Committee on Development (DEVE), analyses whether the principal criteria laid down in the Commission's Better Regulation Guidelines and the additional factors identified by the Parliament in its IA Handbook, appear to be met by the IA. It does not attempt to deal with the substance of the proposal.

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