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How to spend €89.2 billion

EARLY DEVELOPMENTS IN INTERNATIONAL COOPERATION PROGRAMMING

MFF

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SUMMARY

In the proposal for its next budget (2021-2027), the European Commission envisages a major restructuring of its external action architecture that reflects the EU's ambition to pursue a more strategic, political and interest-driven external action. It includes the creation of a 'Neighbourhood, Development and International Cooperation Instrument' (NDICI) worth €89.2 billion, and of global scope. Up to 75% of funds are intended for political cooperation with partner countries and regions.

Programming such an instrument will be an unprecedented political, policy and administrative challenge. The EU needs to define its strategic priorities and clarify how its official development assistance (ODA) can best safeguard its interests, promote its values and support Lisbon Treaty commitments on poverty eradication and sustainable development, in line with partner countries' plans for implementing Agenda 2030. Ensuring that programming is framed by the EU's strategic interests, is informed by a deep understanding of context specificities, and is compliant with programming guiding principles will require a sophisticated but efficient programming process.

This discussion paper is an initial analysis of how the EU institutions are currently preparing for the next bilateral programming process. Although programming will not start until the new European Commission takes office at the end of 2019, the EU institutions are getting ready for the herculean task ahead. While there have been a number of encouraging developments, some potential policy-to-practice gaps need to be addressed early in the process, to ensure that the NDICI fulfils all of the EU's external action aspirations.

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Acronyms

5Ps	People, Prosperity, Peace, Planet and Partnership
ACP	Africa, Caribbean and Pacific
CBSD	Capacity Building in support of Security and Development
CSO-LA	Civil Society Organisations-Local Authorities
DAC	Development Assistance Committee
DG	Directorate General of the European Commission
DG CLIMA	DG for Climate Action
DG DEVCO	DG for International Cooperation and Development
DG ENER	DG for Energy
DG GROW	DG for Internal Market, Industry, Entrepreneurship and SMEs
DG HOME	DG for Migration and Home Affairs
DG NEAR	DG for Neighbourhood and Enlargement Negotiations
DG RESEARCH	DG for Research and Innovation
EC	European Commission
ECDPM	European Centre for Development Policy Management
EDF	European Development Fund
EEAS	European External Action Service
EFI	External financing instruments
EFSD	European Fund for Sustainable Development
ENI	European Neighbourhood Instrument
ENP	European Neighbourhood Policy
EU	European Union
FAO	Food and Agriculture Organisation
FPI	Service for Foreign Policy Instruments
GAP	Gender Action Plan
GNI	Gross national income
HIC	High Income Country
HQ	Headquarters
HR/VP	High Representative and Vice President
IcSP	Instrument contributing to Stability and Peace
LDC	Least Developed Countries
MADCs	Most Advance Developing Countries
MFF	Multiannual financial framework
MICs	Middle Income Countries
MTR	Mid-Term Review
NDICI	Neighbourhood, Development and International Cooperation Instrument
ODA	Official development assistance
PCD	Policy coherence for development
PEA	Political economy analysis
PI	Partnership Instrument
RC	Resident Coordinator
SDGs	Sustainable Development Goals
SIDS	Small Islands Developing States
UNDAF	United Nations Development Assistance Framework

Introduction

The European Commission envisages a major restructuring of its external financial architecture in its proposal for a Multiannual Financial Framework for 2021-2027 (MFF 2021-2027). As global challenges grow in complexity and intensity, the case for modernising the EU's external action - making it simpler, more efficient and flexible, and better aligned with the EU's interests and values - has become more compelling than ever.¹ One of the main findings of the final report on the Mid-Term Review (MTR) of the External Financing Instruments (EFIs) is that there is a need to 'adapt the way the instruments are implemented, notably through a more strategic and overarching programming and ensuring coherent interactions at the operational level in the renewed international context'.² Programming is an essential decision-making process through which the European Commission, together with the EEAS, EU Member states, and the partner countries and regions, define what are the EU's international and development cooperation strategies, priorities and funding allocations.³

As part of the future MFF package, the European Commission is proposing to raise the overall budget for EU external action by 13% in real terms, under a new 'Neighbourhood and the World' heading. The big innovation here is the proposed creation of a Neighbourhood, Development and International Cooperation Instrument (NDICI). The NDICI proposal comes with a proposed financial envelope of €89.2 billion⁴ and streamlines various external financing instruments (EFIs).⁵ The benefits of such a macro-instrument would be to:

1. simplify the management and supervision of the EU's external expenditure;
2. improve coherence and complementarity between thematic and geographic interventions, reducing fragmentation and overlaps between programmes; and
3. increase financial flexibility in order to better face emerging challenges.

The NDICI's geographic component is intended to support political cooperation with partner countries and regions, and absorbs 75% of the NDICI's overall financial envelope. Financial allocations to different regions are still in brackets, but reflect the EU's geostrategic interests. 80% of the geographic envelope is intended for:

- a. the Neighbourhood (i.e. at least €22 billion); and
- b. sub-Saharan Africa (i.e. at least €32 billion).

¹ For further discussion and ECDPM analysis on this see, Jones, A., Di Ciommo, M., Sayós Monrás, M. Sherriff, A. Bossuyt, J. (2018).

² European Commission, 2017d.

³ European Commission, n.d.

⁴ All figures are in current prices.

⁵ A total of eight regulations and one decision would be merged. These are the Development Cooperation Instrument (DCI), the European Neighbourhood Instrument (ENI), the Partnership Instrument for Cooperation with Third Countries (PI), the European Instrument for Democracy and Human Rights (EIDHR), the Instrument contributing to Stability and Peace (IcSP), the European Fund for Sustainable Development (EFSD), the External Lending Mandate (ELM), the Guarantee Fund for External Action, and the extra-budgetary European Development Fund (EDF), including the EDF's Africa, Caribbean and Pacific countries (ACP) investment facility.

The remaining regions will in principle receive:

- a. Asia and Pacific: €10 billion;
- b. the Americas and the Caribbean: €4 billion.
- c. Some of the funds from the geographical envelope are also to be channelled through a revised version of the European Fund for Sustainable Development (EFSD+) and the external action guarantee, with the aim of leveraging significant additional public and private investments.

It is understood that formal programming will start only once the new European Commission takes office in November 2019. As a high-ranking official put it, *'anything that we do now has a political deadline. (...) The next Commission will decide on country allocations and priorities and the current Commissioner is very cautious about not overstepping the future Commission's agenda'*. But we also know that programming will need to be finalised by 1 January 2021, which is when the new MFF becomes operational. An agreement on the MFF (and the creation of the NDICI) is due to be reached in May 2019, before the elections for the European Parliament. Even if many observers believe that the deadline will not be met, the programming process will have to begin regardless.

Programming an external financial instrument of almost €90 billion, covering nearly every country and region in the world,⁶ will be an unprecedented political, policy and administrative challenge. Although the final parameters of programming are still unknown, the EU is ramping up for NDICI programming.

About this study

This discussion paper is an initial analysis of how the EEAS and the European Commission (who are jointly responsible for programming the NDICI) are currently preparing for the next programming process (2021-2027). The paper focuses on current trends and dynamics, and discusses the potential policy-to-practice gap and how this could be addressed early on in the programming process. The aim is to constructively inform debates between the European Commission's Directorate-General for International Cooperation and Development (DG DEVCO), the Directorate-General for European Neighbourhood Policy and Enlargement Negotiations (DG NEAR), the EEAS, the Service for Foreign Policy Instruments (FPI), the European Parliament, and member states. It is designed to give other interested observers from partner states and civil society an early insight into deliberations.

The paper is structured around four key questions that will require attention from EU stakeholders in the run-up to formal programming. Although the programming process is not due to start until the new European Commission is in place in November 2019, strategic decisions will be taken in the coming months, by choice or by default, that will shape the programming process and spending priorities. These decisions will influence the EU's ability to fulfil its commitment to deliver more efficient and coherent EU external action that fosters peace, security, sustainable development and poverty reduction. The four key questions are:

1. How can the EU prepare for an interest-driven international cooperation that also captures the spirit of Agenda 2030?
2. What role does DG DEVCO want to play?
3. How can complementarity between the geographic and thematic components of the NDICI be maximised?
4. How to prepare for the possible cascade effects of the NDICI on the EU's external action architecture?

⁶ Although the NDICI will also cover industrialised countries, it is highly unlikely that it will be used for significant cooperation with countries such as Japan, the US, Canada, Australia and New Zealand. However, such cooperation has not yet been ruled out from the current MFF negotiations. Interview on 24 October 2018.

The final section contains a number of concluding remarks. Annex 1 provides an infographic with our interpretation of the programming process and timeline, based on the information gathered in our interviews. The timeline should by no means be considered as an official timeline and will likely be subject to evolution. It is important to note that the NDICI programming planning takes place in a highly volatile context whereby member states and the EU institutions more broadly still need to decide on many important issues, including on the budgetisation of the EDF, the inclusion of the ENI in the NDICI and the role of the European Parliament in the governance of the NDICI.⁷ Ongoing MFF negotiations could be protracted and delay the programming process.

Our main findings

The EEAS is currently devising ‘strategic framework documents’ to frame the EU’s international cooperation under the NDICI. These documents will spell out the EU’s interests in a given country or region (in the long term) and clarify how different strands of EU external action (i.e. on climate, energy, migration, security, and economic development) ought to work in different countries and regions. There is no blueprint for these strategic framework documents and it remains unclear when various European Commission services with an external dimension in their mandates will be involved in the process, and how different inputs and visions of the EU’s strategic interests will be consolidated. Although this exercise is the main responsibility of the EEAS (and represents the latter’s added value), DG DEVCO will have to step up its game to ensure that policy coherence for development is not an afterthought in designing these documents. The current MFF discussions have focused until now on the very architecture of the proposed instrument, and will most likely crystallise on the NDICI’s governance structure. The EU member states and the European Parliament would like to increase their role in the political management of the new instrument. The outcome of negotiations may need to be factored into the process of drafting the strategic framework documents and the programming process (for example, through delegated acts).

The EU institutions are also reflecting on how to adapt the resource allocation formula to better reflect the EU’s desire for an interest-driven external action. The draft NDICI Regulation cites partner countries’ capacity and commitment to promoting shared interests and EU values as criteria that are to be taken into account in allocating resources. This suggests that the political (i.e. qualitative adjustment) factor applied in the final allocations will probably be more important than in the past. The resource allocation formula will also need to better reflect the EU’s commitment to Agenda 2030. **Although the EU has maintained its commitment to concentrating its resources on least developed countries (LDCs), fragile and conflict-ridden countries, it has also opened up the possibility for bilateral cooperation with graduated countries⁸.** This will require a careful assessment of:

- how EU ODA can bring added value to countries with fewer gaps in development finance;
- how innovative forms of cooperation can effectively promote EU values and interests and address global challenges; and
- how issues of equity and poverty can be addressed through political and economic cooperation between the EU and Middle Income Countries (MICs) and Most Advanced Developing Countries (MADCs).

⁷ For the perspective on some member states positions on these issues see, Castillejo, C., et. al. (forthcoming 2018).

⁸ ‘Graduation’ refers to countries being removed from the DAC list of countries eligible to receive official development assistance.

Our research shows that **DG DEVCO is investing significant resources into broadening its analytical base for programming, notably through ‘SDG dialogues profiles,’** which list the challenges and opportunities for supporting partner country efforts to deliver on Agenda 2030. The ultimate aim is to pursue a joint EU-UN dialogue with partner countries on how to help them implement Agenda 2030, and also to find synergies between EU (joint) programming and UN programming, in line with recent commitments made by the High Representative Federica Mogherini at the UN General Assembly. Although it is certainly good to see the EU making a genuine effort to translate its commitment to multilateralism into practice, it seems perhaps a little premature to have the objective of a joint EU-UN dialogue on the SDGs preceding a more strategic reflection on what the EU wants to achieve with its ODA. **There is also some scepticism as to whether the Sustainable Development Goals (SDGs) provide a useful entry point for the EU to engage in a dialogue with MICs and MADCs, as the 2030 Agenda is still associated with the development cooperation.** The EU’s credibility and ability to convene SDG dialogues would certainly increase if the EU showed leadership in implementing Agenda 2030 within its own borders and effectively mainstreamed the SDGs across different EU policy areas.

Although it is also encouraging to see that **Brussels is taking a more analytical approach to the programming process, desk-based efforts should not preclude the use of more sophisticated types of analysis (such as political economy analysis, conflict analysis, etc.),** notably of the power dynamics that influence partner countries’ ability to effectively pursue pro-poor, sustainable development-oriented reforms and which determine external actors’ ability to influence country-led change processes. In this regard, the European Commission HQ should engage with EU Delegations during the strategic assessment phase and invest in tried and tested diagnostic tools that could guide EU programming choices and EU-UN dialogues on the SDGs. The programming instructions should also ensure that Multiannual Indicative Programmes (MIPs) are based on coherent theories of change, starting from the analyses described above.

A further point to bear in mind is that **DG DEVCO and DG NEAR are approaching the programming process from different angles.** While DG NEAR’s focus is on ensuring that the specificities of the European Neighbourhood Instrument (ENI) are safeguarded in the new instrument, DG DEVCO is gearing up to ensure that Agenda 2030 forms the common framework for action and dialogue between the EU institutions, the EU member states, the UN and the partner countries. Unlike in the 2014-2020 programming period, the EU no longer has its programming priorities in a straightjacket. The draft NDICI Regulation contains a wide menu of options reflecting the contents of Agenda 2030 on sustainable development and indicating a move away from narrow sector concentration to multi-sectoral or sector-wide, result-oriented approaches to programming. Although this is a most welcome development, translating it into practice will prove easier said than done. Programming choices will need to reflect the priority areas of existing or future regional cooperation frameworks.

The European Commission and the EEAS will play a key role in ensuring policy compliance with the EU’s strategic interests and policy commitments. However, the exercise is likely to be much more complex than in the previous programming process, where the main focus was on ensuring policy compliance with sector concentration on limited key sectors where the EU thought it would have more impact. There will now be many dimensions to monitor for compliance:

- alignment with the EU’s strategic foreign policy priorities;
- observance of guiding principles (i.e. leave no-one behind, resilience approach, rights-based approach, results-based approach, conflict sensitivity, inclusive partnerships, aid effectiveness, etc.);
- benchmarking targets (for climate, social inclusion and development, and addressing the root causes of migration), while ensuring that thematic priorities are effectively addressed in the geographic

component and that country programming does not neglect any of the three pillars for the transformation to sustainable development, i.e. equity, ecology and economy;

- ensuring that investment operations are compatible with the 'leave no-one behind' principle,
- assessing whether there are enough good reasons for EU Delegations not to use joint programming as their preferred approach.

To maximise policy compliance, **it is important that the programming instructions provide EU Delegations with specific operational guidance, and that Headquarters devise the right incentives and effective monitoring systems.**

Box 1: What are the interinstitutional arrangements for NDICI geographic programming

Under the Lisbon Treaty and the 2012 Interinstitutional Agreement,⁹ **the EEAS and the European Commission (now DG NEAR and DG DEVCO) share responsibility for the strategic programming of EU external aid.** Together, they prepare the European Commission's decisions on country and regional financial allocations. Both the High Representative/Vice-President (HR/VP) and the Commissioners at DG NEAR and DG DEVCO have to sign the programming documents and submit them jointly to the College of Commissioners for adoption.

The EEAS is responsible for injecting a strategic vision and for ensuring co-leadership and interinstitutional coordination of EU external action. Despite this, the newly established EEAS had only a minimal influence over the previous geographic programming process in 2014-2020. **The European Commission takes the lead in designing and implementing programming documents** and annual action plans, and in financial management.

The **EEAS and the European Commission** are jointly responsible for drafting the programming instructions, which spell out the overarching policies and principles that govern the programming for the period in question, and for preparing a timetable. These instructions are prepared with limited engagement on the part of EU member states and civil-society organisations. They are required to be politically validated by both the EEAS and the European Commission.

The EU Delegations are responsible for conducting analyses and in-country multi-stakeholder consultations, for coordinating activities with the member states, including joint programming exercises, and for leading the programming dialogue with partner countries. The process of drafting the MIPs is iterative, and requires intense dialogue (and sometimes fierce negotiation) between the European Commission and the EU Delegations.

With regard to the geographic and thematic components of the NDICI, the draft Regulation assumes that specific funding decisions would be taken by the European Commission in the form of implementing acts based on multi-annual programmes and action plans. These would need to be approved by a qualified majority of member states, in a committee of technical experts (known as the NDICI Committee). Currently, the draft NDICI Regulation does not envision a specific mechanism for European Parliament involvement in strategic choices on priorities and funding.¹⁰ It is still unclear whether the strategic dialogue with the European Parliament will continue in its current form (although it is likely to do so) or whether the European Parliament will manage to get more out of the negotiations than last time.¹¹

⁹ Working Arrangements between Commission Services and the European External Action Service (EEAS) in relation to external relations issues, SEC(2012) 48 (10 January 2012) (unpublished SEC-document). Signed by the Secretary-General of the European Commission and the Chief Operating Officer of the EEAS on 13 January 2012.

¹⁰ European Parliament, 2018.

¹¹ European Commission, 2017c. p.23. For a wider discussion of NDICI governance issues, see the ECDPM's forthcoming December 2018 publication on governance of the NDICI which will be available from <http://ecdpm.org/dossiers/multiannual-financial-framework-mff/>

Methodology

Our analysis draws on a limited amount of publicly available written information and on interviews with 24 informed stakeholders in the EEAS, the EU Delegations, DG DEVCO, DG NEAR, the FPI, the European Parliament and five member states, at the very early stages of a highly dynamic, political and also extremely technical process. We conducted a total of 16 interviews between 9 October 2018 and 9 November 2018. Inevitably in such a dynamic process, at such an early stage, and with so many variables that are subject to change, there are distinct limitations on how firm the foundations of our policy research can be. Nevertheless, given the high stakes, potential resources involved, and keen interest from ECDPM stakeholders we felt it worthwhile to embark on some first reflections.

Some of the information provided is analytical, while other information is more speculative, based on existing knowledge and a European Centre for Development Policy Management (ECDPM) analysis of previous programming processes.¹²

This study is part of a broader ECDPM workstream on the MFF and the governance of the NDICI instrument and ECDPM will follow inevitable changes and evolutions that will occur over the next two years.¹³

¹² Görtz, S., & Keijzer, N., 2012.; Herrero, A. et al, 2015, and Herrero and Gregersen, 2016.

¹³ Further details available at: <http://ecdpm.org/dossiers/multiannual-financial-framework-mff/>

1. How can the EU prepare for an interest-driven international cooperation that captures the spirit of Agenda 2030?

1.1. Strategic framing of the EU's international political cooperation

The NDICI reflects the EU's ambition to bring about more strategic, political and interest-driven external action agenda in partner countries, where international cooperation and aid are part and parcel of the EU's broader foreign policy strategy. The EC's proposal assumes that the EU's international cooperation is based on (among other things) a 'framework document laying down the Union policy towards the concerned partner or partners, including a joint document between the Union and member states.'¹⁴ These 'strategic framework documents' will be instrumental in defining the EU's interests in a given country or region. They will look at the different strands of EU external action, (i.e. climate, energy, migration, security, and economic development) and will clarify what the EU wants to achieve with its different EFIs and ODA in a given country.

Current EEAS thinking, as captured by our interviews, is that 'strategic framework documents' would need to be flexible and fluid instruments, allowing them to evolve with changing circumstances and shifting EU priorities. In principle, they would not be negotiated or shared with partner countries. Nor would they be bound by the programming cycle or subject to comitology¹⁵ (although in principle, and according to our sources, EU member states would be consulted at some stage, probably at the country level).

The EEAS leads on interinstitutional cooperation during the programming process. The Commissioners' Group on External Action facilitates inter-service coordination, and country-team meetings also offer opportunities for different line DGs with an external dimension to their mandate to discuss EU external action in specific countries. At the time of writing, inter-service discussions on the strategic framework documents had not yet started and key decisions were still pending: Will the EEAS involve different Commission services (beyond DG DEVCO and DG NEAR) in the drafting of these strategic documents, and if so, when and how? And how will different inputs and views on the EU's strategic interests be consolidated?

¹⁴ And on other documents too, including 'a national or regional strategy in the form of a development plan or a similar document accepted by the Commission as a basis for the corresponding multiannual indicative programme, at the time of adoption of the latter document' and 'a joint document between the Union and the concerned partner or partners setting out common priorities.' (NDICI draft Regulation, Article 12).

¹⁵ The European Commission is explicitly empowered by the European Parliament and/or the Council to adopt acts to implement EU law in many areas. These acts are called Implementing acts. Member states can control the implementing power of the European Commission through "comitology". This means that the European Commission submits the draft implementing act to a Committee composed of representatives from all member states, who vote through qualified majority. If there is a positive outcome, the Commission *must* adopt the act; if there is a negative outcome, the Commission *cannot* adopt the act, and if there is no qualified majority for, nor against, the Commission *may* adopt the act.

There does not seem to be a blueprint for these strategic framework documents at present. We identified the following potential approaches (although there may be others):

1. **Looking back:** The EEAS is systematically screening the plethora of 'strategic documents' that already exist in different countries. These include Association Agreements and Partnership Priorities (in the case of ENI countries), country strategies, joint framework documents, human rights strategies, civil-society road maps and joint programming documents.¹⁶ This type of screening will allow the EEAS to identify countries where new consolidated documents are needed, as well as those countries where existing strategic documents are deemed to be sufficient.
2. **Looking forward:** certain EEAS directorates are investing in bottom-up processes with EU Delegations, with the aim of building a shared understanding of long-term challenges affecting partner countries, as well as a shared vision of what the EU wants to achieve in the long run and how it can respond in the short term. The rationale explained by a high-ranking official is that, *'if you don't understand the long-term challenges in the regions where you intervene, you can't define your interests. Then we need to customise this vision to each country, and focus our interventions on how to address these challenges.'* Although these bottom-up exercises had not yet been launched at the time of writing, they should be closely monitored, as they offer good potential for ensuring a 'corporate' buy-in of the EEAS's strategic documents by front-line actors who know the country best.
3. **Status quo:** According to our sources, the current Association Agreements or Partnership Agreements (negotiated with neighbourhood partner countries and reflecting shared priorities) are considered to be valid strategic documents that are well-suited for framing and informing post-2020 programming choices in the Neighbourhood.¹⁷ We found little appetite for revisiting the existing strategic framework in the Neighbourhood, and the relevance of the reviewed European Neighbourhood Policy (ENP) was not questioned. As one interviewee put it, *'we are advocating for the ENI programming approach to be maintained – otherwise it would be a step back.'*

Defining strategic framework documents will require a powerful political impetus and operational guidance, and also some critical reflection on why such political documents have been so difficult to produce and agree on in the past.¹⁸ To a large extent, the real decision-making power still lies with the European Commission (who manage the money) and the member states (who ultimately control the foreign policy agenda on certain countries and regions).

Several of our interviewees were concerned that EU's short-term self-interests rub off on its strategic frameworks and programming choices. Indeed, the short-term interests of migration and security have in recent years increasingly dominated – some would say contaminated – EU foreign policy and to a certain extent its development policy agenda. Although the vast majority of EC programming is not focused on either security or migration issues, the tensions between EU values and short-term interests have been clearly reflected in the MFF negotiations. The tensions remain uneased, several interviewees noted: *'we speak about our values as key drivers, but then also about principled pragmatism'* and *'this raises concerns that the NDICI will be a piggy bank for migration and security.'*

¹⁶ While some documents are negotiated with partner countries, others are unilateral EU documents. Some strategies require formal adoption by the Council, whereas others do not have any legal status.

¹⁷ This is reflected by the Proposal for a Regulation of the EP and of the Council establishing the Neighbourhood, Development and International Cooperation Instrument, COM/2018/460, 14 June 2018, available online (article 7).

¹⁸ The Partner Instrument (2014-2020) stated that programming would be embedded in Joint Framework Documents, i.e. strategic documents integrating all aspects of EU external action and outlining the broad range of EU interests and priorities in specific countries or regions. This early expectation did not materialise in practice.

To prevent this from happening it is important that the strategic frameworks are assessed against how much they reflect EU's ultimate goal (as enshrined in the Lisbon Treaty) of more efficient and coherent EU external action, geared to attaining the overall objectives of peace, security, sustainable development and poverty reduction.

The NDICI recognises, rhetorically, that policy coherence for development (PCD) will be a crucial element of the strategy for achieving sustainable development. It stresses the need to take account of the impact of EU policies on sustainable development at all levels. DG DEVCO (as the institutional leader on PCD in accordance with Article 208 of the Treaty on European Union) needs to quickly step up its game to make sure that PCD is not just an afterthought in drafting these strategic frameworks and ranking strategic priorities. As a traditional supporter of PCD, the European Parliament is also keen to play a role in ensuring that PCD aspects are not lost in the programming, including by commenting on strategic decisions put forward by the European Commission before the final decisions are taken.

Most current MFF discussions have focused until now on the structure and architecture of the proposed NDICI, which has been received with mixed reactions by the Member States and the Parliament. The governance set-up and role division between the institutions in steering and managing the instrument will also certainly be one of the main contentious issues in the upcoming inter-institutional negotiations.. While member states and many MEPs agree with the principle of more interest-driven and integrated EU external action, they also insist on being more closely involved in the political steering of the instrument at an early stage. Senior EU officials consulted were still unclear as to whether the EU's strategic framework documents for programming would be discussed with the member states and the European Parliament before being approved by management. As a representative from a member state pointed out,

'The Commission's opinion is that comitology and the programming phase will both be important, but what will be decided at what level remains vague (for example, when the subdivision of funds will happen and what role the Commission will play). But we have not yet reached the stage at which we are discussing the programming in detail.'

Similarly, the European Parliament regretted in its latest opinion that 'NDICI (...) contain(s) virtually no such provisions on governance aspects, and that no specific mechanism is envisaged for the European Parliament's involvement in strategic choices on priorities and funding.'¹⁹

1.2. A resource allocation formula that matches EU ambitions and commitments

Deciding on the resource allocation formula (i.e. criteria based on a limited set of internationally recognised quantitative indicators, according to which countries and regions will be allocated certain amounts) that will apply to the next MFF cooperation instrument(s) is a highly political matters that is clouded in secrecy. We were told that the EU will assess the relevance of the existing resource allocation model,²⁰ and consider whether new indicators should be included in the formula. The way the NDICI draft Regulation has been formulated suggests that there could be a central resource allocation model accommodating the specificities

¹⁹ European Parliament, 2018.

²⁰ The current allocation formula uses a geometric model, meaning that there is no arithmetic weighing of the different indicators. This makes it more difficult to understand how the various indicators influence the allocation relative to each other, and what is the weight of the 'political adjustment factor' applied (as compared with an arithmetic model).

of the Neighbourhood, including the European Neighbourhood Policy's 'performance-based approach'.²¹ Various considerations can help us to understand the covenants that could influence the design of the next resource allocation formula.

Differentiation

Beyond the Neighbourhood and in line with the European Consensus on Development, the NDICI draft Regulation indicates that the EU will continue to give priority to the LDCs, low-income, crisis, post-crisis, fragile and vulnerable countries, including Small Island Development States (SIDS), and will take account of the special needs of fragile, crisis and post-crisis countries.²² In line with the European Consensus on development, the draft regulation sets a collective target to reach 0.20% of ODA as a share of EU gross national income going to LDCs.²³ This suggests that differentiation²⁴ will continue to apply, and that no major overhaul of the model is likely to occur. The EU will most probably design a formula based on a limited set of internationally acknowledged quantitative indicators relating to needs, capacity and performance. It will then apply a qualitative adjustment to account for political dimensions that are not easily captured in quantitative terms (such as absorption capacity, a country's political situation, commitment to reform processes, or its willingness to embrace an EU value-driven agenda). However, the EU needs to factor in the fact that the whole world is basically graduating from LDCs to low MICs and HICs.

The EU's geostrategic interests

The draft NDICI Regulation adds a new criterion (compared with the criteria which applied to resource allocation in the 11th European Development Fund (EDF)) to the list: (e) capacity and commitment to promote shared interests and values. This has triggered concerns that some aid allocations will be dependent on migration deals. The Regulation is unclear as to whether the performance-based approach will apply to countries beyond the Neighbourhood, and member states continue to be divided on this matter.

It is worth bearing in mind that the 11th EDF performance-based mechanism, which was intended to top up allocations for good performers, did not materialise in the end, as the EU member states could not agree on it. It is also unclear how the changing geographic weight of the EU's interests post-Brexit (notably with regard to Anglophone Africa, where the UK has generally played a strong role in influencing the EU's interests; France's influence in shaping EU's external action may become even stronger in the UK's absence) will be informally factored in. As one of our interviewees said, *'there will always be an arbitrary side to the allocation formula, subject to political choice, and this discretionary power will vary from one country to another.'*

Reflecting Agenda 2030

The EU's past differentiation policy of concentrating resources where they are most needed, and the subsequent phasing out of aid in countries that graduated from the list of LDCs, resulted in a big gap in terms of the EU's ability to work with MICs in addressing poverty and inequalities. Aligning with Agenda 2030 on

²¹ The NDICI includes a number of specific provisions on Neighbourhood, including the performance-based approach, according to which indicatively 10% of the financial envelope is set aside to supplement country financial allocations for those countries that make annual progress towards democracy, human rights, rule of law, cooperation on migration and economic governance and reforms.

²² In 2017, EU institutional aid to MICs was more than double the amount of aid provided to LDCs, mainly due to rising allocations to certain Neighbourhood countries (Di Ciommo, M., & Sayós Monràs, M., 2018).

²³ Note that the wording in the NDICI draft Regulation is currently incorrect.

²⁴ Differentiation takes into account the growing disparity of the profiles of partner countries, and defines criteria to decide i) whether a country is eligible or not to access aid (based on the graduation principle); ii) the levels of EU aid; and iii) the use of an optimum mix of policies and instruments adapted to countries' development situation. The differentiation principle was reinforced in the 2014-2020 programming period, with the aim to significantly reducing bilateral aid to upper MICs, and large emerging economies, and instead targeting least developed countries, low income countries and countries in crisis, post-crisis, fragile and vulnerable situations. The allocation formula resulted in a consistent transfer of resources from upper MICs, to least developed countries, and lower-income countries.

sustainable development may require some fine-tuning of the allocation formula. For instance, including disaggregated indicators that take account of inequalities at the sub-national level, or indicators that reveal the country's capacity to raise domestic resources, and complement the GNI per capita indicator.²⁵ Country income classification should not be the only criterion determining whether a country is eligible for EU bilateral cooperation instruments. MICs are host to large, hard-to-reach poverty pockets, and some MICs may find it difficult to afford the tax burden for income redistribution.²⁶ It is also true that there are only limited opportunities for raising ODA resources to MICs without moving further away from commitments to LDCs or the Neighbourhood.²⁷ A decision on whether the NDICI will include small bilateral cooperation envelopes for MICs and MADCs has not yet been taken as part of the current debate on how to integrate a 'development-in-transition' dimension into the future NDICI. A key question will be to define the EU's ODA niche in these countries and to ensure that it addresses global challenges, including poverty and inequalities, through innovative forms of cooperation.

Regional envelopes

The draft NDICI Regulation suggests that envelopes for regional programming will also increase, as they will absorb some of the activities previously financed by the thematic programmes. An important change that has emerged from our discussions with the EEAS and DG DEVCO is that regional cooperation will focus less on regional organisations' capacity-building. Instead, priority will be given to supporting regional integration dynamics more broadly, including by giving national actors access to the regional envelope (like in the 11th EDF regional programming). This could mean that regional organisations' absorption capacity and budgets, and partner countries' contributions to regional organisations would weigh less in the new formula. In line with EU interests, some thematic priorities will probably enjoy higher levels of funding through regional envelopes (for example, security and stability, in line with the EU's security-induced foreign policy).

1.3. Still missing: a strategic policy framework on cooperation with MICs and MADCS

The NDICI draft Regulation states that cooperation with industrialised countries will focus on the promotion of EU values and shared interests. However, the EU's strategic policy framework currently contains very little guidance on long-term engagement strategies with MICs and MADCs.²⁸ Building on the achievements and knowledge acquired through the Partnership Instrument (PI),²⁹ the EU should not miss an opportunity to address this policy gap before the next MFF programming process reaches cruising speed. In 20 years' time, the EU's political cooperation will revolve mostly around MICs (lower and higher), and the EU's political cooperation with MICs and MADCs will require a nuanced strategic reflection on many different issues.

First, the EU needs to have a clearer view of what it wants to achieve, in the long run, with its political cooperation with MICs and MADCs. This means, for example, taking account of Chinese competition and the rise of illiberal democracies, as well as the sheer diversity of MICs and MADCs. As a senior official pointed out,

²⁵ Herrero, A., Knoll, A., Gregersen, C., Kokolo, W., 2015.

²⁶ Herrero, A., Knoll, A., Gregersen, C., Kokolo, W., 2015.

²⁷ Di Ciommo, M., & Sayós Monràs, M., 2018.

²⁸ Di Ciommo and Sayós Monràs, 2018.

²⁹ The PI (established in 2014) responded to the EU's ambition to engage with strategic partners and graduated countries on the basis of EU interests and EU-driven agendas, breaking away from the development aid logic. The evaluation of the PI was positive, although it also revealed certain limitations (e.g. short-term and little or no pro-poor focus).

'You need to find a niche market in MICs and HICs [High Income Countries]. One is to invest in the minds of people: to create space for debate and preserve space for debates, particularly where you have illiberal tendencies.'

Second, the EU needs to undertake a much more detailed reflection on how innovative ways of cooperation (i.e. research and innovation, cultural cooperation, knowledge-sharing and peer-to-peer learning) can effectively promote EU values and interests, while at the same time addressing global challenges such as poverty and inequality. NDICI programming in MICs and MADCs should also target outcomes in poverty and inequality reduction (for example, in setting standards for decent work in EU economic diplomacy efforts and EU trade dialogues).³⁰ It is important in this regard for the EU to ensure that poverty alleviation, the reduction of inequalities, and social justice feature systematically in the EU's political dialogue, trade deals, and knowledge-sharing with these countries.³¹ There is certainly scope for increasing knowledge-sharing on the EU's successful experience with its social model, and in promoting social cohesion for regional integration.³² The EU will also need to analyse the wider incentives and constraints (in the EU and partner countries) for it to be able to successfully engage in 'innovative' forms collaboration geared to delivering on global public goods.³³

Finally, there is some scepticism about whether the SDGs provide a useful entry point for the EU to engage in a dialogue with MICs and MADCs, and in ENI countries. Although Agenda 2030 is universal in scope, it is still associated with development cooperation. In the words of a high-ranking official, *'Agenda 2030 is relevant for everybody, but maybe more relevant for sub-Saharan Africa than for our Neighbourhood partners, Agenda 2030 is not a key reference document for them.'* The EU's credibility and ability to persuade countries to engage in SDG dialogues would certainly be raised if it showed leadership in implementing Agenda 2030 within its own borders and if it effectively mainstreamed SDGs across different EU policy areas and the entire budget.

³⁰ European Think Tanks Group, 2014.

³¹ European Think Tanks Group, 2014.

³² European Think Tanks Group, 2014.

³³ Di Ciommo, M. with Thijssen. S. & Sayós Monràs, M., 2018.

2. What role does DG DEVCO want to play?

DG DEVCO will play a key role in defining the EU's cooperation priorities in all countries except in the Neighbourhood countries (where DG NEAR will take the lead). It will also play an important role in clarifying how EU ODA can best pursue EU's interests, promote EU values, and support partner countries' transition to sustainable development. Another vital role will be in ensuring that programming complies with policy commitments and guiding principles. The exercise is likely to be much more complex than in the past programming process, where the focus was on ensuring compliance with sector concentration in key policy areas where the EU thought it would have more impact.

There will now will be many dimensions to monitor for compliance:

- alignment with the EU's strategic foreign policy priorities and high-level policy framework;
- observance of the guiding principles for EU programming, i.e. leave no-one behind, resilience, rights-based, results-based, conflict sensitivity, inclusive partnerships, aid effectiveness, etc.;
- benchmarking targets on climate, social inclusion and development;
- addressing the root causes of migration;
- ensuring that investment operations are compatible with Agenda 2030 and aid effectiveness principles;
- encouraging member states and EU Delegations to adopt joint programming as their preferred approach.

This is a tall order, not only because the EU has a limited track record in terms of translating multiple principles into coherent practice, but also because the programming process could become unmanageable as a result. This could easily happen if EU Delegations do not have the right programming instructions and operational guidance on how to translate guiding principles into practice throughout programming, and if the right monitoring systems and incentives to guide the programming process are not in place at EU headquarters.

This section looks in more detail into how DG DEVCO is preparing for the herculean task ahead, and points to some areas where attention is needed to avoid a policy-to-practice gap.

2.1. Build a programming narrative around Agenda 2030 and the SDGs

The NDICI draft Regulation is closely aligned with the new European Consensus on Development, which sets out a shared vision and framework for the EU's external action on the implementation of Agenda 2030. This will be in support of the five priorities established by the EU Global Strategy,³⁴ and largely geared to global public goods.

The general consensus at DG DEVCO is that Agenda 2030 is the shared framework for action and dialogue between the EU, its member states, the UN, and its partner countries, including during the programming process. Agenda 2030 is indeed a common agenda already agreed with partner countries. It is perceived as *'a good tool to start talking and debating with the countries, compared to previous programming exercises (...). One of the advantages is that Agenda 2030 will hopefully be mainstreamed in the national development budget. It will then be easier to use that for programming.'*

So DG DEVCO's plan is as follows: 'Together with member states, we are trying to understand how partner countries are planning to adapt Agenda 2030 into their national fiscal budgetary policies and instruments.'

³⁴ Namely: 1) the security of the EU, 2) state and societal resilience to our East and South; 3) an integrated approach to conflicts; 4) cooperative regional orders; and 5) global governance based on international law.

Once we have an idea about this, the EU and its member states as the world's largest providers of ODA will collectively synchronise with Agenda 2030 in accordance with our partner countries' national plans.' That said, there is no reason to assume that, because Agenda 2030 is a 'shared' agenda, external actors will have more leverage over domestic political processes and change dynamics.

DG DEVCO has invested significant resources in order to align its results framework with the SDGs. It wants to push for 'a joint results framework between the Union and the member states that we can publish so that we can tell the SDG story in a consolidated manner.' The NDICI draft Regulation proposes ten indicators in Annex VII,³⁵ in accordance with the horizontal philosophy of a 'results-oriented budget' put forward by the EC. Several of our interviewees raised concerns about the evident mismatch between the current indicators in the Regulation (which are output-oriented), and the existing results framework (which is based on SDG indicators). To quote a high-ranking official, *'we still need to find out how we will define impact for such a big instrument. We will need to reconcile the macro level with regional, country and thematic levels. There are still many missing middles.'*

The same issue was also raised by another interviewee, who said that the NDICI's list of indicators was *'a disgrace, completely disconnected from Agenda 2030 and indicative of the importance that the European Commission attaches to impact. The current indicators are only about outcomes. They only care about figures that can easily be counted.'* This could result in programming (and interventions) focusing on the delivery of outputs rather than on policy transformation processes.

2.2. Create co-benefits and meet multiple objectives

In previous research on the 11th EDF programming, the ECDPM argued that sector concentration was perhaps not the best strategy for achieving high-impact aid, because the quality and impact of an intervention do not depend on the financial volume. The ideal volume of assistance to sectors (and the optimum level of donor presence in those sectors) depends on the particularities of the sector and the country in question. We argued that donor graduation policy combined with sector concentration was leading to a number of perverse effects, including the fact that large volumes of aid in fragile countries were directed at sectors with limited absorption capacity, leading to overcrowding, sector saturation, aid inefficiency and limited opportunity costs. We also found that using national development strategies as a benchmark for assessing sector aid allocations had important drawbacks, as they sometimes omitted very urgent needs or painted a distorted picture of national priorities in order to reflect donor priorities.³⁶

The European Consensus says nothing about sector concentration. The NDICI draft Regulation states that 'Programmes and actions (...) shall mainstream climate change, environmental protection and gender equality and shall address interlinkages between Sustainable Development Goals (SDGs), to promote integrated actions that can create co-benefits and meet multiple objectives in a coherent way'. This suggests a move away from the Agenda for Change sector concentration principle (in a narrow interpretation), towards an increasingly integrated multi-sector and sector-wide approach to programming. The underlying assumption here is that it is necessary to make contributions in several sectors in order to achieve the desired results. This positive development would also put climate fragility and poverty and inequality reduction at the heart of EU external action.³⁷

³⁵ European Commission, 2018c.

³⁶ Herrero et al., 2015.

³⁷ Eastern and Southern Africa EU Delegations have organised a regional seminar on food and nutrition security coordination (9-10 November) to 'capitalise on experiences and lessons learned and look forward to the next programming cycle'. One of the key sessions builds on the lessons learned since 2014 in terms of programming

However, there could be a policy-to-practice gap if the following issues are not addressed by the NDICI Regulation and/or the programming instructions:

1. First, EU Delegations should build on the 'strategic framework documents' framing the EU's overall foreign policy in the country and should make use of solid, tested, diagnostic tools to refine their 'strategic context' analysis. This would enable the EU to better understand the underlying causes of poverty (after all, according to the Lisbon Treaty, the eradication of poverty continues to be the overall objective of EU external action), inequalities and violent conflict in those countries where it operates. This, in turn, could help refine the EU's targeting (in line with the 'leave no-one behind' principle) and identify priority areas of intervention where EU aid has a clear added value over other donors, and other financial flows. The challenge will be that to make sure that the use of diagnostic tools does not become a routine 'paper exercise' but effectively informs programming choices and intervention design, based on coherent theories of change.
2. Geographic cooperation is by essence long-term and subject to multi-annual programming. Its predictability has consistently been noted in evaluations as part of the added value of the EU institutions' aid. Predictability ensures that political cooperation can focus on long-term structural challenges. However, and without losing the continuity and predictability of EU support, allowing some flexibility in long-term programming could allow the EU to swiftly adapt to emerging needs. The lessons learned from the evaluation of the ENI are particularly interesting in this connection. Although policy dialogue (an inherent feature of the ENP framework) ensured that the ENI upstream strategy and programming documents were closely aligned to the partner countries' reform agenda and focused on agreed shared priorities, the programming documents did not contain a proper analysis of change agents, risk assessment and conflict sensitivity.³⁸ This meant that EU cooperation was not able to anticipate change. As the ENI evaluation points out: 'Forecasting multiple scenarios would seem necessary in unstable/complex environments (and require the relevant strategic analysis capacity) so that programming could be adjusted.'³⁹ Having said this, a sequenced approach to programming that reflects the EU's long-term vision on countries' transition to sustainable development, beyond the EU budgetary and programming cycle, would also be necessary.
3. Third, ring-fencing for social development and climate change (the current NDICI proposal sets a 20% spending target for social inclusion and human development, and 25% for climate action) places a focus on EU spending priorities at an aggregated level. This could create negative incentives for NDICI geographic programming to articulate coherent country support strategies around the three pillars of sustainability, i.e. economy, equity and ecology. We feel that EU geographic (country) programming should systematically address the 5Ps, i.e. people, prosperity, planet, peace and partnership, in line with partner countries' SDG strategies. At the same time, aid effectiveness principles should of course be respected.
4. Lumping gender and women's empowerment together with social inclusion and human development in the overall spending target may not form a sufficiently strong incentive to ensure that gender actions are mainstreamed in geographic programmes. It would be wise to align the NDICI Regulation with the Gender Action Plan (GAP) II commitment to mainstream gender actions across at least 85% of all interventions – alternatively, a reference to the GAP could be included in the programming instructions.

approaches (multi-sectoral, multidimensional, transformative?), in view of the need to incorporate new policies and policy changes.

³⁸ European Commission, 2017c. p. 17.

³⁹ European Commission, 2017h.

Gender equality could also be a 'programming guiding principle', and gender-responsive budgeting should not be restricted to the social sectors.⁴⁰

5. The proposed target of ring-fencing 25% of the NDICI financial envelope for supporting climate objectives may not be ambitious enough (with the European Parliament and some member states calling for an increase of up to 50%). If the ring-fencing target is not increased, then other complementary measures could be taken, such as including an obligation in NDICI programming instructions to ensure that 100% of MIPs are climate-proof and climate-resilient, informed by climate impact assessments, and do not contradict any of the legal obligations under the Paris Agreement on Climate Change. Bilateral cooperation could also identify and earmark specific spending, both quantitatively on the basis of the 25% climate target and qualitatively for climate change mitigation and adaptation.⁴¹
6. The proposed NDICI Regulation is expected to dedicate at least 10%⁴² of its financial envelope to 'addressing the root causes of irregular migration and forced displacement and to supporting migration management and governance, including the protection of refugees and migrants' rights'.⁴³ Although this benchmark target should be read in conjunction with the '92% DAC-ability' rule⁴⁴, it reflects the current state of mind in the European Council (and is in line with current spending), but seems oblivious of the growing evidence⁴⁵ that, in the short to medium term, development leads to more, not less, international migration. As the Food and Agriculture Organisation (FAO) pointed out in a recent report, 'the capacity of development assistance to deter migration is limited at best and [...] successful development in almost all formerly-poor countries has resulted in increased emigration'.⁴⁶ The EU should also remind itself of the links between migration and its broader goals of eradicating poverty and fighting inequality. The pre-programming phase offers a golden opportunity to capitalise on existing knowledge and to conduct targeted assessments in countries with different profiles (for example, in fragile and conflict-ridden states facing youth unemployment challenges, states with some development momentum to absorb youth labour market entrants, and states with economic momentum, advanced urbanisation, and demographic transitions).⁴⁷ The object would be to refine the EU's understanding of how development aid could be used to shape migration for the mutual benefit of all concerned.
7. Finally, with regard to the EU's political cooperation in Africa, the EU has assumed that the 'increased firepower of the External Action Guarantee of EUR 60 bn globally',⁴⁸ combined with the EFSD+, will improve the leverage of EU political cooperation to effectively encourage partner countries to spend more on education and the development of skills to match the needs of the labour market (action 5 of the EU-Africa Alliance). The assumption is also that this will strengthen EU dialogue, cooperation and support in relation to the investment and business climate (action 6 of the EU-Africa Alliance). Whether this materialises in practice remains to be seen, however. Much will depend on how well the EU uses its economic dialogue to promote EU values and the SDG agenda. It will be important to ensure that

⁴⁰ Plan and Care commentary on the NDICI.

⁴¹ Climate Action Network commentary on the NDICI.

⁴² Some member states have called for an increase in this figure, while others are against a specific ring-fencing target for migration, arguing that it would be more effective to include migration in the geographic pillar.

⁴³ European Commission, 2018a. Recital (30).

⁴⁴ At least 92% of the funding under the NDICI regulation should contribute to actions designed in a way that fulfils the criteria for Official Development Assistance as established by the Development Assistance Committee of the Organisation for Economic Cooperation and Development.

⁴⁵ European Think Tanks Group, 2018.

⁴⁶ FAO, 2018.

⁴⁷ FAO, 2018.

⁴⁸ European Commission, 2018d.

the governance structure for the NDICI and the programming process are designed to maximise synergies between the EFSD+ and the programming of geographic cooperation, while ensuring at the same time that no-one is left behind. The EU may also need to clarify how aid effectiveness principles will apply to External Action Guarantees.

NDICI benchmarking targets reflect the EU's political priorities and commitments, and current spending levels. But having the numbers add up at an aggregate level should not preclude the EU from undertaking a strategic reflection on how it can ensure that bilateral cooperation reflects coherent engagement strategies at country level that integrate the three pillars of sustainable development, i.e. equity, economy and ecology, and systematically address the EU's thematic priorities.

2.3. Broaden the analytical base of programming

In preparation for the programming phase, DG DEVCO is also investing resources in refining its strategic assessment of different countries and the role that ODA could play. Our research identified two main initiatives taken by DG DEVCO to broaden its analytical base:

1. 'SDG dialogue profiles', aimed at better understanding how the EU can help partner countries achieve the SDGs (see Box 3);
2. 'Jobs and Growth Compacts', aimed at identifying promising value chains for job creation in sub-Saharan Africa (see Box 4).

Although both these initiatives are not officially part of the programming process, they are likely to inform the position adopted by the EC.

The fact that DG DEVCO has adopted an increasingly analytical and reflective approach to programming is certainly welcome. However, DG DEVCO should not overestimate the usefulness of HQ-driven, and rather static desk-based initiatives. The SDG dialogue profiles can of course be useful to consolidate existing knowledge in a snappy and concise manner, but they should in no event be a substitute for (more costly) diagnostic tools used at country level, nor should they be considered as providing sufficient evidence to justify overruling programming choices informed by in-country multi-stakeholder consultations or analyses led by EU Delegations, at a later stage in programming. There could also be greater clarity as to how and when the outcomes of these 'SDG dialogue profiles' will be consolidated with broader EEAS efforts to define the EU's interests and foreign policy strategies in partner countries.

Box 2: SDG dialogue profiles

Senior management at DG DEVCO recently launched a pilot exercise⁴⁹ in order to gain a better understanding of how to help the partner countries achieve the SDGs. The exercise is designed to:

1. establish the state of the art with regard to the implementation of SDGs in various partner countries, including elements of political and economic analysis conducted jointly with the UN;
2. define the EU's interests and cooperation agendas in the various countries (in relation to the SDGs, climate change, the interests of the EU private sector, etc.);
3. Identify points of convergence and opportunities to build shared agendas in the long term with the partner countries in support of the SDGs;

⁴⁹ At the time of writing, six pilot profiles had been drafted (three for Africa, and three for Latin America and Asia) and comments from management were expected soon.

4. identify the most promising platforms for dialogue at national and regional levels, and opportunities for the EU to engage in multi-stakeholder dialogue;
5. clarify the most appropriate modality mix for responding to the challenges identified and driving the shared agendas forward.

The SDG dialogue profiles should be short and snappy. Once a template has been tested and refined, the plan is to roll-out the exercise to all countries by the end of 2018. Feedback from EU Delegations will also be sought at a later stage, to test whether the tool is relevant to their work (in terms of both engaging with partner countries on the SDGs and of the programming exercise). This seems a particularly good idea that should not be delayed. Finally, the SDG dialogue profiles are also intended to inform a joint EU-UN policy dialogue and consultation with partner countries on the implementation of their national SDG strategies (see section 4 for more details).

All the EFI evaluations insist on the importance of using specific analytical tools at country level (e.g. political economy analysis, conflict-sensitivity analysis and risk assessments) to inform programming choices. Given the EC's very limited track record in this regard,⁵⁰ EU Delegations should be specifically instructed to use certain diagnostic tools during the programming process (and in accordance with the strategic framework documents). They should also undertake to update the analysis every three or four years,⁵¹ and to adjust programming if necessary. In this regard, the MTR often comes too early to allow the EU to assess the shortcomings of programming: *'it would be better to avoid having a fixed date for the MTR.'*

It would also be a good idea to incorporate a system for comparing EC-led HQ analyses with analyses performed by EU Delegations and EU member states. Sufficient time and funding should be made available for these analyses, which should make use of diagnostic tools. In order to gain some time, EU Delegations could perhaps start their own diagnostics before the start of programming. However, it would be preferable to do this once the EEAS has prepared its strategic framework documents, so as to tailor the analysis to the EU's interests and strategic priorities.

⁵⁰ According to the ENI evaluation, geostrategic analysis was used only sporadically, and strategy and programming documents did not usually include a risk analysis beyond projects and sectors. This restricted the ability of the EEAS and DG NEAR to capture the complexity of crisis prevention in ENI programming. PEA was not a key driver in programming decisions on the European Development Fund and the Development Cooperation Instrument.

⁵¹ The capacity of EU Delegations to conduct this type of analysis should also not be overestimated.

Box 3: Jobs and Growth Compacts (in sub-Saharan Africa)

In his 2018 State of the Union speech, European Commission President Juncker announced with much fanfare that a new Alliance for Sustainable Investment and Jobs had been launched to take ‘the EU-AU Partnership to the next level’.⁵² He said that, building on the External Investment Plan, blending and guarantee mechanisms would be scaled up in EU external financing with the aim of boosting trade and creating jobs. The Alliance has been given the highest political priority. Dedicated sectoral task forces led by line DGs, with the support of the EEAS and DG DEVCO, have been formed for four key sectors: agriculture, the digital economy, energy and transport. Their aim will be to mobilise expertise and promote high-level policy dialogue. A number of line DGs have been put under considerable pressure to deliver concrete results. All EU Delegations in Africa have been asked to analyse the prospects for supporting job creation in areas of shared EU-AU interest. This analysis will be presented in the form of ‘Jobs and Growth Compacts’. According to the sources consulted, the Compacts are not intended as prescriptive programming tools, but as a means of identifying synergies between investment operations and bilateral cooperation.

As a senior official said, *‘the challenge is to make sure that our programming pursues the SDGs and delivers on joint programming, while at the same time entering a wider political framework set by the EEAS and including a large component (EFSD+) that does not lend itself easily to programming. Parts of the answers will be found in the ‘jobs and growth compacts’.*

It is too early to give an opinion on how NDICI funds will be spread over different thematic priorities, i.e. which ones will attract more funds, how this will be reflected in the geographic and thematic components, and how all of this can be done in an effective manner. But based on the available information, it seems clear that the European Commission will play an important coordinating role and that the new European Commission will play a key role in defining the EU’s priorities for international cooperation in each region and country - in line with the political priorities.

2.4. Define the EU’s cooperation priorities

Even if the approach to NDICI programming effectively moves away from sector concentration, and MIPs are programmed in accordance with a multi-sectoral approach, this does not mean that EU programming and spending will be spread out. It is clear that the EU will continue to apply some degree of ‘thematic concentration’. As one of our interviewees said, *‘we will not open Pandora’s box, because we need to keep coherence and efficiency’.* But the fact that the European Consensus does not mention sector concentration is a clear sign that it may not be a firm (i.e. constraining) guiding principle.

In the absence of a ‘straightjacket’ like the Agenda for Change,⁵³ the programming process will probably be less normative and hopefully tailored to different country specificities (see below). Indeed, Annex II of the draft NDICI Regulation offers a very wide menu of possible areas of intervention. These are aligned with the 5Ps (i.e. people, prosperity, peace, planet and partnership) and are formulated in a result-oriented manner. According to a senior official, *‘the NDICI contains a very wide definition of areas where we could intervene. Now the question is to find priorities among the priorities and to define where we, as the EU, have added value to step in among these priorities.’* To a certain extent, the answer lies in aligning programming choices with EU regional cooperation frameworks.

⁵² European Commission, 2018d.

⁵³ The EU’s overarching policy document framing programming choices for development cooperation under the last MFF. It identified key priority areas that had to be applied in equal measure to every country and region, with little account taken of context specificities.

Table 1 summarises the different priority areas in the draft NDICI Regulation (Annex II) and the various frameworks for regional cooperation.

Table 1: Priority areas in the draft NDICI Regulation and regional strategic frameworks

Annex II of the draft NDICI	For ENI countries	ACP countries (based on the negotiating mandate ⁵⁴)
1. Good governance, democracy, the rule of law, and human rights. 2. Poverty eradication, fight against inequalities and human development. 3. Migration and mobility. 4. Environment and climate change. 5. Inclusive and sustainable economic growth and decent employment. 6. Security, stability and peace.	1. Promoting enhanced political cooperation. 2. Supporting the implementation of association agreements, partnership priorities or equivalent documents; 3. Promoting a strengthened partnership with societies between the Union and the partner countries, including through people-to-people contacts. 4. Enhancing regional cooperation, in particular in the framework of the Eastern Partnership, the Union for the Mediterranean, and European Neighbourhood-wide collaboration as well as cross-border cooperation. 5. Achieving progressive integration into the Union's internal market and enhanced sectoral and cross-sectoral cooperation.	Africa: in line with EU-Africa partnership priorities, and notably the EU-Africa Alliance on sustainable investment for jobs and growth: • Peace and security; • Human rights, fundamental freedoms, democracy, rule of law and good governance; • Human development and dignity; • Inclusive sustainable economic development; • Mobility and migration; • Environmental sustainability, climate change and sustainable management of natural resources. Caribbean: in line with the forthcoming EU strategic policy on Latin America and the Caribbean.⁵⁵ • Environmental sustainability, climate change and sustainable management of natural resources; • Inclusive and sustainable economic development; • Human security, human rights, and good governance; • Human development and social cohesion. Pacific: • Environmental sustainability, climate change and sustainable management of natural resources; • Inclusive and sustainable economic development; • Security, human rights and good governance; • Human development and social cohesion.

Another viewpoint claims that leaving open areas for intervention allows more room of manoeuvre for EFSD+ investment operations.

One interviewee said:

'It would be very difficult to maintain two or three sectors only in one country. If you have to accommodate the possibility for the private sector to get funding and cover their risks in their

⁵⁴ See the Negotiating directives for a Partnership Agreement between the EU and the ACP countries, 21 June 2018.

⁵⁵ Expected to be approved by the current EC.

sectors of choice, will you only limit private-sector involvement to energy, and have nothing on water?’.

The sectors identified as priority sectors by the EU-Africa Alliance for Sustainable Investment and Jobs (see Box 4) could indeed play a major role in influencing programming choices in Africa. This would mean giving priority to agriculture (including agribusiness), transport, energy and connectivity, and education and vocational training. This could result in the ‘comeback’ of the transport sector in EU bilateral cooperation, as well as in spending on human development being targeted mainly at education at a geographic level.⁵⁶

The political make-up of the new European Commission (and perhaps also of the member states and the European Parliament, depending on the outcomes of the MFF negotiations and the resultant governance structure for the NDICI) will certainly influence final allocations to countries and to different sectors. At the end of the day, it is the new European Commission that will place its stamp on the resource allocation formula, which will apply the ‘political factor’ to fix country and regional envelopes, and which will determine the thematic priorities on which the EU wishes to concentrate its resources over the next seven years. The ‘big bargain’ on how funds are allocated to different thematic priorities will be more complex and thus harder to manage than in the past, as more European Commission services will be involved in the programming process and as their involvement in NDICI implementation is expected to increase. The new HR/VP and the new European Commission President may well exert more influence in deciding how to allocate funds to different thematic priorities than they did in the past. And DG DEVCO will need to show political leadership to ensure that PCD is not forgotten in the negotiations.

2.5. Enforce policy compliance

The European Commission has an important role to play in defining the EU’s interests and strategic priorities, and in ensuring that NDICI programming is closely aligned with these. DG DEVCO (together with the EEAS) will need to ensure that, overall, NDICI programming meets the political benchmark targets:

- 20% for social inclusion and human development;
- 25% for climate objectives;
- 10% for addressing the root causes of migration⁵⁷, with an overall target of at least 92% of funding to be ODA-DAC;
- ensuring complementarity between different instruments and between components within instruments;
- ensuring that different countries’ MIPs (based on shared agendas) reflect the EU’s interests and are SDG result-oriented.

It is worth recalling that, during the last programming exercise (2014-2020), DG DEVCO management tightly controlled the choice of priority sectors so as to ensure policy compliance with the Agenda for Change. Differentiation and a narrow understanding of strong sector concentration led to an extremely top-down programming process, in which Brussels overruled recommendations made by EU Delegations and partner country priorities, thus undermining the key principles of the development effectiveness agenda and *de facto* removing the incentives for an evidence-based, context-specific form of programming.⁵⁸

⁵⁶ Herrero, A., Knoll, A., Gregersen, C., Kokolo, W., 2015.

⁵⁷ One of the issues to be resolved during the MFF negotiations on the NDICI is whether spending targets should be legally binding.

⁵⁸ See Herrero, A., Knoll, A., Gregersen, C., Kokolo, W., 2015, and the EDF/DCI evaluations.

ECDPM research has shown how important it is for EU Delegations (who take the lead in organising multi-stakeholder consultations, promoting joint EU action and conducting policy dialogues with partner countries) are not discredited by Brussels, as this could undermine their credibility among partner governments, civil-society organisations and EU member states. This is particularly the case in situations in which joint programming efforts have gained traction. Discussing the risk of political interference and of Brussels taking a heavy-handed approach, one of our interviewees noted that *‘a good thing about joint programming is that you have many countries agreeing on the sectors of intervention at country level, so it becomes more difficult to change the sectors afterwards (...) It would disturb the balance that was reached in-country. Of course, there is always the problem of interference by HQ, but it would be more difficult to interfere.’*

The European Commission and the EEAS should not forget that the credibility of the EU’s external action is also tied up with compliance with the NDICI’s guiding principles. These are largely inspired by the development effectiveness agenda, but are also enshrined in Agenda 2030 and the European Consensus. Complying with all programming guiding principles may be difficult, particularly bearing in mind EU institutions’ limited track record in terms of translating development effectiveness principles into effective and well-balanced practice. There is a need to look carefully at a number of issues in this connection:

- EU Delegations will need to be given clear instructions on how to operationalise the guiding principles (i.e. leave no-one behind, conflict sensitivity, the resilience approach, the rights-based approach and the results-oriented approach), and Brussels will need to ensure that incentives, access to reliable and disaggregated data, and robust monitoring mechanisms are put in place to ensure compliance.
- Although the draft NDICI Regulation states that programming will follow an inclusive partnership approach and will be based on multi-stakeholder consultations (notably with civil-society organisations and local authorities), it also states that these consultations will be held ‘where relevant’. Worrying though this qualification is, it can also be read as the European Commission trying to be less hypocritical about participatory development. The EU has a limited track record in terms of ensuring that multi-stakeholder consultations go beyond the sharing of basic information on programming and have a significant influence on final programming decisions.⁵⁹

DG DEVCO should also be mindful of assuming that ‘shared agendas’ and ‘partnerships between equals’ will ensure that the principle of ownership is respected. Spending priorities will continue to be heavily influenced by the asymmetrical relationship between the EU as a donor and investor and its partners as aid recipients. This applies particularly if Brussels adopts a prescriptive approach to programming, based on the outcomes of its ‘strategic assessments’ conducted before the start of official programming. In this regard, it is worth looking at the experience of the ENI. Launched in 2004, the ENP was reviewed after the Arab Spring in 2011, and then again in 2015. The new ENP is based on ‘differentiation and greater mutual ownership.’⁶⁰ In addition to embodying a relative re-prioritisation of policy objectives,⁶¹ the new ENP focuses specifically on ‘meeting the goals agreed with partners.’⁶² Stepping away from the incentive-based ‘more-for-more

⁵⁹ Herrero, A., Knoll, A., Gregersen, C., Kokolo, W., 2015.

⁶⁰ Joint Communication to the European Parliament, the Council, the European Economic and Social Committee and the Committee of Regions, Review of the European Neighbourhood Policy, 18 November 2015, available online.

⁶¹ Strengthening security sector and economies for the local population; comprehensively address sources of instability across sectors; promotion of democratic, accountable and good governance, and justice reform, where there is a shared commitment to the rule of law, and fundamental rights. Open markets and growth, inclusive economic development, and in particular the prospects for youth.

⁶² Joint Communication to the European Parliament, the Council, the European Economic and Social Committee and the Committee of Regions, Review of the European Neighbourhood Policy, 18 November 2015, available online, p. 5.

approach', the ENP gives precedence to interventions in areas where there is tangible political commitment in the partner countries.⁶³

Ensuring that programming choices are framed by 'strategic framework documents' will entail taking a different approach to the EU's dialogue with partner countries on programming decisions:

'In the past, programming was more about looking at what we did in the past, what we do well, in continuity - a development portfolio. Now, we look at what are the areas of intervention where the EU can most effectively respond to the challenges identified. If you have this harmonised strategic political framework, the results of the programming will be significantly different, also in the way we engage with our partners.'

As one senior official said, reflecting on how programming would be different once the strategic framework documents were in place,

'It is better to have a political discussion at the start of the programming – based on an (EU-interest-driven) analysis of the long-term challenges facing a country, that you can share to a certain extent with your partner country. Your discussion will be more focused and less hypocritical on the real political and policy issues. Our comparative advantage lies in our ability to engage in policy dialogue – focused on the political reform process.'

2.6. Encourage joint programming⁶⁴

The EU's high-level policy framework recognises the key role played by joint programming. The Council conclusions on stepping up joint programming, released in May 2016, claimed that joint programming is a means by which 'the EU and its member states collectively contribute to implementing the policy commitments made at global and EU level'. The document called for joint programming to expand its focus in conflict-affected and fragile contexts and in low-income and middle-income countries. The EU Global Strategy calls for more joint programming, while the new European Consensus on Development sees joint programming as a key approach, enabling the EU and its member states to work better together to implement the 2030 Agenda for Sustainable Development.

Unsurprisingly, the proposed NDICI Regulation states that joint programming is the preferred programming approach, taking account of the specificities of each context (and the fact that joint programming remains a voluntary exercise for member states). As a senior official explained, *'the question is whether joint programming does or does not work in a particular country. As joint programming is made the norm, in case of any deviation, the Delegations will have to explain the compelling reasons for not doing so.'* Programming instructions will draw largely from joint programming guidance, and programming documents will be largely aligned with joint programming documents.

In preparing for the programming process, DG DEVCO is making a big effort to improve its own capacity to document knowledge and to promote and facilitate joint programming at country level. In July 2018, DG DEVCO released new operational guidance for EU Delegations, which contained a number of options for enhancing joint programming at country level. Several studies are currently underway (and should be

⁶³ See the forthcoming ECDPM publication entitled 'North African Countries' Double Pursuit'.

⁶⁴ Joint programming has emerged as a core element of the EU's common aid effectiveness agenda. Joint programming involves the joint planning of development cooperation and external action by EU development partners and external action partners working in a partner country.

completed in 2018), including a collection of interesting stories from the field, a review of how joint programming can be relevant to MICs, a study of how SDGs can be integrated in joint programming documents, and a review of how like-minded partners participate in joint programming processes. Courses have been organised and online knowledge-sharing platforms created and nourished. A team of consultants was recently recruited to assist EU Delegations on a demand-driven basis with a range of issues. These include:

- diagnostics (donor fragmentation, division of labour, etc.);
- the preparation of key joint programming documents (such as road maps, donor mapping, results frameworks, communication strategies and so forth);
- the facilitation of EU workshops on how to enhance joint programming, improve policy dialogue with partner countries, organise relevant courses, etc.

The contract with the team of consultants also contains clauses on the provision of support to Brussels, notably in implementing DG DEVCO's global communication strategy on joint programming.

Hopefully, all these efforts will come together and allow DG DEVCO to effectively stimulate joint programming and implementation (in the best of cases) and joint EU action (such as joint analysis and joint declarations) as much as possible. As a member state representative interviewed for this study said, *'joint programming is a piece of paper and the real collaboration occurs when you do joint implementation on the ground,'* although some would say that *'it is easier to do joint implementation with the UN than with EU member states.'* But DG DEVCO should remain realistic about what external consultants can achieve in practice. Joint programming remains a voluntary exercise, and its success depends partly on EU leadership both in Brussels and at the EU Delegations. However, it depends most of all on member states' buy-in and political interest in joint programming, and on whether the specific country context is conducive to joint programming. As one of our interviewees said,

'There is certainly a new push for joint programming, but this will not be taken up by the member states. It is too politically sensitive, and the fact that the European Commission is pushing for so much flexibility and then combining this with more joint programming really creates the impression that the European Commission wants to exert even more influence on funding from member states. In an ideal world, we would stop bilateral cooperation between member states and partner countries and have one coherent EU-wide approach, achieve economies of scale, and so forth. In reality, however, we are a long way from achieving this.'

A pragmatic approach to joint programming, i.e. one that focuses on the process, on the function of joint programming, but that it is not necessarily formalised, may be more appropriate if traction from member states proves to be insufficient.

2.7. Enhance EU-UN partnership and build synergies between EU and UN programming

The EU and the UN recently renewed their partnership, pledging to join forces to enhance joint policy dialogue and consultation with partner countries and to find EU-UN synergies to support partner countries' efforts to integrate Agenda 2030 into their national strategies and priorities. This reflects the EU's efforts to support multilateralism and the reform of the UN. The joint EU-UN communiqué of 27th September says:

'We intend to enhance joint policy dialogue and consultation with partner countries to identify opportunities for collaboration and possible areas of support including synergies between EU programming (including joint programming) and the UN Development Assistance Frameworks (UNDAFs). Where possible, this should be done through existing platforms rather than creating new layers, and by making use of the Joint Fund for the 2030 Agenda to the extent possible. We should also, where appropriate, promote coordination between the UN Resident Coordinators, UN Country Teams and EU Delegations to strengthen synergies and development impact' ⁶⁵.

Through our interviews, significant parts of DG DEVCO's hierarchy appeared to be eager to start 'SDG dialogues' with partner countries jointly with the UN, and to use these dialogues to identify shared agendas that could serve as a basis for programming choices. A senior official explained it as follows:

'The way we intend to do it is to start a policy dialogue with countries. This phase should start soon, before the formal programming starts. The aim is to try to determine, together with countries, the broad policy areas where we could work together. This is meant to be done in cooperation with the UN. It is part of our Agenda 2030 and our support for the reform of the UN (...) The UN will support our efforts in SDG-ing partner countries' development policies.'

However, there seemed to be some disagreement within DG DEVCO management as to the extent to which the renewed EU-UN partnership should guide the EU's programming approach in the post-2020 period. There are many good reasons why the EU should want to improve cooperation with the UN and build synergies in partner countries in support of the SDGs. But, indeed there are several reasons why it may be a little premature to do so at full speed before official EU programming starts.

1. The EU has not yet clarified its strategic foreign policy interests in partner countries, nor has it invested in refining its understanding of the different contexts in which it will operate.
2. The draft NDICI Regulation also states that 'the Union and the member states shall consult each other at an early stage of and throughout the programming process in order to promote coherence, complementarity and consistency among their cooperation activities. Joint programming shall be the preferred approach for country programming. Joint programming shall be open to other donors where relevant.' If this is the ambition, the European Commission and the EEAS should concentrate on consulting member states before reaching out to the UN. This is particularly the case if EU joint programming is to be the preferred approach. At the time of writing, it was still unclear whether the EU member states would be involved upstream in these SDG dialogues or whether they would only be informed about the outcomes at a later stage.
3. The UN plans for a reinvigorated Resident Coordinator (RC) system are at the heart of the UN reform strategy, and intended to help streamline work across UN agencies, improving transparency and overall coordination: the position of RC would no longer be filled by UNDP officials, but have independent offices reporting directly to the UN Secretary General. But the UN reform is also in the very early stages, and short-term and medium-term measures are expected to be rolled-out over the next 18-24 months⁶⁶. Against this backdrop, it may be wiser to wait until the revamped RC system is

⁶⁵ United Nations Secretary-General, 2018.

⁶⁶ See remarks by Antonio Guterres on the Implementation Plan for Reinvigorated Resident Coordinator System, 11th September 2018, accessible at <https://www.un.org/sg/en/content/sg/speeches/2018-09-11/remarks-implementation-plan-reinvigorated-resident-coordinator-system>.

functioning at the country level, before DG DEVCO steps up efforts to implement the EU's political commitment to an enhanced EU-UN partnership.

4. Engaging in 'SDG dialogues' just before official programming starts could create confusion, overstretch EUD capacities at a critical moment, generate frustration among member states and possibly induce a sense of fatigue among all stakeholders when the real programming process starts. Programming is already seen by many, EU stakeholders and partner countries alike, as excessively long and cumbersome.

2.8. Tailor programming to different contexts

The EU Global Strategy stresses the need to promote European foreign policy interests through enhanced cooperation with countries across the globe, notably through 'tailored approaches' and 'tailored partnerships'. The European Consensus states that cooperation with partner countries should be undertaken in 'an increasingly diversified and tailored manner'.⁶⁷ The draft NDICI Regulation states that:

'Programming of geographic programmes shall provide a specific, tailor-made framework for cooperation based on:

- the partners' needs, established on the basis of specific criteria, taking into account the population, poverty, inequality, human development, economic and environmental vulnerability, and state and societal resilience;
- the partners' capacities to generate and access financial resources, and their absorption capacities;
- the partners' commitments and performance, established on the basis of criteria such as political reform and economic and social development;
- the potential impact of Union funding in partner countries and regions; the partners' capacity and commitment to promote shared interests and values, and to support common goals and multilateral alliances, as well as the advancement of Union priorities.'⁶⁸

This undoubtedly means that programming will be more complicated than in the past. As a senior official pointed out, 'It's a good thing to have a global instrument, for coordination and flexibility, but we will need to find a way to cater to different specificities and aspects.' In our view, ensuring that programming reflects a tailored approach will mean customising EU's intervention strategies, not only to the aspects listed in the draft NDICI Regulation, but also to:

1. outcomes of diagnostic tools adapted to the specificities of each particular context (e.g. resilience assessments, conflict-sensitive analysis, political economy analysis, risk assessment and climate assessments);
2. a coherent theory of change underpinning EU MIPs and planned interventions, and an analysis of multiple scenarios (informed by in-depth knowledge of the state of fragility, social and political change dynamics, including the likelihood of natural disasters occurring or any other external factor that could affect implementation);
3. financial and technical partners' coordination and division of labour in the country (including an assessment of EU joint programming dynamics);

⁶⁷ DG DEVCO, 2018b., p. 43.

⁶⁸ European Commission, 2018a.

4. the added value of EU ODA in relation to other forms of development finance;⁶⁹
5. potential impact, based on a realistic assessment of the EU's ability to influence political, social, and economic change, conflict dynamics, etc. in the country or region in question;
6. an adequate time-frame (shorter programming periods may be better for some countries, such as those in the European Neighbourhood, but also for other fragile countries).

The programming instructions are a key instrument for translating the tailoring principle into practice. It would be useful if they provided EU Delegations with concrete operational guidance on how to tailor the programming process and guiding principles (see article 11) to their specific contexts. Brussels could also allow for certain adjustments to be made in specific situations (for instance, by providing extra time for multi-donor coordination in fragile countries).

At the time of writing, the current thinking on programming instructions was that they would contain common guiding principles applicable to every region and country, plus a number of specific provisions for each different region. The latter would be customised to fit the EU's priorities in different regional cooperation frameworks (e.g. the Neighbourhood, Africa, the Caribbean and the Americas, Asia and the Pacific). It was still unclear whether the programming instructions would be customised to different types of country (such as LDCs, low-income countries, fragile countries, countries in conflict, post-conflict countries and vulnerable countries, as well as MICs and MADCs). With the previous programming exercise in mind, it would be useful if Brussels made sure that the instructions were complete from the onset, rather than making additional programming-related requests to EU Delegations once the programming process had been launched. This was found to generate confusion and frustration, and gave the impression that the process was unwieldy.⁷⁰

⁶⁹ Recent decades have seen a huge increase in external financial flows to developing countries, including development finance from non-traditional sources (commercial flows, Southern and non-DAC providers, climate finance funds, social impact investors, philanthropists, and global funds as well as other less concessional flows. See European Think Tanks Group, 2018.

⁷⁰ Herrero et al, 2015.

3. How can complementarity between the geographic and thematic components of the NDICI be maximised?

The draft NDICI Regulation operationalises the principles of complementarity and subsidiarity more systematically than in the past.

First, the **increase in the geographic envelopes implies that thematic priorities will be integrated in bilateral and regional envelopes**. This would avoid parallel programming exercises and foster more strategic (political and policy) dialogues with partner countries on a number of thematic issues. As the explanatory memorandum says, ‘instead of focusing on multiple programming processes, debates would be more focused on political objectives and engagement with external partners’ (NDICI proposal, p.10). From a results-oriented perspective, addressing thematic priorities within geographic programming will, in principle, help support partner countries’ sustainable development agenda in a more integrated, coherent, manner (see above).

Second, the NDICI’s thematic envelope (with a proposed financial envelope of €7 billion in current prices) would complement the geographic programmes with four thematic programmes covering a wide range of issues.⁷¹ The thematic multi-annual indicative programme would be aligned with EU strategy and priorities, and reviewed if necessary following substantive policy changes. The **thematic programme for global challenges** would, in principle, focus on supporting global or interregional cooperation through multilateral and transregional activities. International organisations could well be the preferred aid channels, although international networks and alliances of local authorities could in theory also apply for funding. The **thematic programmes for human rights and democracy** (€1.5 billion), and **civil-society organisations** (€1.5 billion) would not require the endorsement of partner governments and would be used mainly in situations where the partner country is unwilling to integrate these issues in bilateral cooperation. The **thematic programme on stability and peace** (€1 billion) would be used to fund activities currently financed through the Instrument contributing to Stability and Peace (IcSP), including capacity-building of military actors in support of development and security for development (CBSD), longer-term capacity-building for conflict prevention, mediation, etc.

Third, a **rapid-response component** (with a proposed financial envelope of €4 billion) would be the main funding channel, allowing for the continuation of activities currently financed under the IcSP and for support to be provided for political initiatives, including some currently covered by the PI. This would allow the European Commission and the EEAS to have relatively small, flexible sums available to meet core foreign policy concerns swiftly (including in response to crises and emergencies). It would require no programming. Exceptional assistance measures and action plans would ensure implementation. The strategic framework documents will identify potential areas of rapid intervention, and decisions will be based on political discussions and EU demands. One interviewee pointed out that *‘we expect most of the cooperation and actions with industrialised countries to be done in the rapid-response pillar, which should have more or less the same amount of money as we do now (under the PI).’*

⁷¹ According to the draft NDICI Regulation, these include health, education and training, women and children, decent work and social protection, culture, migration, environment and climate change, sustainable and inclusive growth, and local authorities.

Finally, the three components, i.e. geographic, thematic and rapid-response, would be complemented by a flexible, cross-cutting **‘Emerging Challenges and Priorities Cushion’** (worth €10.2 billion in current prices). Funding from this envelope would be used in unforeseen circumstances and in order to respond to emerging challenges and priorities. This non-allocated budget would not be subject to multi-annual programming, but would instead be used to complement the other three pillars. In principle, the non-allocated envelope would be used to:

- i. top up the rapid-response component in the event of a crisis in a particular country or region;
- ii. support global initiatives;
- iii. increase the geographic envelopes if funds dry up;
- iv. top up ring-fenced priorities.

Based on the information we gathered from our interviews and our analysis of the Regulation, several issues still need to be clarified to maximise complementarity between the various NDICI pillars:

- The ‘geographisation of thematic priorities’ has raised concerns that local councils and authorities will no longer have secured access to funding at country level. The draft NDICI Regulation does not make provision for a dedicated instrument for local authorities (as was previously the case with the Civil Society Organisations – Local Authorities (CSO-LA) thematic programme), although the important role played by local authorities is recognised in many of the proposed areas of intervention put forward in Annex II of the draft Regulation. Much will depend on partner governments’ willingness to adopt a territorial approach to development and to prioritise efficient decentralisation and state restructuring processes in their bilateral cooperation. In this regard, the systematic use of the Local Economic Development diagnostic tool currently being developed by DG DEVCO will help to inform the dialogue with partner countries during the programming process, and the design of multi-annual programmes and interventions.
- The draft NDICI Regulation does not provide much detail on how it will create synergies between regional and bilateral programming. It will be important to reflect on the linkages between the EU’s strategic visions for different regions and countries, thereby ensuring that the two programming processes do not take place in parallel with each other, but in close coordination. Despite many warm words and promising commitments, the EU has found this very difficult to achieve in practice.
- Regarding the EU’s support for peace and security under the NDICI, the EEAS will need to clarify how it plans to achieve coherence, complementarity and synergies between interventions financed under bilateral and regional envelopes, the dedicated thematic programme, the rapid-response component and other instruments, notably the new off-budget European Peace Facility and the Trust Funds. Trust Funds will continue to exist within the financial regulation and although the NDICI could in theory satisfy their *‘raison d’être’*, migration-oriented Trust Funds are likely to remain active, so as to allow the EU to mobilise additional resources from member states. The proposed structure may require an even more intensive and less fragmented form of interinstitutional coordination than that which already exists, including one that prioritises prevention and peace-building over crisis response.
- There are still concerns about the ability of the rapid-response component to safeguard the FPI’s client- and event-driven approach, particularly if DG DEVCO takes control. FPI actions can be put in place at record speed precisely *‘because there is no huge procedural apparatus’*, as one of our interviewees put it. The PI caters for EU Delegations, line DGs, and often member states and their organisations. It is generally mobilised when there is a breakthrough on the diplomatic front or in international

negotiations that needs a quick follow-up. The Stability Instrument is also very reactive, responding to requests for interventions from member states, the EEAS, the HR/VP and EU Delegations. As a senior official said, *'this modus operandi will need to be protected in the rapid-response component.'*

- The draft NDICI Regulation does not clearly spell out how emerging challenges will be periodically assessed. Although decisions will be taken in accordance with the comitology procedure, member states and the European Parliament are eager to become involved at an earlier stage of the political decision-making process in relation to the proposed €10.2 billion 'cushion', rather than simply rubber-stamping the deployment of resources. Although the 'reserve cushion' will create more flexibility, a number of vital questions remain unanswered according to one of our sources: *'How it is going to be mobilised? Who will pull the strings? And how quickly you can do it? This is particularly important if you want to respond to a major political crisis.'* Civil-society organisations have also stressed that efforts to make EU external action more flexible should not only cater to changing political priorities in Europe.⁷²

⁷² CARE International commentary on the NDICI.

4. How to prepare for the possible cascade effects of the NDICI on the EU's external action architecture?

The draft NDICI Regulation represents a major overhaul of the financial architecture for EU external action. As such, it will require some institutional adjustments on the part of both the European Commission and the EEAS. Currently, MFF discussions centre on the governance of the NDICI. The extent to which member states and the European Parliament will be involved in the strategic coordination of the instrument will affect the length and management of the programming exercise. For this reason, a compromise will need to be found between the various constituencies and their main interests of flexibility, greater scrutiny and political management. This paper does not go into the details of the governance of the NDICI, as this forms the subject of a forthcoming ECDPM publication. However, we do point to some of the potential implications of the NDICI for the EU's interinstitutional dynamics, which the current management may already want to start thinking about (without prejudice to the decisions taken by the new European Commission).

4.1. Institutional adjustments to match NDICI ambitions

Given the global focus of the NDICI, some institutional adaptations or even deeper re-structurations may be needed to ensure that the EU's external action funded through the NDICI goes beyond the realm of development and encompass broader political cooperation. A merger between DG DEVCO, DG NEAR and the FPI seems unlikely, a number of interviewees stressed the need to safeguard the specificities of each of these communities, including the specific cooperation approach developed for the Neighbourhood, DG DEVCO's 'pro-poor development focus', and the FPI's swift procedures.

Although DG DEVCO thematic directorates will manage significantly less funds in the future (given the geographisation of thematic priorities), they will still need to deliver thematic support to EU Delegations and will play a key role in ensuring that 'thematic priorities', including mainstreamed priorities such as gender, the environment and climate, as well as cross-cutting priorities such as human rights, civil society, decentralisation, local governance and territorial development, are closely integrated within the geographic programming. It is worth reminding that DG DEVCO's thematic expertise was largely curtailed when it was transferred to geographic units (back in 2010 in response to the Lisbon Treaty and the creation of the EEAS). This was mainly because thematic units were absorbed by the management of thematic programmes, to the detriment of providing thematic support to both geographic directorates and EU Delegations. Senior management would do well to reflect on the possibility of resuscitating the function of EuropeAid Directorate E, which was scrapped following the creation of DG DEVCO and which used to be responsible for providing quality sector support, based on strong, specialised, thematic expertise.⁷³

It would seem reasonable to expect the working arrangements between the EEAS and the European Commission to be revised, in a way that reflects the increased involvement of line DGs with a strong external component (such as DG ENER, DG CLIMA, DG GROW and DG HOME), as well as the Joint Research Centre, DG RESEARCH, and others, in delivering effective, coherent EU external action. The future President of the European Commission will need to strengthen the 'international mandate' of these line DGs. This will need to reflect their operational capacity to prioritise and engage efficiently in the political management of the NDICI, from programming to implementation.

Complementarity between NDICI components, and between the NDICI and other EFIs, may not be straightforward. The NDICI brings together three communities that do not often talk to each other: those of

⁷³ Herrero, A. & Keijzer, N., 2011.

the ENI, the EDF/DCI and the FPI. There will be a need for much more coordination than there is now. The EEAS will need to have a clear helicopter view of all interventions in each country and avoid any overlaps. *'Perhaps an innovation could be to have a regional quality board, involving the EEAS, DG DEVCO, DG NEAR and the FPI.'*

As a further point, interinstitutional relations will need to be managed with greater sophistication. The new HR/VP will need to show political leadership and strengthen EEAS' geographic departments. Although the European Commission will continue to manage funds, the EEAS should continue to play a strategic coordinating role, ensuring that the EU's political cooperation remains tuned to the strategic frameworks, throughout implementation. The new President of the European Commission will need to put pressure on his (or her) troops, beyond DG DEVCO and DG NEAR, to deliver on EU external action.

4.2. Redesign EU Delegations

The EU Delegations will need to have a more balanced structure, fed by all the relevant line DGs. The operational sections of EU Delegations are currently dominated by DG DEVCO staff. But if DG DEVCO wants to shift its emphasis through EFSD+ and dramatically step up its investment operations, it will have to accept the consequences and allow EU Delegation staff to be released to other DGs, such as DG ENV, DG CLIMA, and DG TRADE. In other words, the staffing of the Operations section and the Economic and Political sections will need to be rebalanced. A solution will need to be found to the unhelpful division of responsibilities, with the EEAS responsible for political dialogue and DG DEVCO responsible for policy dialogue. This means taking a holistic approach.

The EU Delegations will have to manage envelopes that are growing bigger and bigger (due to the geographisation of thematic priorities), while at the same time they will be also called upon to engage in a more political form of cooperation, i.e. one which recognises that EU ODA plays a major role in promoting policy dialogue for political reforms, and manage investment operations. Plenty of alarm bells have been ringing about the need for the European Commission to speed up the process of raising its capacity (in terms of both numbers and competencies) to deliver, report on and coordinate (including with member states) the investment operations, both in Brussels and at the EU Delegations. The EU Delegations will need to be staffed by people who are not only capable of managing European Commission funds effectively, but also possess the technical expertise and political shrewdness that are needed to engage in and facilitate a policy dialogue touching on political reforms. They will also need to be given the right incentives (including time) to accompany country-led change processes. Given that it is simply impossible for the European Commission to carry out a massive staff reorganisation ensuring that staff profiles match their new roles, it will need to adopt an internal theory of change in order to switch the staff focus from 'aid management' to 'political change management'. As a senior official pointed out, *'this change is a complicated one. Micro-managing a project is easy. Engaging with government in policy dialogue is frustrating, time-consuming and complex. So it's a whole shift in mentality.'*

5. Concluding remarks

The NDICI's ambitions of fostering a more strategic, coherent, effective and flexible form of external can be translated into reality only if the fundamental assumptions underlying the draft Regulation are met:

1. the EU formulates a (shared) long-term vision of the challenges facing the various regions and countries, and its own strategic priorities and interests; and
2. the EU uses ODA in the most efficient manner to enhance political cooperation in pursuit of its strategic interests and values, while still satisfying the primary objectives of ODA,⁷⁴ and abiding by aid effectiveness principles.

All of this presupposes that the EU's interinstitutional coordination and decision-making processes will strike the right balance between its long-term and short-term interests in multiple fields (such as development, climate, environment, energy, trade, peace & security and migration). Most of all, however, they must strike the right balance between global public goods and the EU's self-interests (such as attaining energy security, stemming migration and promoting EU private investment).

The EU wishes to ensure that its external action spending reflects its strategic interests and political priorities. This is a legitimate desire. Luckily, EU interests are largely aligned with global public goods. But if the EU wants to concentrate the bulk of the NDICI envelope (€68 billion) on strengthening its political cooperation with partner countries and regions, it should accept that most of its ODA will be used to facilitate and support political and economic change processes in the target countries and regions.

There is evidence that the EU is broadening its strategic and analytical base for informing programming choices. This is very good news, provided that the EU makes systematic use of tried and tested diagnostic tools during the programming process, and translates the outcomes of analyses into coherent theories of change underpinning MIPs and programme implementation.

There is also evidence that the EU may adopt a prescriptive approach to programming priorities, based on its own strategic assessments and within the caveats of existing regional cooperation frameworks and the broad Agenda 2030 for sustainable development. In concrete terms, it would be reassuring to see the principle of democratic ownership become the cornerstone of the NDICI's results-oriented approach. This means acknowledging the critical role played by domestic accountability actors in setting policy priorities and in making budget choices. It also means accepting that governance and political reform processes will be at the heart of the EU's approach to international cooperation. It would be good to see the EU looking more at the demand side of the equation. For the moment, democratic ownership it is not even mentioned in the draft NDICI Regulation. While there is considerable EU drama, and many European players on the stage are involved in programming, it will be doomed to fail if this is purely an EU story, without appropriate reference and engagement of national and local actors. This is not an aspect of political correctness in applying development effectiveness principles but a hard reality of spending money in the interest of achieving strategic results.

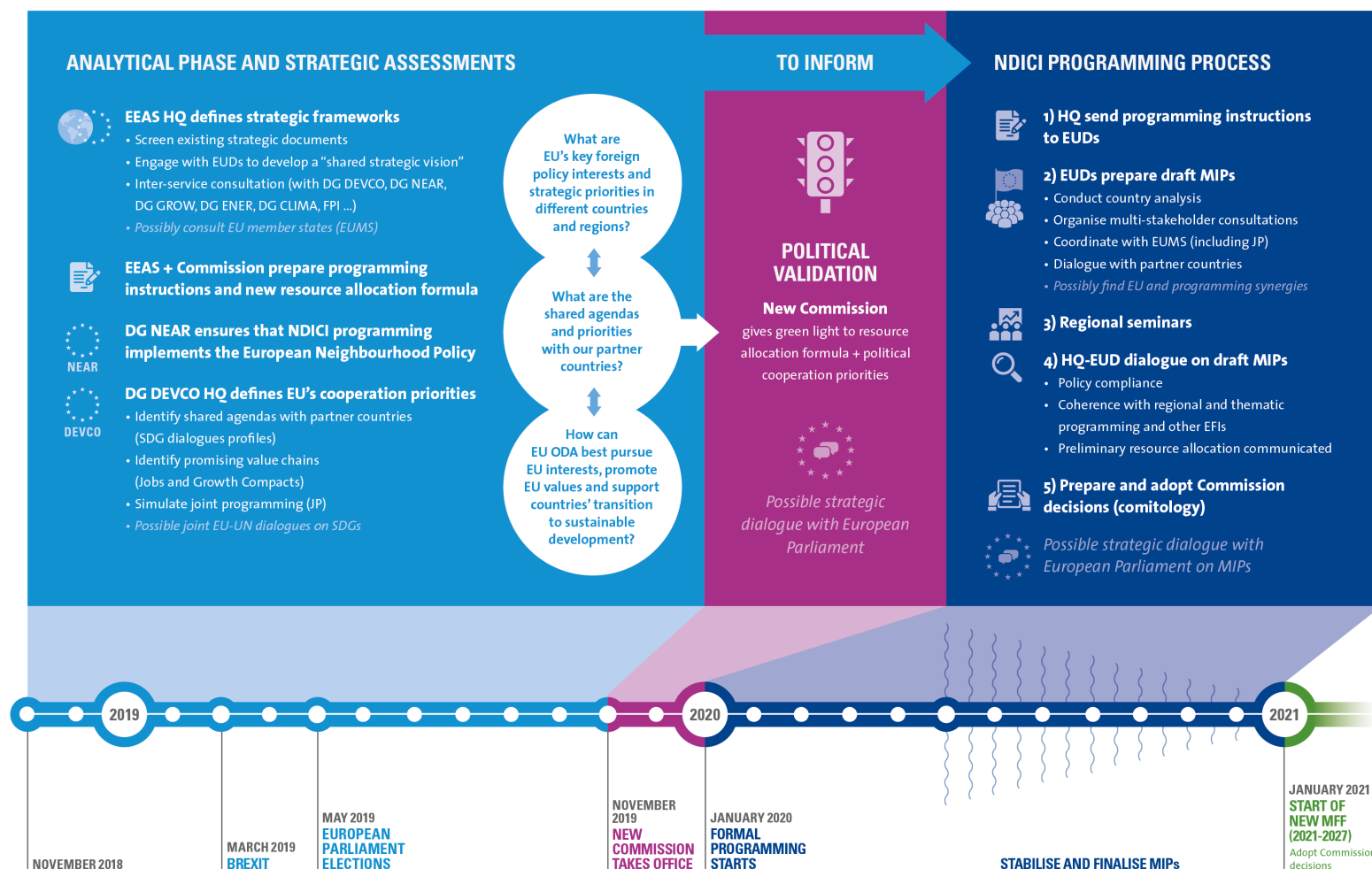
⁷⁴ i.e. promoting the economic development and welfare of developing countries. See OECD, 2018.

Annex 1: Our interpretation of the NDICI bilateral programming timeline

OUR UNDERSTANDING OF NDICI GEOGRAPHIC (BILATERAL) PROGRAMMING

This is not an official timeline. The information provided here is based on our interpretation of the process, based on insights gathered through interviews.

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