

## Commentary



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# A Jumbo Financial Instrument for EU External Action?

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By proposing to integrate 11 existing financial instruments into a unified Neighbourhood, Development, International Cooperation Instrument (NDICI), the European Commission hopes to both simplify its spending on external action under the EU's general budget for 2021-2027 and make it more effective. Can the NDICI – by overcoming unnecessary budgetary fragmentation and overlap – also be an instrument facilitating the Union's 'integrated approach' to external conflict and crisis? As the proposal now stands, there are still a number of blind spots that could undermine its effective contribution to a multidimensional, multi-level, multilateral and multi-phased approach to address fragility and instability in third countries.

The current external financing instruments of the EU, as established under the 2014-2020 multiannual financial framework (MFF), have struggled to provide enough coherence and flexibility in responding to today's quickly shifting context. In the face of mounting instability in the

neighbourhood (and beyond) and a sharp increase in refugee flows and migration, the key finding of a mid-term [self-assessment](#) by the Commission was the need for "more strategic and overarching programming" and "coherent interactions at the operational level in the renewed international context". The need for flexibility and the problem of silo approaches similarly figure in an externally evaluated [Coherence report](#) and the European Parliament's [implementation assessment](#).

In an effort to address these recommendations, the Commission has come up with a new and bold [proposal](#) for future spending on issues relating to the neighbourhood, development and international cooperation. By merging the 11 existing instruments outlined below (cf. Table 1) into one financial instrument, the NDICI seeks to increase simplification, coherence, responsiveness and strategic direction in EU external action.

**Table 1.** Comparison between current programmes and the NDICI proposal, taking into account Brexit (EU27) and the budgeting of the European Development Fund.

MFF 2014-20 €70.1 + 6.9 billion <sup>1</sup>		MFF 2021-27 €89.2 billion	
11 instruments = European Neighbourhood Instrument, European Instrument for Democracy and Human rights, Instrument contributing to Stability and Peace, Development Cooperation Instrument, Partnership Instrument for Cooperation with Third Countries, Instrument for Nuclear Safety Cooperation, Macro-Financial Assistance, External Lending Mandate, Guarantee Fund for External Action, European Fund for Sustainable Development and European Development Fund (excluding African Peace Facility).		1 instrument, 4 components = Neighbourhood, Development, International Cooperation (NDICI)	
<b>Geographic Programmes</b>	<b>€57,568 million (74.8%)</b>	<b>Geographic Programmes</b>	<b>€68,000 million (76%)</b>
Neighbourhood	€17,693 million (30.7%)	Neighbourhood	€22,000 million (32%)
Sub-Saharan Africa	€26,097 million (45.3%)	Sub-Saharan Africa	€32,000 million (47%)
Asia and the Pacific	€9,819 million (17.1%)	Asia and the Pacific	€10,000 million (15%)
The Americas and Caribbean	€3,959 million (6.9%)	The Americas and Caribbean	€4,000 million (6%)
<b>Thematic Programmes</b>	<b>€9,139 million (11.9%)</b>	<b>Thematic Programmes</b>	<b>€7,000 million (8%)</b>
Human rights and Democracy	€1,302 million (14.24%)	Human rights and Democracy	€1,500 million (22%)
Civil Society Organisations	€1,414 million (15.5%)	Civil Society Organisations	€1,500 million (21%)
Stability and Peace	€706 million (7.7%)	Stability and Peace	€1,000 million (14%)
Global Challenges	€5,716 million (62.5%)	Global Challenges	€3,000 million (43%)
<b>Rapid Response Pillar</b>	<b>€3,407 million (4.4%)</b>	<b>Rapid Response Pillar</b>	<b>€4,000 million (5%)</b>
<b>Emerging Challenges and Priorities Cushion</b>	<b>€6,869 million (8.9%)</b>	<b>Emerging Challenges and Priorities Cushion</b>	<b>€10,200 million (11%)</b>

Source: Adapted from data from the Secretariat of the Committee on Budgets, as included in the December 2018 European Parliament Briefing [A new neighbourhood, development and international cooperation instrument](#).

While meritorious from a coherence-seeking perspective, the desire to simplify the EU's financial toolbox and increase the Commission's flexibility in spending has raised concerns among various parts of the EU's apparatus and member states alike. How will a unified instrument reflect the privileged relationship of the [neighbourhood with the EU](#)? What will the [governance structure](#) and operationalisation of the instrument look like? How likely is it that the NDICI will survive broader MFF [negotiations](#) in the Council? These are some key questions that observers have

addressed in various analyses of the proposed jumbo instrument.

An underexposed angle in the existing body of commentary is how the NDICI relates to the EU's commitment to an "integrated approach to conflict and crisis". Outlined in the EU's Global Strategy (EUGS) of 2016 as one of the priorities for EU external action, the EU has committed to addressing global instability and fragility in a holistic way, deploying all its relevant policies, players and tools in an integrated and well-coordinated manner.<sup>2</sup> Pooled funding and joint financial instruments can be seen as a way of

<sup>1</sup> The 70.1 billion euro budget for 2014-20, as estimated for the EU27, does not include the budget for emerging challenges and priorities, as the latter is not necessarily funded under the MFF.

<sup>2</sup> The integrated approach aims to address all conflict dimensions – ranging from security challenges to development concerns over economic grievances – during all phases of the conflict, from prevention to post-conflict reconstruction. To effectively implement such an approach, the EU wishes to coordinate and cooperate with all relevant actors at a local, national, regional and global level. The integrated approach is further outlined in a [joint communication](#) on Resilience (JOIN(2017)21) by the European Commission and the HR/VP and a working document (EEAS/COM(2017)8) on "The EU Integrated Approach to external conflicts and crises" of the EEAS and the European Commission, both released in June 2017.

facilitating the implementation of this kind of integrated approach.

While the preamble (recital 8) outlines a commitment to the five priorities enshrined in the Global Strategy, the proposal does not mention the integrated approach explicitly. References are however made to “a more geographically and thematically *comprehensive* approach”, by tackling policies in a “*trans-regional, multi-sectoral and global way*”, with a goal of breaking down “*silos*” (our italics). But in what ways does the NDICI regulation actually live up to facilitating a multidimensional, multi-level, multilateral and multi-phased approach to conflict and crisis?

### Multidimensional

*The integrated approach is multidimensional, drawing on “all available policies and instruments aimed at conflict prevention, management and resolution”, bringing together diplomatic engagement, CSDP missions and operations, development cooperation and humanitarian assistance. (EUGS, 2016: 28)*

Merging financial assistance for neighbourhood, development and international cooperation agendas under the NDICI should facilitate the financial implementation of a multidimensional approach to crises. However, one wonders how ‘integrated’ the NDICI actually is given that the budgets for, for example, the Neighbourhood (under its geographic pillar) or Peace and Stability (under its thematic pillar) remain ring-fenced (cf. Table 1). Moreover, the NDICI

proposal does not cover all dimensions of EU external action spending. For one, CSDP operations and military capacity-building for CFSP objectives cannot be included under the EU budget (and hence under the NDICI) due to limitations enshrined in the EU Treaty.<sup>3</sup> Similarly, humanitarian aid resides outside the NDICI’s scope in compliance with the humanitarian principles of neutrality, impartiality and independence.<sup>4</sup> Sufficient coordination between the NDICI, the ECHO budget (including the EU’s Emergency Aid Reserve) and different types of security funding will therefore be key.

In fact, four different security-related instruments and funds are currently on the table for 2021-2027: the NDICI, the CFSP budget, the European Peace Facility and the European Defence Fund (cf. Table 2). While the NDICI and the CFSP budget seek principally to finance soft security needs, the proposed European Peace Facility caters for CSDP operations with military and defence objectives and the European Defence Fund aims to encourage the development and operationalisation of joint defence capabilities among member states.<sup>5</sup> The envisaged split between the NDICI and other funds will continue to hamper the type of ‘civ-mil’ coordination that a truly integrated, nimble and effective approach to external conflict and crisis require

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<sup>3</sup> The EU Treaty (article 41.2 TEU) does not allow the Union’s budget to be used for military or defence purposes.

<sup>4</sup> As outlined in section 2.1 of the EU Consensus on Humanitarian aid.

<sup>5</sup> Blockmans, S. (2018), “The EU’s modular approach to defence integration: An inclusive, ambitious and legally binding PESCO?”, *Common Market Law Review*, 55(6), 1785-1826.

**Table 2.** List of security, defence, military instruments and funds

EU financial instruments and funds relating to security and defence					
2014-20			2021-27 proposals		
Financial instrument	Funding Source	Scope	Financial instrument	Funding Source	Scope
1. Instrument contributing to Stability and Peace (IcSP)	EU budget €2,339 million under current MFF.	Supporting of security initiatives and peace-building activities in partner countries, with no military or defence purposes.  Includes Capacity Building in support of Security and Development (CBSD), with objectives in the field of development and human security.	Included in the <a href="#">Neighbourhood, Development and International Cooperation Instrument</a> (NDICI)	EU budget  €1,000 million is specifically allocated under next MFF for peace and stability (as part of the thematic pillar), but the NDICI also includes unallocated and more flexible spending in this realm  (cf. Table 3).	Includes conflict, peace and stability actions in geographic and thematic programmes on the one hand and in rapid response and emergency on the other hand (cf. Table 3).  Does include CBSD, with objectives in the field of development and human security. <sup>6</sup>
2. CFSP budget provisions within EU budget	EU budget €2,338 million under current MFF.	Financing of administrative costs of all CSDP missions and the operational costs of Civilian CSDP. <sup>7</sup>	CFSP budget provisions within EU budget	EU budget  €3,000 million under the next MFF, outside the NDICI.	Financing of administrative costs of all CSDP missions and the operational costs of Civilian CSDP.
3. Athena Mechanism	Off budget  Annual share by MS, excluding Denmark. Limited budget. <sup>8</sup>	Financing of common operational costs of military operations under CSDP.	<a href="#">European Peace Facility</a>	Off budget  €10,500 million, to be  financed by MS, excluding Denmark.	Enables the financing of operational actions (e.g. EU or partners' military operations) under CFSP that have military or defence implications (cf. art. 41.2 TEU).  Is not restricted to Africa.
African Peace Facility	Off budget  €1,662.5 million for 2014-2018, <sup>10</sup> funded by MS (excluding Denmark) as part of 11 <sup>th</sup> European Development Fund.	Supports the African Union's and African Regional Economic Communities' efforts in the area of peace and security.  Includes capacity building, early response mechanisms and support to Peace Support Operations in Africa.			Brings together former Athena Mechanism and African Peace Facility. Also includes CBSD, with objectives in the field of CFSP (in support of countries' armed forces). <sup>9</sup>
4.			<a href="#">European Defence Fund</a>	Partly funded by EU budget  €13 billion under the next MFF and partly funded by MS contributions.	Looks to increase coordination of investment amongst MS throughout the industrial cycle (from research to development of prototypes to acquisition of defence capabilities).  Includes financing of priority projects agreed by MS within the framework of CSDP and NATO.

Source: Authors' own compilation.

<sup>6</sup> The proposal of the European Peace Facility (HR(2018)94) outlines: "Current provisions on Capacity Building of military actors in support of Development and Security for Development (CBSD) as set out in the Instrument contributing to Stability and Peace, provide for actions which mainly pursue objectives in the field of **development**. The Peace Facility will be able to finance capacity building activities in support of third countries' armed forces in pursuit of **CFSP objectives**". However, it is still being discussed how CBSD will take shape exactly under both the NDICI and the European Peace Facility.

<sup>7</sup> Ibid.

<sup>8</sup> In 2014, for five military operations, the Athena budget was estimated at around [€78 million](#).

<sup>9</sup> Ibid.

<sup>10</sup> This is the sum of the €1,030.5 million committed under the 2014-2016 [Action Programme](#) and the €592 million committed under the 2017-2018 [Action Programme](#). The APF budget for 2019-20 is not yet available.

## Multi-level

*The integrated approach is **multi-level**, acting to address the complexity of conflicts “at the local, national, regional and global levels”. (EUGS, 2016: 29)*

The NDICI proposal seeks to improve coherence between geographic and thematic interventions, by transferring most (global) thematic actions into (country-based or regional) geographic programmes.<sup>11</sup> Despite the intention to shrink thematic programming, clarifications will be needed about how coherence will be achieved between peace and security interventions financed under bilateral and regional envelopes and those facilitated by the Stability and Peace thematic programme. Moreover, while it makes sense to invest more in geographic programmes, given that these are tailor-made and have proven to be most effective, such approach raises concerns about support for local level actors. Since geographic programming and implementation takes place via bilateral or regional cooperation, national governments and public authorities will have to endorse the decentralisation of allocations to, for example, local authorities, local councils or local civil society organisations. In countries mired in conflict, repression and authoritarianism, this approach may prevent some local-level actors from having guaranteed access to EU support under the geographic pillar.

## Multilateral

*The integrated approach is **multilateral**, engaging all players “present in a conflict and necessary for its resolution, partnering more systematically on the ground with regional and international organisations, bilateral donors and civil society”, to build sustainable peace “through comprehensive agreements rooted in broad, deep and durable regional and international partnerships”. (EUGS, 2016: 29)*

Generally speaking, the NDICI regulation outlines that programming takes place in cooperation with partner countries or regions, and preferably through joint programming with EU member states. Joint programming with other donors and consultation with representatives of civil society and local authorities shall take place “where relevant”.<sup>12</sup> More specifically, when drawing up programming documents with partner countries and regions struck by conflict and crisis, the proposal stipulates that:

*“(...) due account shall be taken of the special needs and circumstances of the countries or regions concerned. (...) special emphasis shall be placed on stepping up coordination amongst all relevant actors to help the transition from an emergency situation to the development phase”.<sup>13</sup>*

The proposal remains vague, however, as to with whom and how financial coordination will be consolidated in conflict zones. For example, there is no explicit mention of joint programming or co-financing with the UN, despite the latter being the EU’s core strategic partner in the field of conflict prevention and peacebuilding.<sup>14</sup>

Vagueness about “effective multilateralism” also predominates at an inter- and intra-institutional

<sup>11</sup> A key motivation for bringing the NDICI into existence was to improve coherence between geographic and thematic interventions. In today’s budget, there has been overlap and inconsistent responses at the country-level due to missing synergies between (country-based) geographic and (global) thematic financial instruments. Therefore, the NDICI proposes to transfer a number of thematic actions to the geographic programmes, with the latter now representing three quarters of the instrument. The remaining thematic actions (only 8% of the NDICI) would then cover those issues that are better dealt with at the global rather than country level.

<sup>12</sup> Cf. Article 10 of the Commission’s proposal (COM(2018) 460).

<sup>13</sup> Cf. Article 11.6 of the Commission’s proposal (COM(2018) 460).

<sup>14</sup> Debuysere, L. and Blockmans, S. (2019), “Crisis responders: Comparing policy approaches of the EU, UN, NATO and OSCE with experiences in the field”, *European Foreign Affairs Review* 24(3), forthcoming.



EU level. A truly integrated approach to conflict and crisis will require increased coordination both within the Commission (e.g. in the Commissioners' Group on External Action),<sup>15</sup> the Council (between all relevant working parties) and the Parliament (between AFET and DEVE in particular), as well as between these institutions. As it now stands, however, attempts to move the management of external financing instruments (like the NDICI) from different line DGs and FPI (co-located in the EEAS) to DG DEVCO signals an intended concentration of power of the purse, which is anathema to the philosophy of multilateralism within the EU's own apparatus.<sup>16</sup>

### Multi-phased

*The integrated approach is **multi-phased**, allowing the EU to act "at all stages of the conflict cycle, acting promptly on prevention, responding responsibly and decisively to crises, investing in stabilisation, and avoiding premature disengagement when a new crisis erupts". (EUGS, 2016: 28)*

Under its different pillars, the NDICI provides financial assistance for all phases of the conflict cycle (cf. Table 3). However, given that the NDICI is to be employed in a flexible manner in line with policy priorities, some phases of the conflict cycle risk being gradually overlooked in favour of quick responses to unforeseeable challenges and crises. As such, short-term foreign policy interests, such as stopping migration flows, may trump longer-term preventive approaches to conflict.<sup>17</sup> Further clarification regarding the flexible short-, mid- and long-term deployment and impact of, particularly, the Rapid Response Pillar and the Emergency Cushion is therefore imperative.

At the intersection of a multilateral and a multi-phased approach to conflict and crisis lies a difficult balancing act of reconciling complex 'multilateral' coordination with the need for responsive crisis intervention. While the rapid response pillar and the emergency cushion do not require time-consuming programming, clarification is needed on how swift coordination between key EU (e.g. DG DEVCO, DG NEAR, EU Delegations) and non-EU (e.g. UN, NATO, OSCE) players will take place under these two envelopes, in order to avoid increasing delays in responding responsibly and decisively in crisis situations.

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<sup>15</sup> Blockmans, S. and Russack, S. (2015), "The Commissioners' Group on External Action - Key political facilitator", CEPS Special Report No. 125, 17 December.

<sup>16</sup> Insight gleaned from interviews with current and former EU officials.

<sup>17</sup> An additional question to be asked is how existing Trust Funds will relate to the NDICI.

**Table 3.** Funding specifically allocated for issues relating to Conflict, Peace and Stability under the NDICI

<b>Specific Conflict, Peace and Stability actions under the NDICI</b>	
<p><b>Geographic Programmes</b></p> <p>= one out of five pillars within the Geographic programmes specifically tackles Peace cooperation (i.e. Security, Stability and Peace) in all 4 designated regions (Neighbourhood, Sub-Saharan Africa, Asia and the Pacific, The Americas and Caribbean)</p> <ul style="list-style-type: none"> <li>▪ <b>People</b></li> <li>▪ Planet</li> <li>▪ Prosperity</li> <li>▪ <b>Peace</b> including resilience building, conflict prevention, early warning, peacebuilding, SSR support, capacity-building of military actors (CBSD), countering radicalisation...</li> <li>▪ Partnership</li> </ul>	<p>Unclear what share of the overall €68,000 million of the budget for geographic programmes will be used for the 'Peace' pillar</p>
<p><b>Thematic Programmes</b></p> <p>= one of the four thematic pillars deals with 'Stability and Peace'</p> <ul style="list-style-type: none"> <li>▪ Human rights and Democracy</li> <li>▪ Civil Society Organisations</li> <li>▪ <b>Stability and Peace</b> includes (1) assistance for conflict prevention, peace-building and crisis preparedness and (2) addressing global and trans-regional threats and emerging threats</li> <li>▪ Global Challenges</li> </ul>	<p>€1,000 million of the overall €7,000 million is ring-fenced for 'Stability and Peace'</p>
<p><b>Rapid Response Pillar</b></p> <p>= quick responses, including (1) actions contributing to stability and conflict prevention in situations of urgency, emerging crisis, crisis and post-crisis; (2) actions contributing to resilience building and the humanitarian-development nexus; and (3) actions addressing foreign policy needs and priorities</p>	<p>Unclear what share of the overall €4,000 million will go to which phase of the conflict cycle</p>
<p><b>Emerging Challenges and Priorities Cushion</b></p> <p>= to be decided</p>	<p>The €10,200 million is unallocated to ensure flexibility</p>

Source: Authors' own compilation based on the Commission's proposal (COM(2018) 460).

### Towards an integrated financial instrument?

Looking at it from the angle of an integrated approach to conflict and crisis, there lies a paradox at the heart of the current NDICI proposal. On the one hand, by streamlining all instruments into a flexible, single instrument, there is a risk that certain conflict dimensions, levels or phases will outweigh others, for example under political pressure of serving the EU's direct internal and external interests. As such, a joint instrument risks undermining a truly holistic approach. On the other hand, however,

an integrated financial approach would be equally undermined if the solution for this problem is to install excessive ring-fencing within the NDICI, nullifying the philosophy of integration in the process. A difficult balance between merging instruments while preserving comprehensive action needs to be struck if the NDICI is to facilitate a genuine, rather than a merely cosmetic, integrated approach to conflict and crisis. Indeed, simplification is the most difficult thing to do.

## End Note

The commentary was written in the framework of a new research project in which the Bertelsmann Stiftung and [CEPS Centre for European Policy Studies](#) have joined forces. The project aims to assess whether, how and with what success whole-of-government approaches (WGAs) are implemented in external action of the EU and its member states. The underlying interest is to find out whether WGAs have, as intended, led to more political coherence and thus to better policy outcomes in dealing with external conflict and crisis.

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