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Does the EU have the right instruments to finance assistance in protracted crises and the needs of upper middle income countries?

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STUDY

Does the EU have the right instruments to finance assistance in protracted crises and the needs of upper middle income countries?

ABSTRACT

This study pays critical attention to two specific issue areas, which the financing instruments ought to be concerned with: First, the EU has developed tools and instruments to react to and prevent 'protracted crises'. The results of this study show that the current set of instruments forms a good basis to the challenges associated with protracted crisis. In fact, no new instrument is needed to specifically address protracted crises. However, the operationalisation of instruments should be optimised. There is a clear need to find more sophisticated approaches that can establish a more holistic response to the various dimensions of protracted crises throughout the conflict cycle. In light of this, substantial improvements should be made to the responsiveness, flexibility, coherence and complementarity of the EU response in support of resilience. A critical point is that better incentives should be provided for long-term instruments to flexibly engage in protracted crises, including through support to peacebuilding, conflict prevention, post-crisis reconstruction and resilience. Second, the study focuses on the specific case of Upper Middle Income Countries (UMICs). The study acknowledges the importance and relevance of the 'differentiated approach' while also identifying some of the many problems which concern UMICs: first, the study shows that the Partnership Instrument has so far mainly targeted EU Strategic Partners, while thematic and regional programmes of the DCI hardly fill in the gap left following the graduation of some countries from bilateral aid programmes. The analysis also notes that exceptions which have been granted to some UMICs are strongly problematic. The analysis, however, also points to the fact that the question remains whether these exceptions will be extended to the period 2017-2020. While there is a clear need for a better coherence and coordination, the study argues that there is currently no need for the creation of a new instrument which would exclusively target UMICs.

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Table of contents

6+

Executive Summary 5

1 Introduction 7

2 Objective and methodology of the study 7

3 Protracted crises: in need of a new financing instrument 8

3.1 Defining and understanding protracted crises 9

3.2 What challenges do protracted crises pose for donors? 10

3.3 Overview of EU instruments and mechanisms 13

3.3.1 Humanitarian Aid Instrument 15

3.3.2 Development Cooperation Instrument 16

3.3.3 Instrument contributing to Stability and Peace 17

3.3.4 European Neighbourhood Instrument 19

3.3.5 European Instrument for Democracy and Human Rights 21

3.3.6 Instrument for Pre-Accession Assistance II 21

3.3.7 Outside the EU budget: 11th European Development Fund 22

3.3.8 EU Trust Funds as a pooling mechanism 24

3.4 EU instruments: implementation practices and gaps 26

3.4.1 Focus on responsiveness and flexibility of EU instruments 26

3.4.2 Complementarity throughout the crisis cycle: need for better follow-up 28

3.4.3 Coherence among EU actors has improved, but needs to become better 30

3.4.4 Institutional capacities and (human) resources should be strengthened 33

3.4.5 Capacity building for Security and Development 35

3.5 Conclusions: is a new instrument needed? 38

4 Upper-middle income countries: Needs and support by EU financing instruments 39

4.1 Framing the problem: What are the needs of UMICs and what are the appropriate financing instruments to support UMICs? 39

4.2 Development Dynamics: Graduation of middle income countries to upper-middle income countries in the EU's policy framework 42
4.3 Analysis of EU financing instruments and their support for UMICs 45
4.3.1 Development Cooperation Instrument 45
4.3.2 Partnership Instrument 48
4.3.3 European Neighbourhood Instrument 50
4.3.4 Instrument for Pre-Accession 51
4.3.5 European Instrument for Democracy and Human Rights 53
4.3.6 Instrument contributing to Stability and Peace 54
4.4 Analysis of the European Development Fund 54
4.5 Complementary and overlaps of existing instruments 55
4.6 Discussion of specific issues 56
4.6.1 Exceptions and eligibility to bilateral programming 56
4.6.2 Strategic Partners: First amongst equals? 58
4.6.3 Financing Gaps for specific UMICs? 59
4.6.4 Budget: Increasing the envelope? 60
4.6.5 Need for a revised or new instrument for UMICs? 61
4.7 Conclusions UMICs: is there a need for a new instrument? 62
5 Conclusions 63
5.1 Protracted Crises 63
5.2 UMICs 64
6 Recommendations 65
6.1 Protracted Crises 65
6.2 Recommendations: UMICS 68
7 Bibliography 70
Annex 1: EU instruments and mechanisms: main features for protracted crises 76
Annex 2: From LRRD to resilience 79

Executive Summary

Two specific issue areas of the European Union (EU) financing instruments are examined to provide recommendations for the work of the European Union institutions.

First, the study looks into the issue of protracted crises. Situations of protracted crises combine recurring or enduring emergency needs with underlying structural vulnerabilities. They require both quick and flexible responses to urgent needs and longer-term engagement to support development and resilience. Protracted crises are marked by a complex mix of different needs and challenges, often including a close interrelatedness between security and development concerns.

The study focuses on the Humanitarian Aid Instrument, the Development Cooperation Instrument (DCI), the Instrument contributing to Stability and Peace (IcSP), the European Neighbourhood Instrument (ENI), the European Instrument for Democracy and Human Rights (EIDHR), the Instrument for Pre-Accession Assistance (IPA), as well as the 11th European Development Fund (EDF). It also analyses the EU Trust Funds as a pooling and coordination mechanism managed by the European Commission. The study has found that the EU has developed a wide range of instruments and tools at its disposal that allows it to react to and prevent 'protracted crises'. This includes both flexible instruments tailored to the short- and long-term needs of (protracted) crisis situations, such as the Instrument contributing to Stability and Peace, and crisis-specific provisions in other instruments. As such, the EU has a solid basis to address protracted crisis situations, and no new financing instrument to address protracted crises would be needed. At the same time, the diversity of the current instrument portfolio is valued, as it allows pursuing a variety of objectives across different timeframes.

The study, however, also underlines that substantial improvements are to be made in the use of existing instruments, especially in relation to the responsiveness, flexibility, coherence and complementarity of the overall EU response in support of resilience. It therefore argues for the need to arrive at more comprehensive approaches to protracted crises, including through a more prominent inclusion of peacebuilding, conflict prevention and post-conflict reconstruction in the programming of DEVCO and NEAR instruments. Moreover, there is a need to establish better linkages between different kinds of responses to the various dimensions of protracted crises throughout the conflict cycle in support of resilience. This could include more systematic (yet flexible) political and operational coordination and cooperation across EU institutions.

Second, the study focuses on the specific case of Upper Middle Income Countries (UMICs). Many of these countries, once they have reached the status of UMIC, no longer qualify for bilateral aid programmes under the DCI. While many of these UMICs face difficulties in specific issue areas, the question arises as to whether UMICs receive enough support from the EU through other means of the DCI (i.e. thematic and regional projects) or other financing instruments. In this regard, the study gives an overview of the EU´s several instruments in the field, including the DCI, the IcSP, the Partnership Instrument (PI), the ENI, EIDHR, the IPA, as well as the 11th EDF. Based on its analysis, the study argues for a better coherence amongst instruments to support UMICs. It also shows that overall there is, as in the case of protracted crisis, no need for the creation of a new instrument which would exclusively target UMICs. And yet, while the study acknowledges the importance and relevance of the 'differentiated approach', it does identify some of the problems which are of major concern for UMICs with regard to EU financing. In this regard, the study shows that the PI so far mainly targets EU Strategic Partners, while thematic and regional programmes of the DCI hardly fill in the gap left following the graduation of some countries from bilateral aid programmes. The analysis also emphasises that some exceptions granted to UMICs are strongly problematic. At the same time, the findings highlight the fact that the question remains as to whether these exceptions will be extended to the period 2017-2020.

The study ends with a set of overall and operational recommendation in the two cases. In the case of protracted crisis the study suggests, amongst others, that efforts should be made to provide better incentives to long-term instruments (EDF, DCI, ENI and IPA) to flexibly engage in protracted crisis situations, and invest more resources in conflict prevention, peacebuilding and post-conflict reconstruction, in line with the instrument's regulations. It recommends formulating more holistic solutions for emergency and protracted crisis funding, including through a more systematic yet flexible use of existing coordination mechanisms and joint assessment and programming tools across relevant EU bodies. It also emphasises the need to respond in a context-specific manner to crisis and stability (based on solid knowledge of a country or region). This includes enhancing the awareness and knowledge on the nature and specific needs of protracted crises across the Commission, EEAS and EU Delegation staff. Empowering and resourcing EU Delegations is seen as an essential need to provide more strategic orientations, coordination and decision-making in accordance with local needs and political realities.

In the case of the UMICs, the study points out that the EU should avoid considering the UMICs as a homogeneous group of countries, especially given the diversity among UMIC countries and their respective development needs. Taking into account the enduring needs in terms of development cooperation, the EU should consider more DCI exceptions or move to enlarge the use of the PI for a greater number of UMICs. Overall, it is seen as necessary to clarify the overall objectives and eligibility criteria of the financing instruments. The study underlines that, in this respect, the EU should clarify the global scope of the PI, which currently is mostly used in relation to Strategic Partners. The study also underlines that the 2017 Mid-term Evaluation of the financing instruments should be informed by the new EU Global Strategy so that the reviewed foreign policy instruments can promote the political objectives of EU external action. It is furthermore emphasized that the EU should avoid fragmentation of existing or newly created instruments. It appears that the more instruments the EU creates, the more rigidity it will engender in the implementation of its financing instruments.

1 Introduction

The EU's external action financing instruments will go under mid-term review in 2017 in agreement with the EU Regulation 'laying down common rules and procedures for the implementation of the Union's instruments for financing external action'[1]. The European Parliament has been involved in the formulation of the **financial framework** and will be a significant actor in the review process. In this context, the European Parliament commissioned this study to the Leuven Centre for Global Governance Studies (GGS) and the European Centre for Development Policy Management (ECDPM) to look into two specific issues: the capacity of EU financing instruments to contribute to the **prevention of and reaction to protracted crises** and the EU´s financing instruments capacity to support **UMICs**.

The study will treat each of the themes of this study in separate parts. After a methodology chapter which also introduces in greater detail the objectives of this study, the first part of the study focuses on **'Protracted Crises: In need of a new financing instrument?'** (Section 3), followed by an analysis on **'Upper-middle income countries: Needs and support by EU financing instruments'** (Section 4).

The first part will be concerned with the question 'Can the current set of instruments cover the needs around the challenges of protracted crises, or should the EU create a new dedicated instrument?' The EU already has the IcSP at its disposal, offering funding for a variety of crisis- and post-crisis-related issues, yet the instrument only has limited funding available. The study will thus focus on an analysis of the current financing instruments and how they are properly equipped to address **protracted crises**. The study identifies questions of flexibility and responsiveness as well as the complementarity and coherence of the EU financing instruments. Furthermore, it focuses on the coordination mechanisms amongst instruments, institutional capacity and capacity-building in support of security and development.

The second part will concentrate on answering whether there is a need for a new financing instrument which focuses on the needs of UMICs. The new rules of differentiation regarding the Development Cooperation Instrument have made **UMICs non-eligible for bilateral funding** under the DCI. As a consequence, the question arises as to whether UMICs should be supported more via alternative financing channels. Again, the study goes into an analysis of the current financing instruments in order to identify financing gaps.

Following the analysis and in an **attempt to answer the initial questions** regarding protracted crises and the UMICs, the study arrives at a set of **overall and specific policy recommendations. These recommendations** are meant to inform policy-makers in the context of the mid-term review of the EU financing instruments, as well as the discussion on the post-2020 Multiannual-Financial Framework (MFF).

2 Objective and methodology of the study

The **2014-2020 financial framework** includes the ENI, the EIDHR, the PI, the IPA, the DCI, and the IcSP. In line with the attempt to foster complementarity between the various financial instruments, the across-the-board horizontal coherence of these instruments needs to be ensured. This study, while paying critical attention to two specific issue areas – protracted crises and support for UMICs – focuses on the role of each of the instruments under the financial framework 2014-2020 and the **complementarity amongst the instruments**. It also pays attention to the EDF, which falls outside the EU Budget. Bearing in mind the mid-term review of the EU financing instruments, the study sets out recommendations based on the findings,

[1] Regulation (EU) No 236/2014 of the European Parliament and of the Council of 11 March 2014 laying down common rules and procedures for the implementation of the Union's instruments for financing external action, 15 March 2014 (L 77/95).

in preparation of the **mid-term review of the financing instruments** that will take place in 2017, as well as the post-2020 MFF.

The study is based on a **solid methodology**. It is based on a **comprehensive literature review** of relevant financing instruments on the two subjects. This work feeds into the description and analysis of the challenges regarding new or revised instruments with a view to protracted crises and prolonged situations of displacement. It also informs the mapping and discussion of potential new instruments for upper middle income countries. The literature review is complemented by an **analysis of the current financing instruments**, including their most recent programming and implementation.

The desk phase is complemented **by interviews with policy makers** in the European External Action Service (EEAS), the European Commission and the Service for Foreign Policy Instruments (FPI) (21 interviewees in total). **Interviews were undertaken also with NGOs and civil society** actors directly involved on issues of protracted crisis/displacement (3 interviewees in total). The people interviewed were selected on the basis of their specific knowledge of financing instruments. The interviews were conducted by using a semi-structured interview methodology, which means a set of questions was put to interviewees while room was left for additional questions and answers depending on the expertise of the interviewee. Interviews within the European Commission, the EEAS and the FPI were conducted as **group interviews**, always including several officials from each of the addressed DGs. The interviews were assessed and used for the study in a qualitative way, adding to the overall empirical findings of the study and enlightening the study overall and special cases in particular. The study further made use of the availability of some data by the European Commission on the indicative and implemented spending in the context of some external financing instruments.

The analysis of the instruments was furthermore enlightened by the usage of illustrative examples which are highlighted in the literature.

3 Protracted crises: in need of a new financing instrument

This part of the study addresses the question whether the current set of EU financing instruments is properly equipped to cover the needs and challenges related to protracted crises, or whether the EU should rather create a new dedicated instrument. It is structured as follows: In the absence of an agreed EU definition of 'protracted crises', Section 3.1 formulates a definition of the term, and provides an overview of the main features and challenges associated with protracted crisis. Section 3.2 discusses how protracted crises pose specific challenges for donors and explains, based on existing literature, what 'good donor practice' would look like when engaging in situations of protracted crises. Section 3.3 offers a mapping of the relevant EU financing instruments under the current Multiannual Financial Framework 2014-2020. It specifically looks into EU Humanitarian Aid, the Development Cooperation Instrument, the Instrument contributing to Stability and Peace, the European Neighbourhood Instrument, the European Instrument for Democracy and Human Rights, and the Instrument for Pre-Accession Assistance. It further also offers a description of the European Development Fund as a major EU development fund outside the EU budget, and the EU Trust Funds as a mechanism to pool and coordinate EU and other donors' resources. The analysis looks into specific features that aim at equipping each of the instruments better for situations of (protracted) crises. Subsequently, section 3.4 offers a bird's eye perspective, and addresses five major overall issues that emerged from the analysis in relation to 1) the responsiveness and flexibility of EU response, 2) the complementarity of instruments, 3) coherence and coordination of EU engagement, 4), institutional capacities and human resources, and 5) issues related to funding for capacity-building in support of security and development.

3.1 Defining and understanding protracted crises

The EU currently does not have an agreed definition of protracted crises available in any of its policy documents. Building on existing expert literature[2,] this paper therefore defines protracted crises as complex (political) situations, usually comprising elements of (violent) conflict, natural disaster, poverty, natural resources scarcity, institutional fragility and limited economic opportunity, resulting in enduring or recurrent[3] crisis, sometimes lasting years if not decades'.

Protracted crises often illustrate the close **interrelatedness of conflict and weak development**, e.g. when violence is cause by shocks such as increasing youth unemployment, or ethnic, religious or social tensions. Moreover, **institutional fragility and weak governance** is widely seen as a source of instability. Of the 30 countries categorised as long-term recipients of humanitarian aid during the past 15 years, 25 were classified as fragile states in 2013, and combine crisis needs with more structural poverty and weak state institutions that do not provide functioning social safety nets to their citizens[4].

Resource scarcity has also been identified as a major contributor to vulnerability. A lack of access to food, water or energy can be both a consequence and a cause of instability. For instance, the ongoing conflict in Syria and the resulting protracted displacement crisis have been related to chronic water scarcity causing rural populations to lose their livelihoods[5]. Protracted food crises, e.g. in the Horn of Africa, have also been associated to both civil conflict and droughts associated to the El Nino phenomenon in recent FAO forecasts[6]. In such a context, **climate change** is often defined as a 'threat multiplier' that can aggravate already fragile and conflict-prone situations marked by weak governments that are unable to manage stress or absorb shocks.

Protracted crises are also often associated with forced displacement. Forced displacement has grown rapidly over the last ten years, increasing on average by 1.6 million people annually between 2000 and 2014. **Displacement has also become longer-term**: More than 80 percent of refugee crises last for at least ten years or more, and two in five last 20 years or more. According to Crawford et al.[7], 12.9 million people - or two thirds of all refugees - were stuck in protracted displacement, meaning they found themselves displaced for at least three years (and often much longer).

Because of their complexity, protracted crises can be very diverse, with only a few commonalities. This makes it difficult to devise a blueprint model for engagement. Still, building on Mosel & Levine and Scott[8,] the following common characteristics of protracted crises can be identified:

Needs are extreme and widespread, as well as **unpredictable and rapidly changing**, requiring a rapid and flexible response.

[2] C. Bennett, *The development agency of the future,* ODI, London, April 2015, p.6.; R. Scott, *Financing in crisis? Making humanitarian finance fit for the future*, Paris, OECD, June 2015.

[3] According to OCHA, 3 of the 22 countries that made an inter-agency appeal in 2012, 21 countries had at least one other crisis during the ten preceding years. (Source: OCHA, *Saving lives today: managing the risk of humanitarian crises,* OCHA Policy and Studies series, New York, United Nations, March 2014).

[4] S. Swithern, *Global humanitarian assistance report 2014*, Bristol, Development Initiatives, June 2014; B. Grogan & H. Strohmeyer, *An end in sight: Multi-year planning to meet and reduce humanitarian needs in protracted crises,* OCHA Policy and Studies Series, New York, OCHA, 2015.

[5] K. Van der Heijden, B. Otto, & A. Maddocks, *Beyond conflict, water stress contributed to Europe's migration crisis,* World Resources Institute, November 2015, http://www.wri.org/blog/2015/11/beyond-conflict-water-stress-contributed-europe%E2%80%99s-migration-crisis

[6] FAO. *Crop prospects and food situation*, March 2016 http://www.fao.org/3/a-i5455e.pdf

[7] N. Crawford, J. Cosgrave, S. Haysom, & N. Walicki, *Protracted displacement: uncertain paths to self-reliance in exile,* HPG Commissioned Report, London, ODI, September 2015.

[8] I. Mosel & S. Levine, *Remaking the case for linking relief, rehabilitation and development. How LRRD can become a practically useful concept for assistance in difficult places,* London, ODI, March 2014; R. Scott, *Financing in crisis?*

Protracted crises are characterised by **acute (humanitarian) needs**, while at the same time requiring responses to **long-term development aims** to address underlying vulnerabilities.

Insecurity is often high because state capacities and governance structures are weak, contested, or even absent.

The risks associated with protracted crisis are often **interconnected and are not limited to country borders.**

Presence of conflict leads to a deep mistrust within societies and between societies and the state (or its remnants), resulting in a **highly politicised environment**.

There is a **need for donor coordination at country level**, either because of the high number of international actors responding (such as in Haiti), or because there is a need to mobilise additional support in cases of aid orphans (e.g. the Central African Republic, or CAR).

3.2 What challenges do protracted crises pose for donors?

According to OCHA[9], the number of people targeted by humanitarian aid has almost doubled in the last decade, reaching a number of 52 million people in 2014. Moreover, based on OECD DAC data, Maxwell[10] notes that the share of ODA going to humanitarian aid has doubled from 5 percent in 2000 to 10 percent today. Such humanitarian engagements are also increasingly becoming long-term. Grogan & Strohmeyer[11] found that 90 percent of humanitarian appeals now last longer than three years, and that their average length is even seven years, indicating enduring needs. This includes long-running relief programmes in countries like Ethiopia, Somalia or Sudan.

When crisis hits, humanitarian aid is often the first tool available to donors to provide quick relief to affected populations, including food, water, shelter and health services. Humanitarian aid is designed as a stopgap measure to provide short-term lifesaving support (usually with a one-year perspective) to those most in need, based on the humanitarian principles of neutrality, impartiality, humanity and independence. Development cooperation, in contrast, is premised on a longer-term engagement (usually 5-8 year perspectives) focused on poverty reduction, largely through capacity-building of state institutions. However, it is increasingly recognised that **traditional donor practice**, which separates short-term humanitarian relief and longer-term development cooperation, **is not necessarily fit for dealing with protracted crises,** where several needs and challenges occur simultaneously. Different mandates and cultural divides between both communities are often reflected in an institutional bifurcation, where both act according to different funding opportunities, decision-making procedures, reporting lines and strategic priorities, inhibiting a coherent response[12].

The EU approach towards developing coherent responses to crisis and transition situations has undergone an evolution over the past decades. Annex 2 of this paper provides a detailed overview of how the EU policy framework has become more robust and sophisticated over the years. Early frameworks, such as the EU's approach to LRRD (linking relief, rehabilitation and development) reflected a more linear approach to (post-) crisis situations, seeing the transition from relief over early recovery and stabilisation to development as a continuum. This model, which is illustrated in Figure 1, views crises as exceptional disruptions from the 'normal' path to development. The challenge for policymakers and practitioners then

[9] OCHA, *Saving lives today.*
[10] S. Maxwell, *Humanitarian issues in the spotlight,* blog post, 14 March 2016, http://www.simonmaxwell.eu/blog/humanitarian-issues-in-the-spotlight.html.
[11] B. Grogan & H. Strohmeyer, *An end in sight.*
[12] C. Bennett, *The development agency of the future.*

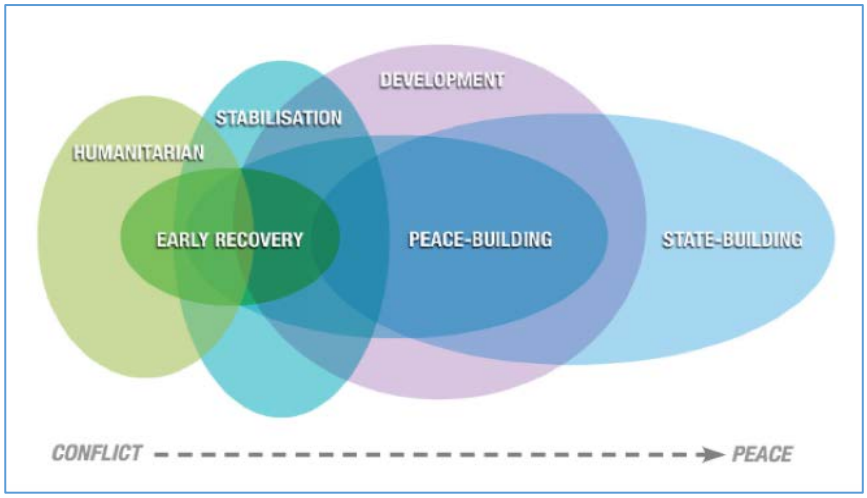
is to ensure proper exit strategies and the smooth handover of responsibilities and funds from one phase to another.

Figure 1: Linear model of post-crisis transition[13]

In reality, post-crisis transitions are usually not one-directional, but rather display a complex convergence of natural hazards, conflict, poverty and fragility, where short-, medium-, and long-term needs occur simultaneously. Moreover, relapses in the transition from crisis to stability and sustainable development are not uncommon. As a consequence, responses to protracted crises are usually a complex patchwork of overlapping interventions, as shown in Figure 2. As noted by the OECD[14], the non-linearity often poses tensions and trade-offs between the need to provide urgent life-saving relief and establishing peace, and the longer-term challenge of supporting the development of state structures, creating opportunities for human development and building resilience.

This 'contiguum model' recognises that crises are not just exceptional shocks, but should be treated as indicators of fragility and weak development[15]. A donor practice following this model would invest in improved information exchange, shared context analyses and joint strategising and planning between policy domains. It would also imply firmly incorporating the security-development nexus into institutional thinking and design of both rapid responses to crises and longer-term engagements. Finally, it would acknowledge the importance of prevention to avoid relapses to crisis situations. More recent EU frameworks, notably the EU concept of 'resilience', are more in line with the thinking of the contiguum model.

Figure 2: The contiguum model of (post-) crisis interventions[16]



How to put this thinking into practice remains subject to debate. The topic was recently discussed during the World Humanitarian Summit in May 2016. On the one hand, the UN Secretary-General called for

[13] Inspired by OECD, *Transition Financing. Building a better response,* Paris, OECD DAC, 2010.
[14] OECD DAC, *International support to post-conflict transition*, Paris, OECD, March 2012.
[15] OCHA, *Saving lives today.*
[16] Source: OECD DAC, *International support to post-conflict transition.*

'transcending humanitarian-development divides'[17] and treating humanitarian and sustainable development challenges as one goal. This reasoning was also reflected in the EU's position as endorsed by the Council in December 2015[18]. On the other hand, several humanitarian organisations point out risks of politicisation of humanitarian aid. This was notably illustrated by MSF's withdrawal from the WHS process out of concerns that humanitarian aid would be incorporated in a broader development and resilience agenda, thus losing its independent status[19].

Despite such concerns, the WHS outcome provides a chance to adapt the (humanitarian) aid system to new challenges, including protracted crises. Areas for change include a stronger focus on multiannual programming and longer-term services such as education, support for livelihoods or social protection. Moreover, the WHS recognised the often complex political character of protracted crises, requiring tailored responses through **political dialogue, peacebuilding, conflict prevention and mediation**[20]. Finally, the WHS has also highlighted the **importance of civil society and local communities in providing the first responses to emergencies and building sustainable community resilience.**

Building on a review of the outcomes of the WHS, and on existing work from experts in the domain[21], the following elements can be listed as elements of good donor practice in protracted crisis situations:

- Broaden the thematic scope by **increasing funding for transition and resilience activities**, including early recovery, reconstruction, and conflict prevention and peacebuilding. This can, for instance, be done through specialised funds (e.g. the EU's Instrument contributing to Stability and Peace (IcSP)) or through earmarking. This also includes investing in **prevention, preparedness and risk management** to reduce the impact of crises through risk modelling and analysis, early action, and increasing funding for disaster risk reduction, climate change adaptation, social safety nets and livelihoods[22].
- Focus on the **root causes of the crisis** by investing in the proper analysis of the underlying structural problems and vulnerabilities underlying societies and providing a long-term funding outlook.
- Ensure responses **tailored to the country context**, including through shared context and conflict analyses, decentralisation of decision-making to the country level, and scaling up staffing in the field.
- Increase **responsiveness and flexibility** of funding to adapt to fluid crisis situations and encourage early action to prevent and mitigate emerging crises. This could be done through quick decision-making, flexible programming, contingency funds or other mechanisms such as programme modifiers[23].

[17] United Nations, *One humanity: shared responsibility.* Report of the Secretary-General for the World Humanitarian Summit, UNGA Seventieth Session, 2016, Item 73(a).

[18] Council of the European Union. *Council Conclusions on the World Humanitarian Summit preparatory process.* 15232/15.

[19] MSF. *MSF to pull out of World Humanitarian Summit*, 2016.
http://www.msf.org.uk/article/msf-to-pull-out-of-world-humanitarian-summit

[20] e.g. United Nations, *One humanity: shared responsibility.*

[21] B. Grogan & H. Strohmeyer, *An end in sight.*; I. Mosel & S. Levine, *Remaking the case for linking relief, rehabilitation and development*; S. Carpenter, & C. Bennett, *Managing crises together: towards coherence and complementarity in recurrent and protracted crises*, London, ODI, 2015; ; C. Bennett, *The development agency of the future*; OCHA, *Saving lives today:*; T. Kiewied, Create space for local actors', *VOICE Out loud* No 20, November 2014.

[22] For instance, the 2011 Global Platform for Disaster Reduction recommended to spend at least 1 percent of all development funding and 10 percent of all humanitarian aid to DRR.

[23] Programme modifiers, as used by USAID, are provisions included in a funding mechanism that are designed to allow flexibility without the need to modify to the mechanism itself, by allowing a share of the funding to be reallocated across development, relief and recovery activities, depending on how the situation changes.
http://usaidlearninglab.org/learning-guide/example-program-modifier; see also S. Carpenter, & C. Bennett, *Managing crises together.*

- Address aid volatility, especially in fragile states, by increasing the **predictability of funding**, e.g. through multi-year humanitarian planning, programming and funding.
- Address institutional divides through **integrated approaches** that allow for more coordinated and coherent responses based on a common understanding of the context, risks and needs. Where possible, planning and programming should also involve local and national authorities of affected countries.
- **Prioritise nationally led responses, including through civil society**. When disaster has hit, local communities are usually the first responders, and it is the national government that has the prime responsibility to oversee the response. However, especially in fragile environments, local capacities may be weak. Donors should therefore focus on 'reinforcing, not replacing' local capacities (although in conflict-sensitive situations, engagement with the state may need to be more limited).

3.3 Overview of EU instruments and mechanisms

This section provides an overview of existing external assistance funding instruments the EU has at its disposal for addressing protracted crises. Given the scope and resources made available for this study, the overview does not claim to offer a fully comprehensive in-depth analysis of all existing instruments[24], but rather focuses on a number of key features of each of them when it comes to responding to situations of protracted crisis. This assessment is done on the basis of the following criteria (based on the elements of good donor practice in protracted crises identified in the previous section): 1) responsiveness and flexibility; 2) thematic scope (focus on security/development nexus, transition activities, crisis prevention, risk preparedness and management, resilience and development objectives); 3) predictability of funding; and 4) implementing partners (prioritisation of nationally-led responses). Table 1 provides a short summary of EU financing instruments and mechanisms, listing the budget allocation for 2014-2020 and the main objective of each. Annex 1 of this paper contains a more detailed summary of the main relevant features of each instrument analysed.

Section 3.4 will offer a more global analysis, looking at the set of instruments available to the EU as a whole, including coordination mechanisms and EU-wide approaches, and tools for context and conflict analysis.

[24] Apart from the EU Trust Funds and the EDF, all instruments discussed are part of the EU's Multiannual Financial Framework (MFF) 2014-2020 under its Heading 4 (Global Europe). It was decided to not discuss other Heading 4 instruments or programmes, including the Common Foreign and Security Policy (CFSP), the EU Civil Protection Instrument, and the Partnership Instrument, as these were not considered sufficiently relevant for the topic or for the activities of the European Parliament,. Despite the fact that the EDF (and hence the APF) is outside the EU's budget, it was deemed relevant to include it in our analysis, as it constitutes a major part of the overall EU engagement in many countries affected by protracted crises, raising important questions on coherence and complementarity. The EU Trust Funds, while not instruments, were also included in the analysis as they represent an important evolution in the response mechanisms available to the EU in (post-) crisis situations.

Table 1: Overview of EU financing instruments and mechanism

Financing instrument/mechanism	Budget allocation for 2014-2020	Main objective
Financing instruments under EU budget		
Humanitarian Aid Instrument	EUR 7.1 billion	Providing humanitarian relief based on annual strategies and Humanitarian Implementation Plans (HIPs)
Development Cooperation Instrument (DCI)	EUR 19.6 billion	Multiannual development cooperation programmes with a focus on poverty reduction and sustainable development
Instrument contributing to Stability and Peace (IcSP)	EUR 2.3 billion	Non-programmable short- to medium-term operations in response to (emerging) crisis situations; programmed long-term peacebuilding and conflict prevention support
European Neighbourhood Instrument (ENI)	EUR 15.4 billion	Implements the European Neighbourhood Policy, aiming to advance towards an area of shared prosperity and good neighbourliness.
European Instrument for Democracy and Human Rights (EIDHR)	EUR 1.3 billion	Provides support to democracy and respect for human rights and fundamental freedoms in third countries independently from the consent of the authorities of those countries.
Instrument for Pre-Accession Assistance (IPA II)	EUR 11.7 billion	Provides support to (potential) candidate EU member states in adopting the EU acquis, based on seven-year multiannual action programmes.
Other funds and mechanisms		
11th European Development Fund (EDF)	EUR 30.5 billion (Africa Peace Facility: EUR 740 million)	Multiannual development cooperation programmes with a focus on poverty reduction and sustainable development. Contains the Africa Peace Facility to foster peace, stability and security in Africa, providing the basis for long-term sustainable development.
EU Trust Funds	Ad-hoc contributions from EU instruments and member states	Not an instrument, but a pooling and coordination mechanism, designed for specific thematic priorities or crisis or post-crisis situations.

3.3.1 Humanitarian Aid Instrument

EU Humanitarian Aid functions on the basis of the 1996 Council Regulation 1257/96 and is managed by the European Commission's DG ECHO (Directorate-General for European Civil Protection and Humanitarian Aid Operations). Based on Annual Strategies, ECHO determines financial allocations through World-Wide Decisions, which are translated into detailed annual Humanitarian Implementation Plans (HIPs) for specific crises. These are informed by the Integrated Analysis Framework (IAF), a tool for humanitarian needs assessments and context analyses[25]. ECHO can finance interventions of no longer than 24 months.[26] EU humanitarian aid is therefore **designed to be speedy and flexible, and is essentially limited to short-term responses**, in line with the humanitarian mandate. While the idea of multiannual planning for humanitarian aid is gaining ground globally[27], there is currently no consensus to change ECHO's planning approach[28]. Furthermore, whereas ECHO procedures are designed to be quick and flexible, several implementing partners have noted that the EU's bureaucracy remains rather heavy compared to other humanitarian donors, including EU member states[29].

The mandate of EU humanitarian aid, as outlined in the regulation, extends beyond the core task of lifesaving operations to **also include relief to people affected by longer-lasting crises, short-term rehabilitation and reconstruction work, disaster preparedness, and addressing the consequences of population movements.** In 2014, for instance, while the bulk of the funding went to 'level 3' emergencies (Syria, Iraq, CAR and South Sudan), substantial support also targeted new or protracted emergencies in Ukraine, the Philippines (after Typhoon Haiyan), and Western Africa (Ebola crisis). Furthermore, 17 percent of ECHO's funding went to protracted 'forgotten crises', such as the Sahrawi refugee crisis in Algeria or the Rohingya refugee crisis in Bangladesh[30].

In addition, ECHO has been supporting DRR activities around the world through its Disaster Preparedness ECHO (DIPECHO) Programme. DIPECHO aims to increase the resilience of communities and reduce their vulnerability through training, strengthening local early warning systems and contingency planning. ECHO spent some 16 percent of its budget on DRR in 2014, and some 13 percent in 2015[31]. A practical example is the support Oxfam provided in Niger, using ECHO money, to help vulnerable populations against the consequences of disasters by strengthening local response capacities. A multi-sector approach integrating food security, emergency response, education, water and hygiene, governance and gender has helped to improve incomes, food security and access to clean water, making the targeted populations not only less vulnerable but also better prepared to future shocks[32].

Through the recent adoption of a so-called 'Resilience Marker' for humanitarian operations, ECHO also has also developed a tool to monitor its performance in supporting resilience and reducing future risks. As

[25] The IAF comprises two components: the Global Vulnerability and Crisis Assessment (GVCA, which categorises countries on the basis of the presence of crisis and the vulnerability of the population) and the Forgotten Crisis Assessment (FCA, which identifies crises that have been overlooked by the international community and need special attention). From 2016 onwards, the GVCA is being replaced by the Index for Risk Management (InfoRM), a global tool for analysing risks and underlying drivers of crises and disasters.

[26] See http://ec.europa.eu/echo/files/funding/decisions/2016/HIPs/WWD_BUD_2016_en.pdf.

[27] e.g. United Nations, *One humanity: shared responsibility*.

[28] Interview with EU official, 11 March 2016.

[29] Interview with NGO representatives, 20 April 2016.

[30] European Commission, COM(2015) 406 final Report from the Commission to the European Parliament and the Council, Annual report on the European Union's Humanitarian Aid policies and their implementation in 2014, Brussels, 21.8.2015.

[31] Interview with EU official, 11 March 2016.

[32] F. Fink-Hooijer, speech held during the Dubai International Humanitarian aid and Development Conference and Exhibition (DIHAD), 24-26 March.

such, the Resilience Marker expresses ECHO's **ambition to systematically include resilience in the HIPs and interventions**[33].

ECHO has also created the **'Enhanced Response Capacity'**, which funds, among others rapid response teams and surge capacities to allow a better response to major emergencies. The Enhanced Response Capacity often targets local capacity building, providing a longer-term perspective to relief. That said, the humanitarian regulation **excludes direct funding to third party government structures or local NGOs,** posing an important constraint on the extent to which humanitarian funding can sustainably contribute to community resilience.

In the recent past, **humanitarian needs have frequently exceeded budgetary allocations provided by the EU's budgetary powers to ECHO.** The current Multiannual Financial Framework (MFF) 2014-2020 has therefore foreseen an Emergency Aid Reserve (EAR)[34], which among other things allows for transferring funds to ECHO so it can rapidly respond to unforeseen specific humanitarian aid requirements. For instance, in 2013, ECHO's initial budget of EUR 858 million was increased by EUR 405 million from the EAR. In addition, ECHO's budget has often been supplemented by resources from the EDF Reserve (see below), a share of which can be accessed by ECHO to finance initiatives of up to 36 months[35]. While such **flexibility arrangements are positive, they require ad-hoc decisions to be mobilised**, resulting in a slower, more reactive response.

3.3.2 Development Cooperation Instrument

The Development Cooperation Instrument (DCI) 2014-2020 is established under Regulation (EU) No 233/2014[36]. **Its primary objective is to reduce, and in the long term eradicate poverty**. While the DCI is essentially designed for long-term engagement in stable circumstances, the regulation contains a number of provisions to adapt the instrument to situations of conflict or protracted crisis. It notably stresses the need to step up coordination between relief, rehabilitation and development, and foresees conflict prevention to be mainstreamed throughout all programmes. Moreover, Article 12 of the regulation provides a basis **for including conflict prevention and resolution, statebuilding and peacebuilding, and post-conflict reconciliation and reconstruction in the programming in crisis, post-crisis or fragile contexts.**

Nevertheless, the DCI is **rather restricted when it comes to operating in relation to the security-development nexus**. Article 3(13) of the DCI explicitly states that 'Union assistance under this Regulation shall not be used to finance the procurement of arms or ammunition, or operations having military or defence purposes'. Moreover, the regulation sets specific criteria of ODA eligibility for DCI funding[37]. ODA criteria allow DCI funding to be used for a list of peace- and security-related activities, such as rehabilitation assistance to demobilised soldiers, civilian peacebuilding and conflict prevention, security sector reform, and, since recently, preventing violent extremism. However, other security activities, such as

[33] European Commission, *Resilience Marker*, November 2014.
http://ec.europa.eu/echo/files/policies/resilience/resilience_marker_guidance_en.pdf

[34] Council Regulation (EU, Euratom) No 1311/2013 of 2 December 2013 laying down the multiannual financial framework for the years 2014-2020; Interinstitutional Agreement of 2 December 2013 between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management.

[35] J. Barna. *In-depth analysis: Humanitarian aid: crises, trends, challenges*, Brussels, European Parliament, 2014.

[36] Regulation (EU) No 233/2014 of the European Parliament and of the Council of 11 March 2014 establishing a financing instrument for development cooperation for the period 2014-2020.

[37] As per the regulation, all spending under geographic programmes, at least 95 percent for thematic programmes, and 90 percent of the Pan-African Programme should be ODA-eligible.

counterterrorism, military equipment and peacekeeping enforcement aspects of, are not ODA-eligible, and hence cannot be funded through the DCI.

Being a development instrument, the DCI is programmed on a multi-annual basis. This is associated with lengthy consultation processes with partner country authorities and other stakeholders for programming, identification and formulation. Financing decisions are subject to comitology examination procedures, requiring consultations with member states that take 14 days to one month[38]. The European Parliament's Committee on Development also receives the draft and adopted documents on DCI financing decisions. Projects under thematic programmes are often selected through lengthy calls for proposals procedures[39]. These are important to ensure country ownership, financial accountability and transparency, but **come with a trade-off when operating in unstable circumstances associated with situations of fragility or protracted crisis, where swift and flexible action is often required to respond to sudden changes.** Moreover, the long-term outlook of projects funded under the DCI may create a disincentive to engage in fragile environments, where the stability and security of the situation cannot be guaranteed.

The current DCI regulation has introduced three measures to increase the instrument's swiftness and flexibility. First, it leaves up to 5 percent of funding in each type of programme unallocated, providing a small flexibility buffer for unforeseen events. Second, in line with the EU Financial Regulation[40] and the Rules of Application[41], it allows the application of urgency procedures in certain contexts that have been declared as crisis situations to fast-track the decision-making process[42]. Third, it does not require comitology procedures for special measures of EU assistance not exceeding EUR 10 million, adding to the responsiveness of the instrument.

Such innovations bring several limitations in terms of democratic control, accountability and ownership, but are nevertheless required for the EU to provide responses that are quick and flexible, while also providing a longer-term outlook on capacity-building. They are therefore important in giving shape to the EU's resilience approach in situations of protracted crises.

3.3.3 Instrument contributing to Stability and Peace

The Instrument contributing to Stability and Peace (IcSP) is established under Regulation (EU) No 230/2014[43]. It consists of three main components. First, it contains a short-term crisis response component (as outlined in Article 3 of the IcSP regulation) that allows for quick responses to (emerging) crises in domains that are beyond the remit of humanitarian assistance (e.g. in the political or security sphere, yet

[38] Regulation (EU) No 182/2011 of the European Parliament and of the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by member states of the Commission's exercise of implementing powers.

[39] In addition, an increasing share of DCI funding is now channeled through blending (combining grants with loans) and part of the resources are also disbursed as core funding to multilateral organisations. Compared to other donors, however, EU core funding to international organisations remains very limited. In 2014, only 0.4% of total EU ODA was provided as multilateral ODA (core funding), compared to 25.7% of German ODA, 22.7% of French ODA, and an overall average among DAC members of 28.3%. (Source: OECD, *Development co-operation report 2016, The sustainable development goals as business opportunities*, Paris, OECD, July 2016).

[40] Regulation (EU, EURATOM) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, EURATOM) No 1605/2002.

[41] Commission Delegated Regulation (EU) No 1268/2012 of 29 October 2012 on the rules of application of Regulation (EU, EURATOM) No 966/2012 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union.

[42] Urgency procedures allow the Commission, in cases of crisis, disaster or specific threats, to adopt individual or special measures or ad-hoc amendments to existing programmes or measures that apply immediately, without prior submission to the relevant Committee. However, the decision has to be submitted to the Committee no later than 14 days after its adoption to obtain its opinion. In case of a negative opinion, the Commission has to immediately repeal its decision.

[43] Regulation (EU) No 230/2014 of the European Parliament and of the Council of 11 March establishing an instrument contributing to stability and peace.

excluding activities of a military nature). Second, Article 4 of the regulation foresees a longer-term component to contribute to conflict prevention and crisis preparedness. A third component is designed to address global and transregional threats to peace, international security and stability (Article 5). The regulation sets the requirement that 70 percent of total IcSP funding should go to the Crisis Response Component, 9 percent to longer-term Article 4 support, and 21 percent for Article 5 activities.

The IcSP functions according to the principles of **complementarity and subsidiarity**, meaning that it can only fund activities that cannot be funded adequately or effectively under any other EU instrument, e.g. because of the urgency of the response or because the activity is beyond the remit of other instruments.

The Crisis Response Component (Article 3) is managed by the European Commission's Service for Foreign Policy Instruments (FPI) and **designed to be quick and flexible**: Because it always operates under urgency procedures, FPI decision-making is much faster compared to that of other instruments. Moreover, funding can be provided retroactively, allowing partner organisations to kick-start their activities on the ground even before a contract is signed.

The IcSP's mandate covers a broad range of operations, extending into the political and security sphere. Such crisis response assistance can cover, among other things, support to confidence-building, mediation; support to the development of democratic state institutions; electoral assistance; disaster preparedness and response; rehabilitation and reconstruction; Disarmament, Demobilisation and Reintegration (DDR) and activities in the relation to Security Sector Reforms (SSR); counterterrorism; border management; support to refugees and internally displaced persons; and support to livelihoods and economic recovery. As per the regulation, conflict prevention should also be fully integrated in IcSP Crisis Response measures.

The IcSP's Crisis Response Component can fund Exceptional Assistance Measures (EAM) for a maximum duration of eighteen months, with the option of two no-cost extensions of up to six months. In cases of protracted crises, a second EAM of eighteen months can be adopted to bridge towards longer-term measures, leading to a maximum duration of 36 months[44]. It can also fund Interim Response Programmes (IRP) with the aim of (re-) establishing conditions for longer-term EU measures. **IRPs are particularly designed for situations such as protracted crises, where a continuation of support is required when longer-term instruments cannot yet come i**n. IRPs do not have a maximum length or a budget ceiling, but are subject to comitology procedures and therefore take longer to prepare than EAMs.

The former Instrument for Stability's Crisis Response Component[45] also foresaw a Policy Advice and Mediation Facility (PAMF), a mechanism to quickly fund small-scale and highly focused crisis response interventions of no more than EUR 2 million. Under the PAMF, an annual a priori financing decision allowed for a flexible response in different places around the world. However, the PAMF has now been discontinued due to the lack of a legal basis within the Instrument regulation.

Within the EU institutions, there are **different views on the exact role of the Crisis Response Component**. While some see the instrument as an LRRD instrument that provides flexible funding to pave the way to longer-term stability and development, others rather view it as a troubleshooting tool for swift responses to urgent political needs. Because the Crisis Response Component is not programmable, and financing decisions are based on a case-by-case assessment, after consultation of the Political and Security Committee (PSC), the instrument is flexible in responding to sudden changes or needs unforeseen in the programming of other instruments. The flip side is that the instrument in **practice risks being mostly used to respond to urgent and highly visible crisis situations that are higher on the political agenda rather**

[44] This is an innovation compared to the IfS and was introduced to avoid a gap after the end of the first EAM but when an IRP to follow up has not yet been finalised.

[45] The Instrument for Stability was the predecessor of the current IcSP and ran from 2007 to 2013.

than to lower-key protracted crises. This also raises questions as to whether political priorities at the Brussels level sufficiently reflect priorities on the ground. Moreover, several interviewees expressed their concern that using the crisis response component primarily as a troubleshooting tool risks to disregard the component's mandate to also engage in crisis prevention and peacebuilding[46].

The second component of the IcSP (Article 4) foresees **longer-term support to conflict prevention, peacebuilding and crisis preparedness**. The component, which is also managed by FPI, foresees capacity-building support in terms of 'promoting early warning and sensitive risks analysis', 'facilitating and building capacities in confidence building', 'mediation', 'dialogue and reconciliation', 'strengthening capacity for participation and deployment in civilian stabilization missions', 'improving post-conflict recovery as well as post-disaster recovery', and 'curbing the use of natural resources to finance conflicts'[47]. The added value of Article 4 measures is that they provide longer-term outlooks compared to Article 3, and in practice have a dedicated focus on civil society, offering a key ingredient to building resilience at the community level in fragile environments.

Finally, **Article 5 of the regulation covers assistance in addressing global and transregional (emerging) threats,** including threats to law and order, to the security and safety of individuals, to critical infrastructure and to public health. Article 5 support is managed by DG DEVCO. Both Article 4 and 5 function according to the principles of partnership, coordination and harmonisation, and are programmed on a multiannual basis to ensure continuity in support.

The IcSP is widely valued among EU officials and implementing partners for being able to respond to urgent crises and fill a funding gap in post-relief contexts where conditions are not stable enough for longer-term instruments to come in, or where normal cooperation activities are suspended (e.g. under Article 96 of the Cotonou Agreement). It therefore is an essential instrument in linking short-term relief responses to longer-term development engagement throughout the crisis cycle. That said, one should be realistic in terms of what the IcSP can contribute to its mandate of 'reestablishing normal conditions for development'. The IcSP has a total budget of EUR 2.3 billion (compared to e.g., EUR 19.6 billion for the DCI), making it a relatively small instrument that does not reflect the level of ambition expressed in its mandate.

While the 'troubleshooting' potential of the IcSP has its merits, and is an important addition to the EU's instrument portfolio, other features, such as IRPs or Article 4 measures could be exploited better in situations of protracted crisis if they would more strongly integrate a conflict prevention and resilience approach. But, given that the IcSP is designed as a lean and flexible instrument**, it cannot fully make up for the need to better equip longer-term development instruments with better incentives to foster risk-taking and engagement in post-crisis situations.**

3.3.4 European Neighbourhood Instrument

The European Neighbourhood Instrument (ENI) is one of the main tools to implement the European Neighbourhood Policy (ENP). The ENP was launched in 2004 to help foster stability, security and prosperity in the countries surrounding the Union. While the policy was at that time conceived as an expression of optimism in relation to the 'reunification of Europe' (following the 2004 accessions), today the region is marked by violent conflict (e.g. Syria or Ukraine), political instability (e.g. Tunisia) and state collapse (e.g. Libya), in addition to widespread economic and social challenges both to the East and the South. A recent

[46] Interview with EU official, 7 April 2016; Interview with EU official, 26 May 2016.

[47] Regulation (EU) No 230/2014 of the European Parliament and of the Council of 11 March 2014 establishing an instrument contributing to stability and peace (OJ L 77/1, 15.03.2014).

review of the ENP, presented in 2015[48], has therefore put security at the centre of the policy, calling for instruments to be adapted accordingly.

The ENI is established under Regulation (EU) No 232/2014[49], and managed by the European Commission's Directorate-General for European Neighbourhood Policy and Enlargement Negotiations (DG NEAR). **It primarily aims to advance towards an area of shared prosperity and good neighbourliness** in the European Neighbourhood by developing 'a special relationship founded on cooperation, peace and security, mutual accountability and a shared commitment to the universal values of democracy, the rule of law and respect for human rights in accordance with the TEU.'[50] Its specific objectives include 'promoting confidence-building, good neighbourly relations and other measures contributing to security in all its forms and the prevention and settlements of conflicts, including protracted conflicts.'[51] Consequently, **the ENI has an explicit mandate to operate on the security-development nexus in the region.** However, while the ENI regulation does not set any instrument-specific ODA eligibility requirements, the instrument remains bound by the political requirement that 90 percent of all EU external assistance under the current MFF 2014-2020 should be ODA-eligible[52].

Programming is based on collaboration and dialogue with partner countries. While this helps to guarantee country ownership, it also limits the extent to which the instrument can be used for more political action, especially in countries affected by conflict or where a legitimate government is absent, as is the case in several countries in the Neighbourhood. Programming under the ENI is done only for the first years of the MFF's time perspective to allow for the tailoring of EU support of evolving situations in each country. Moreover, timeframes of programming documents may differ from one country to another, depending on the situation on the ground. **This distinctive approach adds to the programmatic flexibility of the instrument and reflects the wide diversity of countries in the Neighbourhood**, several of which are fragile or conflict-affected and display very different types of protracted crises (e.g. the frozen conflicts in Abkhazia and Nagorno-Karabakh versus the refugee situation in Lebanon). Like the DCI, the ENI can also apply urgency procedures for quicker decision making or reprogramming in certain crisis or emergency contexts. Reprogramming has, for instance, been applied in Ukraine following the recent outbreak of violence[53].

Another advantage of the ENI is its **regional scope**, allowing the instrument to address the cross-border and regional dimensions of crises. The regulation fixes a maximum of 80 percent of total funding for bilateral programmes, whereas up to 35 percent may be used for multi-country programmes. Cross-border cooperation can take up a maximum of 5 percent of total funding. This approach preserves a degree of flexibility in funding allocations.

The ENP 2015 review[54] proposed a further increase in the flexibility of the instrument through **'flexibility cushions'**: A portion of 10 percent of resources is to be set aside for urgent programming for unforeseen needs, especially in relation to conflict and post-conflict needs, refugee support, crisis and disaster

[48] JOIN(2015) 50 final Joint Communication to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - Review of the European Neighbourhood Policy - Brussels. 18.11.2015.

[49] Regulation (EU) No 232/2014 of the European Parliament and of the Council of 11 March 2014 establishing a European Neighbourhood Instrument.

[50] Regulation (EU) No 232/2014, Article 1.

[51] Regulation (EU) No 232/2014, Article 2.

[52] EUCO 37/13, European Council conclusions, 7/8 February 2013.

[53] Interview with EU officials, 17 March 2016.

[54] European Commission & High Representative of the Union for Foreign Affairs and Security Policy, JOIN(2015) 50 Joint communication to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Review of the European Neighbourhood Policy, Brussels, 18.11.2015.

response, and security and stabilisation. The proposed 10 percent would increase the share of unprogrammed contingency funding under the ENI at a higher level than is currently the case under the DCI, adding to the flexibility of the instrument. This measure, however, will need to be legally anchored in the instrument's regulation.

3.3.5 European Instrument for Democracy and Human Rights

The European Instrument for Democracy and Human Rights (EIDHR) is established under Regulation (EU) No 253/2014[55] and managed by DG DEVCO. Its aims are to support, develop and consolidate democracy in third countries, and enhance respect for human rights and fundamental freedoms. The EIDHR adds value by providing assistance around the globe, independently from the consent of the authorities of the third country involved. As such, the instrument offers a last resort in difficult situations for flexibly shifting from direct engagement with the government to supporting other actors that can be drivers for change in politically sensitive circumstances. This includes support to civil society and human rights defenders in situations where these are under pressure. The instrument has a specific focus on civil society organisations (at local, national, regional and international level)[56] and mostly works via calls for proposals, leading to long project selection and contracting procedures. Under some conditions, small grants not exceeding EUR 1 million can be directly awarded, covering a period of 18 months (possibly extended by a further 12 months)[57].

While the EIDHR is generally not perceived as a central instrument for addressing protracted crises[58], the themes of democracy and human rights could be connected to the purpose of building peace, good governance and sustainable development[59]. Moreover, the EIDHR regulation pays specific attention to countries in transition, which are often fragile or post-conflict situations. In this regard, the EIDHR is conceived as complementary to the more crisis-related actions funded under the IcSP by providing longer-term funding for certain (politically sensitive) governance- and human rights-related interventions in more stable conditions. However, the financial envelope of the EIDHR is very limited, and its ambition and potential should not be overstated. Its focus on civil society organisations could nevertheless be further explored from a community resilience-building perspective, provided that additional resources are made available.

3.3.6 Instrument for Pre-Accession Assistance II

The Instrument for Pre-Accession Assistance (IPA II), as established under Regulation (EU) No 231/2014[60], and managed by DG NEAR, provides support to (potential) candidate Member States in adopting the EU acquis in terms of political, institutional, legal, administrative, social and economic reforms to comply with the EU's values, rules, standards, policies and practices. Multi-annual action programmes under the IPA II

[55] Council Regulation (EU) No 235/2014 of the European Parliament and of the Council of 11 March 2014 establishing a financing instrument for democracy and human rights worldwide.

[56] In addition, the EIDHR can also fund public-sector non profit agencies, institutions and organisations and networks at all levels, parliamentary bodies, international and regional intergovernmental organisations, and natural persons - see Regulation (EU) No 236/2014.

[57] Regulation (EU) No 236/2014 of the European Parliament and of the Council of 11 March 2014 laying down common rules and procedures for the implementation of the Union's instruments for financing external action.

[58] Interview with Commission officials, 9 March 2016.

[59] A. Dobreva. *Briefing: European Instrument for Democracy and Human Rights*, Brussels, European Parliament, 2015.

[60] Regulation (EU) No 231/2014 of the European Parliament and of the Council of 11 March 2014 establishing an Instrument for Pre-accession Assistance (IPA II).

are adopted for a period of up to seven years, giving the instrument a particularly long-term outlook, with less flexibility built in (although special measures are possible)[61].

Several countries eligible under the IPA II are still facing the consequences of a conflict-ridden history (e.g. Bosnia and Herzegovina) or are facing the effects of protracted crises in neighbouring countries (e.g. Turkey). The main goals of the instrument are contributing to stability, security and prosperity in these countries. Its specific objectives include the promotion of reconciliation, peacebuilding and confidence-building measures. Arguably**, the reforms promoted through the IPA II would help countries become more resilient and less crisis-prone on the long-term**. It has also more recently become **an important tool for addressing the consequences of the refugee and migration flows that go through IPA-eligible countries** as a result from crises in the vicinity of Europe, by providing assistance for border management, the implementation of migration policy, and the promotion of social and economic inclusion of refugees and IDPs[62].

Important features of the IPA II are that up to four percent of its financial envelope is earmarked for **cross-border cooperation**, whereas the regulation also allows for **cross-instrument cooperation**, allowing in certain circumstances the extension of eligibility to new countries or the implementation of measures of a global, regional or cross-border nature.

3.3.7 Outside the EU budget: 11th European Development Fund

Provisions to address protracted crisis

The 11th European Development Fund (EDF) is set up in the context of the Cotonou Partnership Agreement and is the principal instrument for financing EU development activities with African, Caribbean and Pacific (ACP) countries. The EDF is implemented by DG DEVCO outside the EU budget, with limited involvement of the European Parliament. Still, given its important role in the overall EU engagement in fragile and crisis-affected environments, it merits discussion in this paper.

Like the DCI, the primary objective of the EDF is the reduction and, in the long term, eradication of poverty. As a long-term development instrument, the EDF functions according to the principles of ownership, alignment and harmonisation. **Programming is subject to long consultation and approval procedures**, in dialogue with the partner country or region, and aligned with their development strategies. Similar to the other instruments, financing decisions for the EDF require comitology procedures.

Like the DCI, some innovative elements aim to better equip the EDF for (post-) crisis, situations. First, the 11th EDF regulation provides a **legal basis for including conflict prevention and resolution, statebuilding and peacebuilding, and post-conflict reconciliation and reconstruction in the programming[63].** This allows the use of long-term EDF funding to address the specific needs and vulnerabilities associated with (post-) crisis or fragile situations. The EDF regulation also contains a commitment to ensuring that EDF-funded activities fulfil 'to the greatest extent possible' ODA criteria, without setting a dedicated percentage. This creates some flexibility to extend to security activities that lie beyond ODA definitions. The EDF is, however, bound by the overall EU aim of ensuring that at least 90 percent of EU external assistance should be counted as ODA[64].

[61] Regulation (EU) No 236/2014.

[62] For instance, in October 2015, the European Commission adopted a special measure of EUR 10 million to strengthen the response capacities of countries in the Western Balkans (viz. Albania, Bosnia and Herzegovina, the FYROM, Kosovo, Montenegro, and Serbia) to cope with the increased migration flows. See European Commission. C(2015)6925 final.

[63] Council regulation (EU) 2015/322 of 2 March 2015 on the implementation of the 11th European Development Fund, Article 6.

[64] EUCO 37/13, European Council conclusions, 7/8 February 2013.

Second, **urgency procedures** can be used for quicker adoption of measures in crisis situations, or for quick reprogramming to ensure coordination between humanitarian and development instruments in crisis or emergency contexts[65].

Third, a **reserve for unforeseen needs** allows the Commission to adopt, under exceptional circumstances, special measures not foreseen in the indicative programming for easing the transition from emergency aid to long-term development, or build resilience to crises[66]. ECHO can access 25 percent of the EDF Reserve to finance post-emergency actions and to phase out emergency aid for a period up to 36 months in order to phase out humanitarian aid[67]. As such, the EDF allows more flexible reallocations than the DCI does.

African Peace Facility

A share of the funding of the EDF's intra-ACP indicative Envelope[68] is earmarked for the **African Peace Facility** (APF), extending the Fund's thematic scope from the traditional development sphere into the peace and security domain. Responding to a request from the African Union (AU) Summit, **the APF was established in 2004 to foster peace, stability and security in Africa, providing the basis for long-term sustainable development**.[69] The APF is built around three pillars: 1) contributions to AU- or REC-led Peace Support Operations (PSOs, e.g. the AU-led AMISOM mission in Somalia), 2) capacity-building support to the AU and the African Peace and Security Architecture (APSA), and 3) an Early Response Mechanism (ERM) to support conflict prevention and mediation efforts of the AU.

The APF functions according to its own procedures[70]. Multiannual action programmes are prepared by the Commission based upon a request from the AU, a Regional Economic Community (REC) or Regional Mechanism (RM), thus embodying the principles of African ownership and solidarity. As such, the APF enables African-led responses to crises on the continent where this might otherwise not be possible due to constraints in African resources[71]. The ERM can be mobilised upon AU or REC/RM request, with no Commission decision needed. It is therefore considered to be very quick and flexible.

While the regulation states that the APF should pay attention to activities recognised as ODA[72], no specific ODA eligibility requirement is set, providing more flexibility in terms of funding of peace and security activities. The APF can therefore support African PSOs in terms of transport costs, for example. However, it cannot cover military operations or arms expenditures[73]. The APF's Multi-Annual Action Programme 2014-2016, further excludes the financing of ammunition, arms and specific military equipment, spare parts, and training for soldiers, further narrowing down its scope[74].

[65] Council regulation (EU) 2015/322.
[66] Council regulation (EU) 2015/322, Article 9.
[67] V. Ramet, *Linking relief, rehabilitation and development: towards more effective aid,* Policy briefing, Brussels, European Parliament, July 2012.
[68] The Intra-ACP envelope is a budget line under the EDF that is co-managed by the European Commission and the ACP Secretariat, and finances thematic actions for challenges common to many or all of the ACP countries, as well as investments in multilateral funds.
[69] C(2014) 4907 final Commission decision of 15.7.2014 on the 2014-2016 action programme of the African Peace Facility to be financed from the European Development Fund Bridging Facility and the 11th European Development Fund + annex.
[70] Council regulation (EU) 2015/322, Article 15.
[71] ADE, as partner of a consortium led by IBF International Consulting, *African Peace Facility Evaluation - Part 2: Review the Overall Implementation of the APF as an Instrument for African Efforts of Manage Conflicts on the Continent*, Letter of Contract N° 2012/300303, Final Report. 2013, p.9.
[72] Council regulation (EU) 2015/322.
[73] ADE, *African Peace Facility Evaluation – Part 2.*
[74] Council 8269/14, 'Three-year action programme for the African Peace Facility 2014-2016', 28.03.2014.

To date, the vast majority of APF funding (some 90 percent) has been used for PSO support, most of which is used for AMISOM troop stipends. Recently, the EU PSC has requested to better balance funding towards increased support to APSA structures and capacity building, in line with the APF's mandate, and to incentivise more African financial ownership over African-led PSOs. The shift in funding also reflects concerns from several stakeholders over the use of EDF for security operations, calling for a stronger integration of longer-term development objectives as well[75].

3.3.8 EU Trust Funds as a pooling mechanism

Since the adoption of the 2013 Financial Regulation[76], the European Commission can create and manage its own **EU Trust Funds (EUTF) in order to address crisis or post-crisis situations or serve thematic priorities.** Not instruments in their own right, EU Trust Funds are implementing tools that pool resources from various EU instruments, as well as other resources, including member states contributions, to allow for risk-sharing and coordination.

EUTFs **target a more flexible and comprehensive joint EU support** through a faster decision-making process in the selection of measures and increased coordination with other EU donors, while also enhancing the EU's visibility and global weight, and leveraging funds from EU Member States and other donors[77]. EUTFs should further add value to existing EU interventions, and should avoid the duplication of other donors' funds.

The EU has so far set up three EUTFs: First, the **Bêkou Trust Fund**[78] was established in 2014 by the European Commission and France to promote an LRRD approach in EU crisis response in the CAR. The Fund aims to strengthen existing efforts in an aid orphan country by leveraging additional donor support, while avoiding overburdening local capacities through a joint organisation of resources, expertise and implementation capacity. The Fund currently pools together around EUR 113 million. These include contributions of EUR 50 million from the EDF, EUR 22 million from the DCI thematic programmes, EUR 3 million in humanitarian aid[79], and contributions from France, Germany, the Netherlands, Italy and Switzerland[80]. This funding comes in addition to ongoing humanitarian assistance provided by the European Commission outside the Trust Fund.

Second, the **EU Regional Trust Fund for Syria** (or **Madad Fund**) was established in December 2014 to provide a coherent, comprehensive and joint regional response to the Syrian crisis with the aim of achieving a combined amount of EUR 1 billion. Linking with the EU's regional strategy for Syria and Iraq, the Madad Fund focuses on stabilisation, resilience and recovery needs of refugees from Syria in neighbouring countries, and their host communities and administrations[81]. On 11 February 2016, the Madad Fund pooled a total of EUR 708.53 million, including EUR 300 million from the ENI and EUR 200

[75] See M. Deneckere, & A. Knoll, *The future of EU support to peace and security in Africa- What implications for the African Peace Facility beyond 2020?* Policy Seminar Report, Maastricht, ECDPM, 2016.

[76] Regulation (EU, EURATOM) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002; Commission delegated regulation (EU) No 1268/2012 of 29 October 2012 on the rules of application of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union.

[77] V. Hauck, A. Knoll, A. Herrero Cangas, *EU Trust Funds – Shaping more comprehensive external action?* Briefing Note 81, Maastricht, ECDPM, 2015.

[78] https://ec.europa.eu/europeaid/trust-fund-bêkou_en

[79] http://ec.europa.eu/echo/files/aid/countries/factsheets/car_en.pdf

[80] N. Mimica, *€ 380 million committed today by the international community for Central African Republic in 2015*, 26 May 2015, https://ec.europa.eu/commission/2014-2019/mimica/blog/Bêkou-central-african-republic_en.

[81] V. Hauck, A. Knoll, A. Herrero Cangas, *EU Trust Funds.*

million from the IPA, complemented by contributions from 22 Member States, and Turkish co-financing for the IPA package of EUR 24.65 million[82].

Finally, the **Emergency Trust Fund for Africa** was launched during the Valletta Summit on Migration held in November 2015 with the aim of tackling the '*causes of destabilisation, forced displacement and irregular migration [...] by promoting resilience, economic and equal opportunities, security and development and addressing human rights abuses*'[83]. It covers four types of activities: 1) programmes creating employment opportunities, 2) activities strengthening resilience by supporting basic services for local population, 3) improving migration management, and 4) programmes to support improvement of overall governance, in particular by promoting conflict prevention and enforcing the rule of law. Geographically, the Trust Fund covers three regions: the Horn of Africa, the Sahel and Lake Chad, and Northern Africa[84]. Funding has been primarily provided by the European Commission (a total of EUR 1.8 billion), drawing on unused funds from the 11th EDF Regional and National Indicative Programmes, the EDF reserve, and additional funds from the ENI, IcSP, DCI, as well as DG HOME and ECHO budgets[85]. While the Commission has repeatedly encouraged EU Member States to match the EUR 1.8 billion provided by the Commission,[86] Member States have been slow to sign up[87].

EUTFs have their own governance and management mechanisms: Trust Funds are managed outside the EU budget or EDF. All EUTFs are governed at two levels. First, there is a Trust Fund Board, chaired by the European Commission, which brings together contributing donors with voting rights (who contribute a minimum amount, currently fixed at EUR 3 million), the EEAS, and observers, including non-contributing EU Member States and relevant stakeholders such as beneficiaries (although no regional African or Arab organisations are represented). The Board decides on the Trust Fund's strategy. Second, the Operational Committee examines, approves and supervises implementation of actions financed by the EUTF. It is chaired by the Commission and includes representatives of each donor and the EEAS. Day-to-day management of an EUTF is done by a designated Commission official who acts as secretariat[88]. The consequences of this governance and management structure allows for **quick decision-making**, as no Commission Financing Decision is required, although an agreement is still needed between the Commission and the contributing member states in the Board.

Even though EUTFs significantly draw on EU instruments, normal comitology procedures do not apply, limiting the voice of member states in the use of EU resources if they do not directly contribute to the EUTF

[82] European Commission, *EU Regional Trust Fund in Response to the Syrian Crisis, the 'Madad Fund': state of play and outlook 2016*, 12 September 2016, http://ec.europa.eu/enlargement/neighbourhood/pdf/key-documents/syria/20160217-information-note.pdf

[83] European Commission/European Union, *Agreement establishing the European Union Emergency Trust Fund for Stability and addressing root causes of irregular migration and displaced persons, and its internal rules ('Constitute Agreement')*, Brussels, European Commission, 20 October 2015, p6.

[84] European Commission. Information session; European Union Emergency Trust for stability and addressing root causes of irregular migration and displaced persons in Africa. Brussels: 17 February 2016.

[85] V. Hauck, A. Knoll, A. Herrero Cangas, *EU Trust Funds*.

[86] e.g. D. Tusk, X. Bettel, and J-C Juncker, Letter to the Heads of State and Government of the European Union, Brussels, European Commission, European Council and Presidency of the Council, 30 October 2015, http://statewatch.org/news/2015/nov/eu-refugees-letter-Tusk-Bettel-Juncker.pdf.

[87] In addition to the EUR 1.8 billion provided from the EU budget and the EDF, contributions from member states and other donors amounted to EUR 81.8 million on 6 June 2016 http://ec.europa.eu/europeaid/sites/devco/files/pledged-contributionseutf-06062016_en.pdf

[88] In practice, this is DG DEVCO for the Bêkou Fund and the Horn of Africa and Sahel windows of the Africa Trust Fund, and DG NEAR for the Madad Fund and the Northern Africa window of the Africa Trust Fund.

themselves[89]. A potential consequence is that spending objectives move away from EU goals to the national interests of single member states. Moreover, the **EUTFs have been created without democratic debate in the European Parliament.** Parliamentary consent to the constitutive agreement of EUTFs is not required, and, unlike EU external action instruments, there is no obligation to present action documents adopted under the Trust Funds to the Parliament (although the Commission has in some cases presented the documents to the European Parliament on its own initiative)[90]. As den Hertog argues, the European Parliament could nevertheless exploit other tools for (ex post) democratic scrutiny, including the discharge procedure for the existing, contributing EU funds to EUTFs[91].

Finally, **EUTFs face some operational and political challenges, especially in relation to ownership**. For instance, the transitional government from CAR was involved in the creation of the Bêkou Fund from the beginning, and while it has no voting rights, any major decision requires close consultation with the government. However, for the Madad Fund, which has a regional orientation, country representatives are not present in the Board, nor does the fund have any formal mechanisms to exchange with the governments of the region about programming and spending. Governments have therefore expressed concerns that long-term development processes will be affected by a focus on short-term interventions. Similar questions were raised relating to the compatibility of the African Emergency Trust Fund and the co-management spirit of the Cotonou Agreement. Where local stakeholders are not part of the decision-making, political pressures may create the wrong incentives for orienting programming more to the EU's political priorities rather than to local realities[92].

3.4 EU instruments: implementation practices and gaps

This section focuses on five major issues that emerged from both the literature review and the interviews: 1) the responsiveness and flexibility of the EU response, 2) complementarity of instruments, 3) coherence and coordination, 4) institutional capacities and human resources, and 5) funding for capacity-building in support of security and development.

3.4.1 Focus on responsiveness and flexibility of EU instruments

The EU institutional setup and instrumental configuration reflect the traditional divide between humanitarian aid and development cooperation, which operate according to different principles and mandates, as outlined in Section 3.2. This divide translates into different procedures and operational modalities. While EU Humanitarian Aid is designed to be quick and flexible, the DEVCO and NEAR instruments are focused on ownership, consultation and participation, and long-term engagement.

While both the humanitarian and development communities have taken steps towards a greater flexibilisation and responsiveness, some stakeholders still view the entire EU system as too slow to respond to sudden emergencies.[93] Implementing partners have pointed out that the responsiveness of ECHO is hampered by excessive bureaucracy and regulations, which are seen as considerable more cumbersome

[89] Comitology rules apply for the creation and extension of EU Trust Funds, as well as their liquidation through EU budget resources. Financing decisions taken under the Trust Funds are taken in accordance with the Trust Funds' own decision-making rules. See A. D'Alfonso & B. Immenkamp, *EU Trust Funds for external action. First uses of a new tool*, Brussels, European Parliament, November 2015.

[90] Interview with EU officials, 17 March 2016.

[91] L. den Hertog, *EU Budgetary responses to the 'Refugee crisis'. Reconfiguring the funding landscape*. CEPS Papers in Liberty and Security in Europe, Brussels, CEPS, May 2016.

[92] V. Hauck, A. Knoll, A. Herrero Cangas, *EU Trust Funds*.

[93] Interview with NGO representatives, 20 April 2016.

compared to other donors, including several EU member states[94]. In line with agreements included in the Grand Bargain on humanitarian financing[95] (concluded during the World Humanitarian Summit), ECHO will have to simplify its bureaucratic procedures.

Given their long programming and contracting procedures96, the instruments managed by DGs DEVCO and NEAR are useful insofar as they can anticipate crises in the programming and provide long-term perspectives for prevention, preparedness and resilience-building. But what makes protracted crises challenging is precisely their volatility. While there may not be immediate urgency at one specific point, situations can worsen quickly, creating challenges that were not foreseen in the programming. Current instrument regulations allow for re-programming in situations of crisis, but in accordance with aid effectiveness principles of ownership and alignment, such procedures take quite some time, and therefore do not allow for rapid responses. Moreover, reallocations of monies undermine commitments to sustainable and predictable aid.

Development instruments are also hampered by risk aversion. Their programmed nature and long-term engagement perspectives, as well as the increased focus on results, provide disincentives to invest resources in fragile or unstable environments where the continuity of activities cannot be guaranteed, or needs and contextual factors may change rapidly. The system entrenches this behaviour because if funds are not implemented, the budget is in a way 'wasted'. While urgency procedures can fast-track decision-making in crisis situations, their application can create a sense of discomfort among DEVCO staff, as they go against the principles of transparency and accountability[97].

Both the IcSP and the EUTFs are tools that add to the responsiveness and flexibility of overall EU external assistance. The IcSP's Crisis Response Component is widely valued because of its responsiveness and flexibility, and is sometimes said to be even quicker than ECHO funding[98]. Similarly, EUTFs allow for a flexibilisation of long-term instruments in response to crisis and emergencies that was not possible before (partly because there is less influence from programming and because of different governance structures). But while the IcSP and EUTFs are more efficient in allocating resources, Commission officials have noted that they are not necessarily quicker in signing contracts[99].

Moreover, direct management and quick decision-making procedures under the EUTFs allow for swift and flexible responses, but these responses do not necessarily translate into bigger impact. Given the limited involvement of partner country stakeholders in the decision-making process of EUTFs, European political pressures to commit and disburse funds quickly may create the wrong incentives and lead to programming choices that respond more to EU and member state political priorities than to local realities[100].

In a report on the EU Trust Fund for Africa, the European Parliament has also criticised the diversion of EU budget appropriations under existing instruments to the EUTF, arguing that these undermine the success

[94] Interview with NGO representatives, 20 April 2016.

[95] *The Grand Bargain – A shared commitment to better serve people in need*, Istanbul, 23 May 2016. http://reliefweb.int/sites/reliefweb.int/files/resources/Grand_Bargain_final_22_May_FINAL-2.pdf

[96] For instance, the average timeframe between funding allocation and the signing of a contract for a special measure under the ENI was said to be 1 year as a result of procedures foreseen in the EU Financial Regulation (interview with EU officials, 17 March 2016).

[97] Interviews with EU officials, 7 March 2016 and 7 April 2016.

[98] While Commission officials tend to argue that it takes 3 to 4 months to adopt a financing decision under the IcSP Crisis Response Component, this is according to others rather optimistic, and it is in reality closer to 6 months. Regardless, this is still significantly quicker than other EU instruments. Interviews with EU officials, 3 March 2016, 11 March 2016 and 26 May 2016; interview with NGO representatives, 13 May 2016.

[99] Interview with EU officials, 17 March 2016.

[100] V. Hauck, A. Knoll, A. Herrero Cangas, *EU Trust Funds.*

of long-term policies. Members of the European Parliament have instead called for fresh appropriations for the Trust Fund[101]. In its October 2015 reading of the 2016 EU budget, the European Parliament also noted that the establishment of EUTFs are a reflection of undersized funding and a lack of flexibility under the existing instruments to deal with crisis situations, It '*stresse[d] that a more holistic solution needs to be found in the MFF review/revision on how to make support from the Union budget for humanitarian assistance and development more effective and more readily available*'[102].

3.4.2 Complementarity throughout the crisis cycle: need for better follow-up

Efforts have been made to counter the traditional humanitarian-development gap also from a thematic point of view. The mandate of EU humanitarian aid now goes beyond the traditional focus on 'saving lives' in urgent crises to also include resilience- and DRR-related activities. The 2016 EU Global Strategy also establishes the need to address all stages of conflict. While this evolution is a step towards more holistic and preventive approaches to crisis, it has also faced criticism from parts of the humanitarian community, who warn of shifts in funding at the expense of traditional relief in emergencies[103].

Moreover, ECHO's practice of annual assessments planning limits the extent to which it can incorporate mid-term objectives into its planning perspectives and ensure more predictable engagement in situations of protracted crises. In line with the recommendations of the High-Level Panel on humanitarian financing[104] **ECHO should therefore commit to more predictable funding,** including by increasing the use of long-term planning and programming where appropriate.

At the same time, EU humanitarian aid by itself has a limited people-centred mandate, and is not capable of providing direct funding to local authorities or NGOs of third countries, which are often key in providing responses to emergencies and building resilience at the community level. In light of this, **the IcSP complements EU Humanitarian Aid in several ways**, both in terms of the activities and actors that it can fund. A good practice example where the IcSP and ECHO funding (as well as member state activities) were used in a complementary and coherent way is the support for cross-border operations in Syria from Turkey. Funded activities covered multiple humanitarian and non-humanitarian activities in hard-to-reach areas in Syria. Because support to some cross-border initiatives was considered insufficiently neutral for humanitarian aid, the IcSP came in to engage in stability measures. A joint office was established in Gaziantep (Turkey), allowing coordination among EU bodies and with third parties such as the UN[105]. The IcSP also complemented ECHO funding for demining in Kobani (Syria) to establish humanitarian access[106]. As such, the IcSP both covers sectors that cannot be funded by ECHO, and has proven its usefulness (in this case) in paving the way for humanitarians to come in.

The value of the IcSP also lies in the fact that it combines quick response with a medium-term outlook and a focus on prevention. As such, **it fills a funding gap in post-relief contexts where conditions are not stable enough for longer-term instruments to come in.** An example of the preventive approach of the instrument is the IcSP Article 5 support to the Global Community Engagement and Resilience Fund, which fits in the EU's approach to fighting violent extremism and counter-terrorism by engaging with local

[101] European Parliament resolution of 13 September 2016 on the EU Trust Fund for Africa: the implications for development and humanitarian aid (2015/2341(INI))

[102] European Parliament. European Parliament resolution of 28 October 2015 on the Council position on the draft general budget of the European Union for the financial year 2016 (11706/2015 – C8- 0274/2015 – 2015/2132(BUD)).

[103] Interview with NGO representatives, 20 April 2016.

[104] High-Level Panel on Humanitarian Financing Report to the United Nations Secretary-General, *Too important to fail—addressing the humanitarian financing gap,* January 2016.

[105] Interview with EU officials, 9 March 2016.

[106] Interview with EU official, 23 March 2016.

communities at the grassroots level. This helps build the resilience of communities, especially young people, against radical and terrorist organisations[107].

Despite the IcSP's explicit LRRD function, a 2014 evaluation of the IcSP Crisis Preparedness Component noted that follow-up by or coherence with longer-term development funding was not always achieved, partly because follow-up remains beyond FPI's control. The evaluators therefore encouraged **EU Delegations (EUD) to draw better linkages to IcSP activities in their strategic planning routine to ensure the coherence and sustainability of EU external action**[108]. This would require the reinforcement of the crisis response and peacebuilding expertise available at EUD level.

All long-term instruments now have peacebuilding and conflict prevention in their mandates (e.g. DCI Article 12, EDF Article 6). However, **whether this effectively results in more funding for peacebuilding and conflict prevention remains a matter of institutional commitment, political will and legitimate incentives.** Representatives from the peacebuilding community noted a tendency from DEVCO staff to downplay its peacebuilding and conflict prevention mandate, arguing that it is already covered by the IcSP. Nevertheless, there are good practices, such as the 'Pro-Resilience Action' (PRO-ACT), which focuses on building resilience through crisis prevention and post-crisis response in situations of (protracted) crisis such as South Sudan or Lebanon. Being funded under DCI, the programme allowed for a longer-term engagement than the IcSP would have. Yet despite such promising examples, they remain too much of an exception. DEVCO and NEAR staff should therefore be better incentivised to make peacebuilding, conflict prevention and resilience in practice more prominent under long-term instrument support in situations of protracted crisis[109].

Protracted crises are often associated with long-term displacement, which is a very important issue for the EU in the light of the current migration and refugee crisis. However, the problem is still too often regarded as a purely humanitarian one, rather than the result of given vulnerabilities that require a more systematic and sustained engagement. The recent European Commission communication on forced displacement[110] has marked an important step in promoting a focus on addressing root causes. This will require **different mindsets and incentives for working with and through local authorities and host countries to strengthen their capacities.** It also requires longer-term planning outlooks and more predictable funding than is currently provided by EU humanitarian aid. Forced displacement should therefore be better integrated in development programming, combined with political dialogue to give incentives to host governments to provide assistance to refugees and include their needs in national development plans, e.g. by opening local employment markets to refugees[111].

The Regional Development and Protection Programme for Syrian Refugees is a good example of a development-led approach that aims to mitigate the negative impact of refugees in host countries, while enhancing the economic contribution and empowerment of displaced people as economic and self-reliant actors. This three-year initiative is managed by Denmark and receives the bulk of its funding under the EU budget, with contributions from six other donors. The programme aims to provide support in Lebanon, Jordan and Iraq to better understand, plan, mitigate and maximise the effects of the displacement of Syrian

[107] Interview with EU officials, 9 March 2016.
[108] Italtrend C&T, Socaba and EPRD, *Evaluation of the Instrument for Stability Crisis Preparedness Component (2007-2013) final report*, Brussels:,European Commission, March 2014.
[109] Interview with NGO representative, 15 April 2016.
[110] European Commission COM(2016) 234 final. Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, *Living in dignity: from Aid-dependence to self-reliance*, Brussels, European Commission, 26 April 2016.
[111] Interview with EU officials, 9 March 2016.

refugees into these neighbouring countries. It also aims at cooperating with national and international actors to provide protection to refugees and provide opportunities for socio-economic development for them. As such, the programme is a good illustration on how EU actors (including member states) can work together to complement the humanitarian approach with development-led strategies.[112] Such programmes need to be scaled up in the way the EU addresses refugee crises in third countries, e.g. through joint objectives and operational guidance for DEVCO, ECHO and HOME, in coordination with the EEAS[113].

3.4.3 Coherence among EU actors has improved, but needs to become better

Compared to other donors, who usually have 'catch-all' instruments at their disposal, the EU has a wide array of specialised instruments available, each with its own objectives, niches and constituencies. While there is value in this diversity, it also brings obstacles to coherence[114]. Good coordination at all levels and stages (priority setting, identification, financing decisions, both at headquarters and field level) is therefore essential to avoid duplication and gaps and ensure coherent responses.

Lack of a common understanding and joint strategies between different (humanitarian, development, security) communities has often inhibited more joint-up engagement, making the case for better coordination and information-sharing. At the same time, it is important that flexibility of response is not washed away by bureaucratic measures aimed at procedural streamlining and packaging. This subsection assesses EU coherence by looking at 1) political and operational coordination mechanisms, 2) strategic guidance, and 3) tools for conflict sensitivity.

Coordination platforms

Within the EU system, formal coordination mechanisms have been created to allow for more joined-up engagements in crisis situations. The most notable is the EEAS Crisis Response System, which allows the EEAS Secretary-General or the Deputy Secretary General for the Common Foreign and Security Policy and Crisis Response to activate Crisis Platforms. These bring together relevant EU bodies to coordinate on political and strategic matters related to a given crisis (e.g. the Syria crisis). Stakeholders view these **crisis platforms as useful mechanisms for coordination and information exchange.** Other coordination mechanisms exist as well. DG ECHO, for instance, manages the Emergency Response Coordination Centre, which serves as an operational coordination hub of the EU civil protection mechanism.

At the operational level, interservice consultations at desk level are a key tool for coordinating funding under different instruments across EU institutions and prevent overlap. Interservice consultations are, in principle, required for every financing decision taken, and need approval by the College of Commissioners. Especially for the IcSP, the consultation process is essential: its complementary status and limited available funding provide a major incentive for consulting other Commission DGs in order to avoid overlaps[115].

Interviews have also pointed out that the current financial rules do not allow **joint implementation between EU instruments,** which is seen as an important constraint towards a more coherent mobilisation of EU resources[116]. **The EU Trust Funds are therefore widely seen by EU staff as useful tools to address**

[112] RDDP (Regional Development and Protection Programme for Refugees and Host Communities in Lebanon, Jordan and Iraq) https://eeas.europa.eu/topics/nuclear-safety/7895/rddp-regional-development-and-protection-programme-for-refugees-and-host-communities-in-lebanon-jordan-and-iraq-_en.

[113] ECRE, international Rescue Committee and Danish Refugee Council, *Finding solutions to protracted displacement: The EU's role and ways forward. Discussion Paper*, Brussels, ECRE, October 2014.

[114] Interview with EU officials, 3 March 2016.

[115] Interview with EU official, 11 March 2016.

[116] Interview with EU officials, 3 March 2016.

the fragmentation of instruments.[117] The Madad Fund, for instance, has been able to pool resources and take a regional approach, whereas otherwise? Different instruments would have to be used to cover the same countries (ENI for Syria and Lebanon, IPA for Turkey and DCI for Iraq). However, EUTFs are still relatively new, and some stakeholders have pointed at thematic overlap between the IcSP and the Trust Funds[118] for regions where the EUTF's are applied. How they could be further delineated is an area that would merit more attention. In any case, the IcSP still has a niche in the security sphere, partly because it is not bound by ODA eligibility requirements.

With several coordination platforms in place, political guidance and leadership are essential to avoid turf wars and parallel coordination bodies[119]. Moreover, a high degree of information exchange and coordination also happens through informal contacts (e.g. for programming). While this makes effective coordination dependent on good personal relations between staff members, it has the benefit of allowing flexibility and swiftness, which is particularly valued in crisis situations. While a certain systematisation of coordination and information exchange is needed, **the EU must avoid overbureaucratising the process** to allow for meaningful dialogues across the institutions.

Strategic guidance

It is currently the case that overarching EU country strategies which could provide a coherent basis for EU engagement across all instruments are often lacking. The Libya country strategy is a promising exception, and some regional strategies (e.g. Sahel, Horn of Africa) have been developed as well, embodying the EU comprehensive approach. The EU does have the option of developing Joint Framework Documents, which aim to integrate all aspects of EU external action into one strategic document and outline a wide range of EU priorities in a given country or region. However, a recent study on the programming of the 11th EDF has revealed that this tool was rarely used to inform programming, particularly because the frameworks were mostly focused on short-term crisis management issues, but did not provide a long-term perspective[120]. As such, **Joint Framework Documents have remained an underexploited tool to foster coherence between all instruments and tools, especially in key crisis-prone regions.** The EUDs could play an important role in informing and co-formulating strategic guidance, in accordance with local needs and political realities.

In 2011, Commission services have developed a methodology for designing Joint Humanitarian-Development Frameworks (JHDF) for transition situations[121]. Their aim is to integrate different views and analysis of ongoing and planned EU interventions and jointly identify strategic priorities. In Mali, for instance, a JHDF has been developed, based on a workshop involving ECHO, FPI, DEVCO and EEAS as well as member states (both at HQ and field level). It allowed them to discuss the root causes of the conflict, exchange on ongoing activities and develop a division of labour. Similar frameworks have been or are being developed for, inter alia, Nigeria, Lebanon and Jordan. They should not be viewed as a magical recipe, but as a set of basic steps to form a coordinated basis for further programming. JHDFs are useful tools to implement the EU resilience approach by providing a level of formalisation in coordination of activities between EU instruments that was otherwise cited as being rather ad-hoc[122]. However, **there is**

[117] Interviews with EU officials, 9 March 2016, 11 March 2016, 17 March 2016.
[118] Interview with EU official, 7 April 2016.
[119] M. Deneckere, V. Hauck & C. Barrios, 'The EU's engagement in protracted crises: Towards a comprehensive approach?' *Nação e Defesa* No 144, forthcoming.
[120] A. Herrero, A, Knoll, C. Gregersen, & W. Kokolo, *Implementing the Agenda for Change: An independent analysis of the 11th EDF programming*, Discussion Paper 180, Maastricht, ECDPM, 2015.
[121] V. Ramet, *Linking relief, rehabilitation and development: towards more effective aid*.
[122] Interview with EU official, 11 March 2016.

no clear guidance as to whom should take the lead over JHDF processes. Consequently, such initiatives remain very ad-hoc and dependent upon the will of people present on the ground[123]. More guidance is needed to allow JHDFs to be developed more systematically for strategic planning in crisis situations, while keeping procedures light[124].

Another tool which can boost coherence would be to further exploit the benefits of **joint programming**. Joint programming is a process through which the Commission, the EEAS, EU member states and other relevant EU actors jointly determine a development response for a particular partner country and draft a joint country strategy. The European Parliament retains its normal scrutiny rights of EU programming. **While joint programming may not work in immediate crisis situations, it is a potentially beneficial tool in fragile contexts**, where government capacities are too weak or absent (provided that there is a minimum level of stability), to align EU instruments and member state funding around an agreed set of goals and division of labour[125]. Joint programming has already been rather successfully applied in fragile or volatile contexts such as South Sudan, Haiti or Mali.[126] Increasing the use of joint programming between ECHO, DEVCO and member states could achieve a better streamlining between short- and long-term engagement in situations of protracted crisis among EU and member state support.

In formulating joined-up approaches, attention should be paid to the specific mandate of humanitarian aid. Relief organisations have raised concerns over the involvement of ECHO in the Comprehensive Approach, noting that humanitarian assistance is not a fragility instrument, nor a tool for crisis management. While the Comprehensive Approach offers a welcome basis for increased information sharing, joint analysis and coordination, **clear borderlines between humanitarian aid and foreign policy or crisis management objectives should be maintained where needed**[127]. There also remain some challenges with regards to coordination between the EUDs and ECHO country offices. An important task here lies with the Head of Delegation to involve ECHO in the routine country-level coordination meetings, where appropriate.

Tools to promote conflict sensitivity

The EEAS, and particularly the Conflict prevention, Peacebuilding and Mediation Division (SECPOL 2), plays a key role in providing expertise for engaging in conflict-affected situations, The Division also facilitates early warning across EU institutions, which enables regular reassessments of crisis situations that can inform longer-term outlooks to situations of protracted crisis[128]. Together with its institutional counterpart in DEVCO, the Fragility Unit, SECPOL 2 has developed guidance on conflict sensitivity and aimed at ensuring coherence between EU policies and instruments in fragile and crisis-affected contexts. The DEVCO Fragility Unit also organises trainings and workshops on conflict- and fragility related themes for staff across the EU institutions.

Joint conflict assessments are now being done for a variety of countries (including for Yemen and CAR), allowing them to build a shared understanding of a given crisis and take a conflict-sensitive approach in the programming of instruments. This, in turn, would allow EU instruments to be used more preventively with regard to conflict and crisis. A recent illustration is the conflict analysis workshop that was held for Lebanon in early 2015, based on the guidance developed by the Commission and the EEAS. The workshop

[123] Interview with EU official, 11 March 2016.
[124] Interview with EU official, 11 March 2016.
[125] D. Helly, G. Galeazzi, A. Parshotam, C. Gregersen, W. Kokolo, A. Sherriff, *Stepping Up? Best practice in joint programming and prospects for EU joint cooperation strategies,* Discussion Paper 182, Maastricht, ECDPM, 2015.
[126] D. Helly, G. Galeazzi, A. Parshotam, C. Gregersen, W. Kokolo, A. Sherriff, *Stepping Up?*
[127] Interview with NGO representatives, 20 April 2016.
[128] Interview with EU official, 7 April 2016.

was hosted at the EUD and involved external Lebanese experts as well. Stakeholders particularly valued the workshop for bringing people from different EUD sections together who often had not met before. As such, it allowed for increasing awareness among staff on conflict sensitivity, including by making the case to link the conflict analysis with the joint programming exercise[129].

However, **conflict analysis needs to be further mainstreamed in order to make it a systematic practice across the institutions to promote a shared understanding of crisis[130].** Moreover, conflict sensitivity is mostly a matter of intuition and experience, and how it is used in implementation largely depends on individual commitments of staff members and leadership across Commission DGs and EEAS Divisions, as well as on relations between the headquarters and field levels[131]. While mandatory conflict analysis would be positive in ensuring its implementation, box-ticking exercises should be avoided. Conflict assessment tools should be sufficiently flexible to allow for tailored and meaningful use. Interviewed staff noted that, beyond guidance on conflict sensitivity, it would also be beneficial to have more conflict expertise across the relevant EU institutions to allow for cross-fertilisation, including at EUD level[132]. This could, for instance, be achieved by increasing staff mobility across EU bodies, and developing shared information exchange and knowledge management tools[133]. While there is value in keeping the EUDs in charge of the process where possible, a strengthened cooperation with SECPOL 2, which can act as an expertise hub, could be beneficial.

3.4.4 Institutional capacities and (human) resources should be strengthened

The EU Global Strategy has recognised that the EU needs to boost its institutional capacity if it is to have a more significant impact in foreign and security policy. As the Strategy maintains, '*[t]his means equipping our delegations with the necessary expertise, including on sectoral issues and in local languages, valuing experience in and of a region, beefing up the political sections of delegations, and encouraging operational staff to use their expertise more politically*'[134].

The ability of the EU to be timely and flexible depends as much on legal provisions as on institutional capacities and resources available for planning and managing projects. While the instruments have flexibility built into their regulations, this is **often not accompanied by sufficient and flexible human resources.** When a new crisis emerges, available staff is often limited, and recruiting new programme officers takes several months[135]. The EEAS manages a small budget for flexible deployment of early warning and conflict analysis experts at EUD level, but this can only be used on a short-term basis, and cannot be mobilised to increase managerial capacities on the longer term. The Trust Funds partly address this problem, as they allow the Commission to use the pooled funds to boost human resources for the administrative and financial management of projects[136]. This option is much more limited for the traditional EU instruments. In addition, a gap remains with regards to long-term in-house capacities at the EUD level with sectoral expertise.

[129] Interview with EU officials, 26 May 2016.
[130] Interview with EU officials, 3 March 2016.
[131] Interview with EU official, 7 April 2016.
[132] Interview with EU official, 7 April 2016.
[133] I. Anthony & L-E Lundin, *Upstream of future crises. A comprehensive approach to European (external) action*, Berlin, Friedrich Ebert Stiftung, November 2015.
[134] European Union, Shared vision, common action: a stronger Europe. A global strategy for the European Union's Foreign and Security Policy, June 2016, p.48.
135 Interview with EU official, 7 March 2016.
[136] The 2013 Financial Regulation allows the Commission to withdraw a maximum of 5 percent of the amounts pooled into the Trust Fund to cover management costs, compared to e.g. only 2 percent under the EDF.

FPI staff was reported to be facing several limitations. Part of the IcSP's added value lies in the provision of funding for small-scale projects to respond quickly to crisis, paving the way for larger-scale and longer-term interventions once conditions are more stable. The planning, design, accompaniment and monitoring of smaller projects takes a considerable time[137]. Moreover, while the IcSP is conceived as an instrument to quickly react to (emerging) crises, FPI does not have sufficient staff on the ground to allow for a continuous monitoring of potential crisis situations, limiting the ability of the instrument to anticipate and work preventively[138].

FPI offers an important hub of conflict and crisis expertise, but its staff is comparatively small, and information-sharing is still insufficient to make up for the lack of such expertise in other Commission departments, including in DG DEVCO. Adapting development instruments better to the challenges of protracted crises would therefore require **DEVCO and NEAR to boost its in-house expertise on relevant topics, including humanitarian aid, conflict prevention and peacebuilding, and resilience.** Anthony & Lundin[139] further suggest creating spaces for joint activities and providing modified staff training around an integrated curriculum, in order to ensure a minimum amount of knowledge amongst staff in different services about the perspectives of their colleagues elsewhere in the system, including the European Parliament.

At the field level, EU Delegations are a potentially huge strategic asset for the EU to achieve a more coherent, visible and effective external action. They are the ears and eyes on the ground of the EU, and can act as a local coordinator between different EU institutions and member states, including in aid programming and implementation processes[140]. But **for Delegations to optimally play this role, this also requires the headquarters level to avoid taking prescriptive top-down approaches in programming** and rather rely on the EUD's contextual knowledge and dialogue efforts with partners on the ground.

Since the Lisbon Treaty, EUDs now have responsibilities in the field of peace and security[141]. The political sections are especially important in this regard, as their country knowledge (including security monitoring) could feed into development strategies and programmes and link fragility-focused and development-driven approaches. As such, they stand at the junction of early warning, early action and long-term vision. Political sections are nevertheless reported to be frequently understaffed, inhibiting them from fulfilling this monitoring and analysis function[142]. The presence of IcSP officers in EUDs has also brought implementation capacities into the EUDs that allow them to intervene in transition situations. As such, a network of expertise on peace, security and fragility is gradually developing worldwide and at the regional level[143] contributing to a better understanding of the challenges related to protracted crisis on the ground.

Beyond the EUDs, DG ECHO has its own network of field offices to run humanitarian operations independently from EUDs. Yet, under the resilience programmes SHARE and AGIR, EUDs and ECHO field offices have been encouraged to cooperate more closely in the Horn of Africa and in the Sahel. This is facilitated by the colocation of offices, thus allowing for better information sharing and coordination.

[137] Interview with EU officials, 3 March 2016.
[138] Interview with EU officials, 3 March 2016
[139] I. Anthony & L-E Lundin, *Upstream of future crises.*
[140] D. Helly, A. Herrero, G. Galeazzi, & A. Sherriff, *A closer look into EU's external action frontline: Framing the challenge ahead for EU Delegations*, ECDPM Briefing Note 62, Maastricht, ECDPM, 2014.
[141] D. Helly, & G. Galeazzi, *Planting seeds and breaking eggs: EU Delegations dealing with peace and security – the Sahel case and beyond, Briefing note 70, Maastricht, ECDPM,* 2014.
[142] D. Helly, & G. Galeazzi, *Planting seeds and breaking eggs.*
[143] D. Helly, & G. Galeazzi, *Planting seeds and breaking eggs.*

Initiatives such as joint training and programming seminars and JHDFs also allow for better exploring synergies between relief and development. **Regular information-sharing between the EUD, member states' missions, CSDP missions and ECHO field offices is essential**. Heads of Delegation, should show leadership and exert their full strategic authority over EU instruments in the field, e.g. – as highlighted above - by inviting ECHO Heads of office to participate in regular EUD coordination meetings[144].

3.4.5 Capacity building for Security and Development

The security-development nexus: gaps in EU support

One of the challenges of protracted crises situations is that they combine elements of weak development with conflict and insecurity. For protracted crisis situations to evolve towards stability, the right conditions need to be fostered to promote peace, human security and development on the long term through long-term security capacity-building.

With the Common Security and Defence Policy (CSDP), the IcSP and the APF, the EU has several tools at its disposal to act across the security-development nexus, including support to AU-led Peace Support Operations, military training missions, and mediation or peacebuilding initiatives. At the same time, the recent Joint Communication on Capacity-Building in support of security and development (CBSD) revealed several gaps in EU support to security capacity-building of partner countries, in particular their military components[145]. Pilot studies conducted in the context of the CSDP Training Missions (EUTM Somalia and EUTM Mali) revealed major shortcomings in relation to the provision of equipment to the partner country military forces being trained. This included essentials such as food, water, beds and medical support, with negative effects on the impact of the training missions.

Currently, no EU instrument is designed to provide comprehensive assistance to security capacity building in third countries that would also cover the military branch. CSDP resources, which are financed by participating member states, or through the Athena mechanism[146] for common costs such as infrastructure, logistics and headquarters running costs, cannot cover costs incurred by a partner country itself. With regard to the APF, resources cannot be mobilised to support national military forces, as the Facility's mandate is limited to the regional and continental level.

Four structural barriers to CBSD

Tardy identifies **four structural barriers** in the current set of instruments in relation to CBSD[147]: **The first one relates to the nature of development policy.** Resorting to development instruments would require the funded activity to contribute to an identifiable development goal. It remains debatable whether the provision of military equipment serves such an objective. While some would argue that the security-development nexus by itself implies support for the security sector and would facilitate economic development, this is all but a consensual view. That said, international thinking on the matter is gradually

[144] D. Helly, & G. Galeazzi, *Planting seeds and breaking eggs*.
[145] JOIN(2015) 17 final.
[146] The Athena mechanism is established to administer the financing of common costs in the context military CSDP operations, including headquarters and running costs, infrastructure, logistics and mission support, as well as some costs related to exercises. It is financed through yearly contributions by participating Member States (all EU Member States, excluding Denmark), based on their GDP. The most recent rules applying to the Athena mechanism are laid down in Council Decision (CFSP) 2015/528 of 27 March 2015 establishing a mechanism to administer the financing of the common costs of the European Union operations having military or defence implications (Athena) and repealing Decision 2011/871/CFSP. The Athena mechanism is currently used for CSDP military operations only. It is not part of the EU budget and does not foresee any involvement of the European Parliament, which is not even informed on the amount of money available for the mechanism.
[147] T. Tardy, *Enabling partners to manage crises. From 'train and equip' to capacity-building*, Paris, EUISS, 2015.

shifting, as illustrated by the inclusion of Sustainable Development Goal 16 on peaceful and inclusive societies in the 2030 Agenda. A related question is whether the ultimate goal for the EU should be to outsource its own security to non-EU actors (like the AU), or rather use its resources to build security capacities of partners at the country, regional and continental level. The latter would be more in line with development objectives and ownership principles, and contribute to more sustainable solutions for stability in situations of protracted crisis.

The second barrier relates to the compatibility with ODA eligibility criteria, which generally excludes military expenses. As outlined in Section 3.3, some instruments (particularly the DCI) come with specific targets for ODA-eligibility of available funds. Moreover, the European Council has set a political objective that 90 percent of total EU external assistance over the period 2014-2020 should be ODA-eligible[148]. At the same time, the OECD DAC recently adopted new ODA rules that now allow for counting the financing of military actors for civilian purposes as ODA, provided that it serves a development objective[149]. This opens the way for a wider set of (non-coercive) peace and security activities to be funded through EU development instruments to meet critical security and protection needs in fragile and conflict-affected environments. However, Dalrymple also warns that there is a risk of diversion of resources away from activities with a greater development and poverty-reduction focus in favour of those that align to national security and political priorities (e.g. preventing violent extremism)[150]. Moreover, using development money for CBSD would also bring reputational risks for the EU, e.g. in cases of human rights abuses by a foreign military supported through EU ODA[151].

Thirdly, there are several instrument-specific constraints. These notably include Article 3(13) of the DCI regulation prohibiting the financing of the procurement of arms or ammunition, or of operations having military or defence purposes. Likewise, the APF Multi-annual Action Programme 2014-2016, excludes the financing of ammunition, arms and specific military equipment, spare parts, salaries and training for soldiers[152].

Fourth and finally, an often-used argument is that Article 41(2) TEU prohibits the use of the EU budget for operations with military or defence purposes. According to Tardy, the Article is open to some interpretation, especially as to how to understand the term 'operation' (any kind of activity, or only 'operations' in a CSDP context?). Moreover, it is unclear whether the restriction also extends beyond Article 41 TEU (which covers the CFSP) to apply to all EU activities, including development instruments (which have their legal basis in Articles 208 and 212 TFEU).

Possible scenarios for the future

The four barriers outlined above lead to some inconsistencies and gaps: For instance, the IcSP can currently finance SSR measures for police forces, but not for the military. Likewise, the instrument would be able to provide border security assistance in countries where this is operated by civilian forces, but not where it is a military affair (e.g. in Turkey).

To solve the gap in funding for CBSD, the European Commission has published a proposal to amend the current regulation of the IcSP to extend assistance under the instrument's crisis response component to be used to build capacities of military actors in partner countries under exceptional circumstances, in order

[148] EUCO 37/13, European Council conclusions, 7/8 February 2013.
[149] OECD DAC, *DAC High-Level Meeting Communiqué,* Paris, OECD, 19 February 2016. https://www.oecd.org/dac/DAC-HLM-Communique-2016.pdf
[150] S. Dalrymple, *New aid rules allow for the inclusion of a wider set of peace and security activities*, Development initiatives, 29 February 2016 http://devinit.org/#!/post/new-aid-rules-allow-for-the-inclusion-of-a-wider-set-of-peace-and-security-activities
[151] Interview with NGO representative, 15 April 2016.
[152] Council 8269/14, *Three-year action programme for the African Peace Facility 2014-2016,* 28 March 2014.

to contribute to sustainable development and the achievement of peaceful and inclusive societies[153]. The proposal includes topping up the IcSP financial envelope with EUR 100 million to cover CBSD-related activities during the 2017-2020 period (financed through redeployment within Heading 4 of the MFF). Legally, the option is motivated by the argument that the financing of capacity-building in the security sector is not per se excluded only because of the military nature of the beneficiary. The IcSP is considered by the Commission to be the most suitable instrument given its time perspectives, geographical coverage and flexibility.

That said, the amendment proposal is explicitly meant as a short-term option, not extending beyond the current timeframe of the IcSP (which ends in 2020). Therefore, it is worth looking at other options as well for more sustainable solutions on CBSD. The 2015 Joint Communication on CBSD already outlined three options for adapting EU instruments. **The first option is the creation of a dedicated instrument.** This new instrument would have no geographic limitation and should offer both flexible and sustainable funding in support of a broad set of interrelated aspects of the security system, including (non-lethal) capacity building of armed forces. This would be the most straightforward solution to fill the gap, and has the support of several member states, who are, however, wary of yielding control to the Commission in a sensitive area such as security. Creating a new instrument also risks that funds will be shifted from other (especially development) budget lines if member states do not provide additional funds. Moreover, a new instrument would lead to a further fragmentation of EU external assistance and put pressure on the Commission's managerial capacities[154].

The second option is the creation of a facility linking peace, security and development more closely in the framework of one or more existing EU instruments. This is also viewed as a suboptimal option as it would imply bringing together different existing instruments without addressing their inherent constraints[155].

The third option is to expand the APF, which, because it is funded by the EDF, is not subject to the constraints of the EU budget. However, the APF is constrained by the geographical focus on Africa, its limitation on regional and continental actors (prohibiting direct support to national armies or governments), and the limited funds available. Some worthy paths of exploration could be to enable the APF to also provide support to national forces (including in the context of conflict prevention or post-conflict support), to extend its geographical scope to ACP countries outside Africa, and explore further complementarities with EDF development programmes by increasing a focus on peace, security and governance. That said, any discussion on the APF cannot be viewed in isolation of current debates on the budgetisation of the EDF and the future of the Cotonou Agreement after 2020. Integrating the EDF into the EU budget would imply that some of the fund's flexibility is lost. Moreover, some member states and other stakeholders view using EDF money for peace and security as a thorny issue, given its development mandate.

Beyond the three options mentioned in the joint communication, there are two other possible scenarios. **A first one would be to extend the current short-term solution of adapting the IcSP also beyond 2020.** The IcSP currently already supports capacity-building projects in the civilian crisis management domain (e.g. Europe's New Training Initiative for Civilian Crisis Management[156] (ENTRi II 2013-2016) and the EU Police Services Training Programme[157] (EUPST II 2015-2018)). Provided that the current short-term

[153] European Commission. COM(2016) 447 final. Proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) No 230/2014 of the European Parliament and of the Council of 11 March 2014 establishing an instrument contributing to stability and peace. Strasbourg: 5 July 2016.
[154] Interview with EU officials, 9 March 2016.
[155] Interview with EU officials, 9 March 2016.
[156] Decision C(2012) 1971.
[157] Decision C(2015) 3453.

proposal is adopted, this option would have the added value of following the chosen path and, by using the EU budget, would ensure parliamentary scrutiny in a very sensitive topic. At the same time it would also require a conclusive solution with regards to the legal grey zone related to the application of Article 41(2) TEU and related legal restrictions in the field of security and defence that apply to the EU budget and instruments.

A second alternative would be a review of the Athena mechanism so it can also cover capacity building activities in third countries[158]. Currently, Athena does not cover the costs incurred by a partner country supported through a mission or operation. Using the Athena mechanism for CBSD would be an interesting path as it would avoid Treaty constraints, but also limit parliamentary control in the security sphere. While a revision of the Athena mechanism would still require member states to provide additional funding, it would also allow them to save on bilateral allocations.

The CBSD discussion faces many thorny political issues that need to be addressed. After all, the many restrictions currently in place were designed with a specific purpose and a reflection of several political sensitivities. **Framing security as part of development policy therefore also raises important questions on the borderline between both policy domains and what that means for the division of competencies in EU governance.** It will therefore be important to embed any new or adapted instrument into a wider EU strategic framework that is shared by CSDP and the EU development policy. The recently published Communication on Security Sector Reform provides a valuable basis for this.

3.5 Conclusions: is a new instrument needed?

Based on the preceding analysis, this study concludes that **no new instrument is needed to specifically address protracted crises.** The EU has a broad set of instruments at its disposal to address the several challenges and phases of protracted crises, addressing both urgent needs and underlying vulnerabilities. While this poses challenges in terms of managerial capacities and coordination needs across instruments and institutions, **stakeholders value the diversity of the current instrument portfolio** that is at the disposal of the EU institutions. It enables them to pursue a variety of different policy objectives, operate along different timeframes, and engage with various partners and constituencies. Notably the IcSP is found to be a highly relevant instrument in complementing both humanitarian aid and development instruments by combining a quick and flexible responses with a focus on resilience. Other instruments also have several options available to engage more flexibly in crisis situations in relevant domains such as peacebuilding, conflict prevention or post-crisis reconstruction. In this context, creating a new instrument would put additional strains on the already limited managerial capacities at the disposal of the European Commission. It would also lead to a further fragmentation of EU instruments, thus increasing the already high coordination costs in Brussels and in the field.

That said, while the current set of instruments forms a good basis to address protracted crisis situations, their operationalisation could be optimised. There is a clear **need to find more sophisticated approaches** that can establish a more holistic response to the various dimensions of protracted crises throughout the conflict cycle. Immediate crisis response, both in terms violent conflict as well as disasters, will often need to be combined with humanitarian aid, security, conflict and disaster prevention and peacebuilding efforts as well as longer-term development assistance. A critical point is that the risk aversion of long-term instruments to flexibly engage in situations of protracted crises should be addressed so they can better follow-up on other measures (e.g. under the IcSP) and provide longer-term outlooks to prevention, stability and resilience in their programming. While the legal options are there, the right incentives to use them are

[158] On Athena see footnote 147, above.

currently lacking. To allow for flexible responses, instruments should also be backed up with sufficient and flexible human resources.

Coordination systems exist at the political and operational levels, but with several mechanisms in place, there is a risk of creating ambiguity in the absence of clear political leadership. Situations of protracted crisis bring high coordination demands, but at the same time benefit from keeping a degree of flexibility and informality of coordination. Overarching strategic guidance at country or regional level would also contribute to a more coherent use of EU instruments.

Finally, a key gap under the current EU instruments relates to capacity-building in support of security and development, and specifically the shortcomings in relation to the provision of equipment to partner country military forces in the context of CSDP missions. The design of the current instruments precludes such support, due to their adherence to development objectives and ODA eligibility as well as instrument-specific or Treaty-related restrictions in relation to security. The Commission recently proposed to amend the IcSP regulation to allow it to cover capacity-building of military actors under certain circumstances. This is designed as a short-term measure that will allow testing the ground in a new area of EU support, but in the end will also need a long-term solution.

4 Upper-middle income countries: Needs and support by EU financing instruments

The following part of the study deals with an analysis regarding the needs and support of UMICs by EU financing instruments. The Study introduces the problem that the EU currently faces with regards to UMICs: to identify their needs and the appropriate EU financing instruments. Not only will this chapter introduce the great variety of UMICs around the world, but also the EU's new 'differentiated approach' to development cooperation and the effect it has on UMICs. The study goes on to analyse specific EU financing instruments regarding UMICs and critically points to current problems in the EU's overall support to UMICs.

4.1 Framing the problem: What are the needs of UMICs and what are the appropriate financing instruments to support UMICs?

Framing the problem: What are the needs of UMICs and what are the appropriate financing instruments to support UMICs?

Middle Income Countries are a group of countries defined in terms of their Gross National Income (GNI) per capita. The main classifications generally used to identify which countries are **Middle Income Countries** (MICs) and which are **Low Income Countries** (LICS) are based on World Bank data. According to the World Bank, MICs are those countries with a GNI per capita of more than USD 1,045 but less than USD12 736.[159] Based on these data, the OECD/DAC list of Official Development Aid (ODA) recipients includes all low and middle income countries based on GNI per capita as published by the World Bank. These countries are, according to OECD/DAC list, the only countries who can benefit from ODA.

The use of GNI per capita as the main criteria for distinguishing MICs from LICs and defining relevant development policies has been widely criticized by the literature as being insufficient for understanding the actual needs and challenges faced by a specific country. In this sense, Seers wrote that:

[159] World Bank, 'New Country Classification', 1 July 2015, available at http://data.worldbank.org/news/new-country-classifications-2015.

The questions to ask about a country's development are therefore: What has been happening to poverty? What has been happening to unemployment? What has been happening to inequality? If all three of these have declined from high levels, then beyond doubt this has been a period of development for the country concerned. If one or two of these central problems have been growing worse, especially if all three have, it would be strange to call the result 'development', even if per capita income doubled.[160]

In this respect, the **artificial threshold used to differentiate MICs from LICs** does not allow for identifying in a relevant way those countries that are the most in need of international cooperation in the field of development.

The World Bank and OECD classifications have also been criticized because they can lead to misinterpretations. Growth and development should be seen as a real dynamic that such classifications hardly grasp. Countries that have graduated from the LIC to the MIC level always face the risk of falling back into the LIC category. According to Jonathan Glennie, as many as 25 countries fell back in the LIC category between 1978 and 2003.[161] In addition, most of the LICs that graduated to the MIC level in the last decade had already reached the MIC status in the past.[162] Next to the LIC, there is another widely used category of countries that includes the Least Developed Countries (LDCs). According to the United Nations, LDCs are a set of low-income countries confronted with serious structural impediments to the sustainable development goals.[163] There are currently as many as 48 countries who fall under the category of LDCs.[164] Interestingly, the criteria used to identify countries as LDCs are not purely limited to income. They indeed include: the gross national income (GNI) per capita, the Human Asset Index (HAI), and the Economic Vulnerability Index (EVI).

Another significant limitation of the World Bank and OECD classifications comes from the fact that most of the world's poor currently live in MICs. In contrast to the past, when 90 percent of the world's poor lived in LICs and LDCs, today more than 70 percent of the world's poor live in MICs,[165] particularly in a few highly populated countries such as China, India, Pakistan, and Indonesia. This **'new geography of global poverty'** obviously has a tremendous impact on international development cooperation. International development cooperation now needs to redefine its perspectives and policies in a context where poor people no longer live exclusively within poor countries.[166] Accordingly, the 2030 Agenda for Sustainable Development recognizes that MICs still face major challenges for achieving sustainable development.[167]

Finally, the international community increasingly tends to recognize that 'fragile states' are strongly exposed to the risk of poverty and particularly unable to tackle the root causes of poverty. The OECD has identified **five factors that pertain to the identification of a country's fragility**: '1) violence; 2) access to justice for all; 3) effective, accountable and inclusive institutions; 4) economic inclusion and stability; and 5) capacities to prevent and adapt to social, economic and environmental shocks and disasters.'[168] This

[160] D. Seers, 'The Meaning of Development', Institute of Development Studies, IDS Communication 44, 1969, p. 5.
[161] J. Glennie, 'The Role of Aid to Middle-Income Countries: A Contribution to Evolving EU Development Policy', Overseas Development Institute, WP 331, 2011, p. 6.
[162] Ibid.
[163] See UN Development Policy and Analysis Division, 'What Are Least Developed Countries?', available at http://www.un.org/en/development/desa/policy/cdp/ldc_info.shtml.
[164] Ibid.
[165] R. Kanbur and A? Sumner, 'Where Do The World's Poor Live? A New Update', Institute of Development Studies, Working Paper 393, 2012, p. 7.
[166] Ibid.
[167] United Nations General Assembly, Transforming Our World: 2030 Agenda for Sustainable Development, A/RES/70/1 , 21 October 2015, Para. 65.
[168] OECD, States of Fragility 2015: Meeting Post-2015 Ambitions, 26 March 2015, p. 19, available at http://www.oecd.org/dac/states-of-fragility-2015-9789264227699-en.htm (last consulted: 10 May 2016).

more comprehensive definition of Fragile States makes it so that states not directly affected by conflicts or natural disasters can now fall under that category. According to the 2015 OECD report on fragility, 43 percent of the world poor currently live within fragile countries.[169] The absence of strong political systems tends to both increase the risk for part of the population to fall under poverty and also hampers the ability of governments to address the root-causes of poverty. In this respect, the OECD considers that these countries have underperformed in their ability to reach their Millennium Development Goals by 2015.[170]

This research targets one **specific group of countries within the MICs, namely the UMICs**. According to the World Bank, UMICs are countries whose GNI per capita is higher than USD 4,125 and lower than USD 12,736.[171] UMICs countries are in that context classified between Lower Middle Income Countries (LMICs) and High-Income Countries (HICs).

Table 2: List of UMICs according to the OECD/DAC List (effective as of 1 January 2015)

Albania	Algeria	Antigua and Barbuda
Argentina	Azerbaijan	Belarus
Bosnia and Herzegovina	Belize	Botswana
Brazil	Chile	China
Colombia	Cook Islands	Costa Rica
Cuba	Dominican Republic	Ecuador
Gabon	Fiji	Grenada
Iran	Iraq	Jamaica
Jordan	Kazakhstan	Lebanon
Libya	Macedonia	Malaysia
Maldives	Marshall Islands	Mauritius
Mexico	Montenegro	Namibia
Nauru	Niue	Palau
Panama	Peru	Serbia
Seychelles	South Africa	St. Helena
St. Lucia	St. Vincent and the Grenadines	Suriname
Thailand	Tonga	Tunisia
Turkey	Turkmenistan	Uruguay
Venezuela	Wallis and Futuna	

Source: OECD, DAC List of ODA Recipients, available at: http://www.oecd.org/dac/stats/documentupload/DAC%20List%20of%20ODA%20Recipients%202014%20final.pdf (last consulted: 10 May 2016).

When analysing countries classified as UMICs by both the World Bank and the OECD, it quickly appears that **UMICs are all very different from each other** in terms of geographical size, contribution to the global economy, and political system. Most importantly, UMICs can hardly be portrayed as sharing the same

[169] OECD, States of Fragility 2015.
[170] OECD, States of Fragility 2015, p. 18.
[171] World Bank, 'New Country Classification'.

international development cooperation needs. In this respect, UMICs include both states that cannot be considered as poor states (according to the OECD or World Bank classifications) but whose residents are still facing the consequences of poverty. China is a typical example of the big discrepancy between performance in the global economy and the fact that 11.2 percent of the population still lived on less than $1.9 per day in 2010.[172] UMIC's are also sometimes deeply affected by fragilities/risks that make **some of the UMIC's fall under the category of fragile states**. In this respect, Bosnia and Herzegovina, Iraq, Libya, Marshall Islands, and Tuvalu are part of the UMIC category and are also considered as fragile states by the OECD.[173]

4.2 Development Dynamics: Graduation of middle income countries to upper-middle income countries in the EU's policy framework

In this **new international poverty landscape**, the EU, which remains the main trade and development partner for developing countries today, has had to adapt its international development framework. In line with the 2005 European Consensus on Development, the EU has started to prioritize aid for those who are the most in need. In this sense, European aid should more specifically target LICs and LDs, as well as those 'areas and regions where they have comparative advantages and can add most value to the fight against poverty'.[174] This approach was later confirmed by the **Agenda for Change** released by the European Commission. In the Agenda for Change, the European Commission recognized that 'there is a need for clear delineated choices for different countries because of the limited funds provided'; it also emphasized that 'it is difficult to establish the specific needs for different countries'.[175] The EU approach to the Post-2015 Sustainable Development Goals confirmed the EU's priorities. In this respect, the Council of the EU considered that 'the international community should also help to target resources to where the need is greatest, especially LDCs and countries in states of fragility and conflict'.[176] With its significant but limited envelope, the EU has to make choices regarding where development funds should be allocated in order to make the deepest impact.

This **'differentiated approach'** affects both the eligibility of countries to benefit from bilateral aid programmes and the way in which these funds are allocated. The differentiated approach can be defined as follows:

*The EU seeks to target its resources where they are needed most and where they can make the most difference. A more **differentiated approach** to partnerships and aid allocation driven by the country context is a core principle of the new Instruments. Assistance is allocated on the basis of country needs, capacities, commitments, performance and potential EU impact. Differentiation allows for **different forms of cooperation** such as blending grants and loans from international and European financing institutions, including the European Investment Bank.*[177]

[172] World Bank, Country Dashboard: China, available at http://povertydata.worldbank.org/poverty/country/CHN.

[173] See OECD, States of Fragility 2015: Meeting Post-2015 Ambitions, 26 March 2015, p. 19, available at http://www.oecd.org/dac/states-of-fragility-2015-9789264227699-en.htm.

[174] European Commission, European Consensus on Development, p. 13, available at https://ec.europa.eu/europeaid/sites/devco/files/publication-the-european-consensus-on-development-200606_en.pdf.

[175] Interview with officials from the European Commission, 9 March 2016.

[176] Council of the European Union, A New Global Partnership for Poverty Eradication and Sustainable Development after 2015, 9241/15, 26 Mai 2015, Para. 33.

[177] European Commission, 'External Action Financing Instruments', available at

The 'differentiated approach' is at the heart of the Council Regulation establishing a financing instrument for development cooperation for the period 2014-2020.[178] This has a meaningful impact both on the programming and implementation of financing instruments for external action and development and on the nature of the EU partnerships with third countries.[179] In order to implement this 'differentiated approach', the European Commission undertook a significant reform of its foreign policy instruments, more particularly of those used in countries with development needs, namely the Development Cooperation Instrument (DCI).

In the context of its global reflection on the **2014-2020 DCI**, the European Commission looked for the right criteria in order to phase out some countries from some aspects of the EU's development scheme. The European Commission came up with a first proposal aimed to reform the DCI in 2011, which had to be renewed at the end of 2013. The conclusion of this reflection was that the EU should improve the differentiation criteria in order for the EU's policies to be more influential. In a context where the budgetary envelope was limited, it was necessary to concentrate the budget allocated to the DCI in agreement with the overall EU development aid priorities. The Commission legislative proposal concluded that the EU was directing its **development policy to a very large range of countries**, from LDCs to UMICs, and that it should now concentrate its grants on those that were the most in need.[180] In this legislative proposal, the Commission made it clear that differentiation should nevertheless not only be based on the GNI per capita but should also take into account 'human development, aid dependency and other aspects, including the dynamics of the development process'.[181] It is nevertheless the European Parliament that came up with the most comprehensive approach being very much willing to add poverty indicators and not to stick to the size of the economy and the country's income.[182]

While the idea of strengthening the 'differentiated approach' was clearly included in the Regulation of the European Parliament and the Council, thus establishing a **financing instrument for development cooperation for the period 2014-2020**, the EU did not retain the 2011 Commission proposal and chose a more general differentiation criteria. The EU decided that two categories of countries **would graduate** from bilateral aid programmes under the DCI: **UMICs on the OECD/DAC list; and countries that contribute to more than 1 percent of the global GDP**.[183]

Needless to say, this political stance has been **widely criticized by the development actors** but also by some departments within the Commission that do not hesitate to portray this approach as being 'extremely simplistic'.[184] There was **hope that a more sophisticated approach would be retained**.[185] By considering UMICs as a bloc, the EU has not incorporated into its analytical framework the fact that some

http://ec.europa.eu/europeaid/funding/about-funding-and-procedures/where-does-money-come/external-action-financing-instruments_en.

[178] Regulation (EU) No 233/2014 of the European Parliament and of the Council of 11 March 2014 establishing a financing instrument for development cooperation for the period 2014-2020, L 77/44, 11 March 2014, Art. 3.

[179] J. M. Coll, 'Criteria for Differentiation and Methods for Phasing Out EU's Development Cooperation in Light of the Commission's Proposal for a Development Cooperation Instrument (DCI) for 2014-2020', Study for the European Parliament, 2012, p. 6.

[180] European Commission, Proposal for a Regulation of the European Parliament and of the Council Establishing a Financing Instrument for Development Cooperation, COM(2011) 840 final, 7 December 2011, p. 4.

[181] European Commission, Proposal for a Regulation of the European Parliament and of the Council Establishing a Financing Instrument for Development Cooperation', p. 7.

[182] S. Herbert, 'What Future for EU Development Cooperation in Middle Income Countries', Bond for International Development, 2013, p. 8.

[183] Regulation (EU) No. 233/2014, OJ L 77, 15.3.2014, Art. 5.

[184] Interview with EU officials, 9 March 2016 (morning).

[185] Interview with EU officials, 9 March 2016 (morning).

of the UMICs are fragile state and can therefore be in particular need of bilateral development cooperation aid fitting with their specific needs.

UMICs are not defined anymore as recipient countries of European aid but rather as actors of a strategic importance in the protection of global public goods, the resolution of global challenges, and the achievement of the EU's strategic interests. A country such as India, for example – which contributes to more than one percent of the global GDP – is therefore perceived as being in need of **knowledge-sharing instead of financial assistance**. Graduation makes sense in a context where the EU should focus its aid on countries that are the most in need. Nevertheless, the interviewees made it very clear that cooperation with UMICs should continue, especially in light of the Agenda 2030 and the role that UMICs are likely to play in the world's future.[186]

Partly to fill **the gap left in countries who had graduated from bilateral programmes** under the DCI for the period 2014-2020, the European Union created a new instrument, namely the Partnership Instrument. In the words of representatives from the Service for Foreign Policy Instruments, graduation does not mean abandonment but the mobilization of instruments with a different scope and that are implemented at a different stage.[187]

The PI is a new instrument, for responding to a gap that existed, because it engages with countries on a peer-to-peer relation. On a legal basis there is new flexibility to engage with these countries. The idea is to have a very flexible instrument, with a universal geographic scope. The targeted countries are MICs and strategic partners.[188]

Flexibility derives from the fact that the Partnership Instrument does not require spending to be recognized as pure ODA. In this respect, the **PI mirrors the new approach** endorsed by the European Union vis-à-vis UMICs. It has been explicitly designed to be a complementary foreign policy instrument that goes 'beyond development cooperation' and targets 'any country in which the Union has strategic interests'.[189]

In addition to the PI, graduated countries can still continue benefiting from regional and thematic programmes under the DCI. It has been argued by EU officials that **regional programmes and thematic programmes offer more flexibility** than the other instruments as they allow for triangular cooperation. As an example, cooperation on fiscal issues with Uruguay can serve as best practice for Panama. Regional projects have the power to strengthen the ownership and facilitate the process.[190] In a context where many UMICs have also progressively emerged as regional leaders/donors, the need for trilateral cooperation mechanisms has become even more pressing.[191]

[186] Interview with EU officials, 3 March 2016.
[187] Interview with EU officials, 9 March (afternoon).
[188] Interview with EU officials, 9 March (afternoon).
[189] Regulation (EU) No 234/2014 of the European Parliament and of the Council of 11 March 2014 establishing a Partnership Instrument for cooperation with third countries, Preamble.
[190] Interview with EU officials, 9 March 2016 (morning).
[191] Interview with EU officials, 9 March 2016 (morning).

4.3 Analysis of EU financing instruments and their support for UMICs

The following instruments are analysed to understand how UMICs are supported by the EU:

- Development Cooperation Instrument (DCI)
- Partnership Instrument (PI)
- European Neighbourhood Instrument (ENI)
- Instrument for Pre-Accession (IPA)
- European Instrument for Democracy and Human Rights (EIDHR)
- Instrument contributing to Stability and Peace (IcSP)

In addition, the study will briefly focus on other instruments, specifically the European Development Fund (EDF).

4.3.1 Development Cooperation Instrument

In 2014-2020, the Development Cooperation Instrument (DCI) is allocated a total budget of EURO 19,662 Million (see also chapter 3.2.1.3).[192] The DCI falls into **three different categories**: geographical programmes (bilateral and regional), thematic programmes and so-called pan-African programmes. For the period 2014-2020, the following amount has been allocated to the DCI:

- EUR 11.8 billion for the geographic programmes
- EUR 7 billion for the thematic programmes
- EUR 845 million for the Pan-African programmes[193]

According to the graduation mechanism and 'differentiated approach' described in section 4.3, a number of graduated countries and UMICs do not have a bilateral allocation for the period 2014-2020 (see below table 2). These countries nevertheless continue to benefit from several bilateral initiatives under the 2007-2013, which are still ongoing up until 2017/2018. In the case of Indonesia, for instance, a EUR 119 million Education programme to improve access and quality of education and a EUR 10 million programme to improve access to justice are still ongoing.[194] In addition, some other countries, as also described in section 4.3, have been granted exceptions (see table 2).

[192] European Commission, The Multi-Annual Financial Framework: The External Action Financing Instruments, Memo, 11 December 2013 at:
http://europa.eu/rapid/press-release_MEMO-13-1134_nl.htm
[193] European Commission, Development Cooperation Instrument at:
https://ec.europa.eu/europeaid/how/finance/dci_en.htm_en.
[194] Exchange of information with the European Commission, September 2016.

Table 3: Graduated Countries* from the DCI bilateral support

Graduated UMICs – not eligible for DCI support (bilateral)		Graduated UMICs – granted exception and benefitting from DCI support (bilateral)
Argentina	Iran	Colombia
Brazil l	Malaysia	Cuba
Chile	Maldives	Ecuador
China	Mexico	Iraq
Costa Rica	Panama	Peru
Kazakhstan	Thailand	South Africa
India	Venezuela	Turkmenistan
Indonesia	Iran	Colombia

*Indonesia and India graduated due to the fact of contributing to more than 1% of global GDP; while all others countries fall under the category of UMICs.

Source: European Commission

As a consequence, while Argentina, Brazil, Chile, China, Costa Rica, Kazakhstan, India, Indonesia, Iran, Malaysia, Maldives, Mexico, Panama, Thailand, Venezuela and Uruguay no longer have access to bilateral DCI support, they nevertheless continue to be **eligible for regional and thematic programmes** under the DCI.

In order for the EU to adapt its instruments to the growing number of middle and high income countries, it increased resources allocated to continental programmes at the regional level. In Latin America, for example, these programmes address transversally developmental, social and economic challenges throughout Latin America with regional programmes (such as Eurosocial, Euroclima and Al Invest), the use of blending as an international cooperation and development tool, and triangular cooperation.[195] In this framework, the expertise matured by UMICs as former recipients of bilateral cooperation with the EU and emerging donors in the region is extremely valuable.[196] Unfortunately, according to information by the European Commission, the attribution per country is difficult to obtain, because these programmes cover either one region or several regions, but not single countries.[197]

The overview of regional programmes under DCI per region (see table 3), shows the activity of the EU in the field per regional programme. However, if we calculate the total amount of regional programmes under DCI, we arrive at a total of EUR 2,568 Million which is 13,06 percent of the overall multi-annual budget of the DCI in the timeframe 2014-2020.

[195] Exchange of information with the European Commission, September 2016.
[196] Ibid.
[197] Exchange of information with the European Commission, September 2016.

Table 4: Indicative Amounts of DCI Regional Programmes per Region (Multi-Annual Indicative Programmes, 2014-2020)

REGION	Amount allocated in Mio/Euro
Asia	1,261
Central Asia	360
Central America	120
Latin America	805
Middle East	22
Total	2,568

Source: European Commission, Multi-Annual Indicative Programmes

This leaves relatively limited financial scope compared to the EUR 9,232 million (46,95%) allocated to bilateral geographical programmes, from which those countries benefit who have been granted exceptions (see table 4).

Graduated countries can also still benefit from the EUR 7,000 million allocated to thematic programmes under the DCI. Thematic programmes include the Global Public Goods and Challenges Programme (GPGC) and Civil Societies and Local Authorities programme (CSOs-LAs). With the GPGC, the EU 'aims to contribute to the solution of global problems through global development outcomes that will be inclusive and sustainable within planetary boundaries'.[198] The CSOs-Las programme aims to strengthen Civil Societies and Local Authorities. It also 'pursues the objective of improving governance and accountability through inclusive policy-making by empowering citizens and populations, through the voicing and structuring of their collective demands, to contribute to tackle injustice and inequality'.[199] According to the European Commission, it is very difficult at this stage to see the overall amount allocated under the GPGC programme since the amount is first allocated to a theme and then the implementation depends on the specific needs. Data are nevertheless easier to collect for CSOs but we could not receive a comprehensive list of CSOs projects.

Countries granted exceptions – Colombia, Cuba, Ecuador, Iraq, Peru, South Africa and Turkmenistan – receive a total of EUR 634 million in bilateral DCI programmes during 2014-2017. South Africa gets 38 % of this sum, for a total of EUR 241 million.

The EUR 634 million spent overall on bilateral programmes under the DCI are 3,22% of the overall DCI budget, 5,37% of the overall geographical programmes under DCI and 6,86% of the bilateral programmes under DCI.

Since all other UMICs, including those who became UMICs before the latest graduation, are not considered by the DCI either, the overall amounts flowing from DCI towards UMICs remain relatively limited.

[198] European Commission, Multiannual Indicative Programme for the Thematic Programme 'Global Public Goods and Challenges' for the period 2014-2020, C(2014)5072, p. 5.

[199] European Commission, Multiannual Indicative Programme for the Thematic Programme 'Civil Society Organisations and Local Authorities' for the period 2014-2020, C(2014) 4865 final, 15 July 2014, p. 10.

Table 5: Bilateral DCI assistance per exceptional status (Multi-Annual Indicative Programmes, 2014-2017*)

Exceptional Status	Amount allocated in Mio/Euro
Colombia	67
Cuba	50
Ecuador	67
Iraq	78
Peru	66
South Africa	241
Turkmenistan	65
Total	634

*Except South Africa, 2014-2020

Source: European Commission, own calculation

At the same time, countries like Brazil, China and Peru also benefit from another sources of financing: the Partnership Instrument.

4.3.2 Partnership Instrument

The Partnership Instrument is considered 'the main innovative instrument in the external action package'.[200] Its overall budget is – compared to other financing programmes – relatively limited and covers EUR 955 million for the period 2014-2020. Its main objective is to 'promote EU interests by **supporting the external dimension of EU internal policies**'[201] In this regard, the boosting of trade relationships, investment opportunities and business relations are essential. As one element of public diplomacy, which aims to strengthen relations and improve mutual benefits, people-to-people dialogues are fostered by the instrument. It actually provides a lot of flexibility based on the annual action programmes.[202] However, as the First Multi-annual Indicative Programme for the period 2014-2017 makes clear, the PI is also an instrument that very much relates to the improvement of EU-Strategic Partner relations:

Over the next seven years, the relative shift of the world's economic power away from the North Atlantic is likely to continue. The EU will remain one of the principal global political and economic players, but in a 'multi-polar' world. The EU will therefore need to think even more than today in terms of forging bilateral and multilateral partnerships to advance its strategic interests. The PI has been designed to support the EU's efforts to create and maintain such partnerships. The PI will come into play first and foremost for the EU's strategic partners, and will thus be deployed mainly in the Asia-Pacific, the Americas, and with Russia, Central Asia and the Gulf.[203]

Hence, although the instrument is, legally speaking, a global instrument for which all countries in the world are eligible, it factually shows clear limitations: as the multi-Annual Indicative Programme makes clear, the programme is likely to foster relations with Strategic Partners (see also section 4.6.2) and regionally with the Asia-Pacific, the Americas, Russia, Central Asia and the Gulf. The list of projects that have been financed

[200] European Commission, The Multi-Annual Financial Framework: The External Action Financing Instruments, Memo, 11 December 2013 at: http://europa.eu/rapid/press-release_MEMO-13-1134_nl.htm
[201] Ibid.
[202] Interview with EU officials, 9 March 2016 (afternoon).
[203] http://ec.europa.eu/dgs/fpi/documents/pi_mip_annex_en.pdf

by the PI however shows that Strategic Partners, such as China, Brazil, Mexico, and to a lesser extent India, have remained so far the main beneficiaries of the PI. In 2016, regional actions financed by the PI were notably implemented in Asia (Responsible Supply Chains in Asia[204] and Cooperation on Competition in Asia[205]), South East Asia (IP Key South East Asia),[206] and Latin America (IP Key Latin America).[207] In Asia, the project 'Responsible Supply Chains in Asia' allocates a budget of EUR 9.5 million 'to support responsible supply chain by promoting responsible business conduct approaches addressing notably environmental protection, decent working conditions and the respect of human rights'.[208] In addition to China, the project should also benefit another UMIC, namely Thailand. The project 'Cooperation on Competition in Asia' aims to enhance competition policy cooperation between the EU and Asia. The EUR 5 million allocated to that project will not only benefit China but will also benefit ASEAN countries, including UMICS and other graduated countries, namely Malaysia, Thailand, and Indonesia. IP Key South East Asia and IP Key Latin America are two projects that focus on the strengthening of Intellectual Property Protection. The action is to be implemented in countries that are not especially strategic partners. In South-East Asia, the action is aimed to cover all the ASEAN trading partners. In Latin America, the action should cover all countries of Latin America with a specific focus on a set of countries that includes the following UMICs: Colombia, Peru, Ecuador, Costa Rica, Panama, Chile, Argentina, Brazil, Uruguay, Venezuela, and Mexico. The amount awarded to these projects remains nevertheless limited. As an example, IP Key Latin America has an overall budget of EUR 5 million, while the platform that was created for Policy Dialogue and Cooperation between EU and China on Emissions Trading in 2016 has a budget of EUR 10 million. In this regard, the PI is considered, to a certain extent, as a 'constrained instrument'.[209]

For UMICs, and specifically for recently graduated countries, the projects implemented in 2014,2015, and 2016 may be an indicator of a potential path that focuses on Strategic Partners first and that indirectly treats Strategic Partners preferentially. Like this, UMICs such as Brazil, China, and Mexico are able to benefit from the PI more than other countries. The limited budget that has so far been allocated to the regional approach foreseen by the Multi-annual Indicative Programme for the period 2014-2017 nevertheless also benefits some UMICs in the Asia-Pacific Region and the Americas as well as countries which have recently graduated in the same regions.

[204] European Commission Implementing Decision on the 2016 Partnership Instrument Annual Action Programme for cooperation with third countries to be financed from the general budget of the European Union, Annex 7, http://ec.europa.eu/dgs/fpi/documents/2016-aap/20160527_1_a7_-_c_2016_2989_f1_annex_en_v1_p1_850179_en.pdf.
[205] European Commission Implementing Decision on the 2016 Partnership Instrument Annual Action Programme for cooperation with third countries to be financed from the general budget of the European Union, Annex 12, available at http://ec.europa.eu/dgs/fpi/documents/2016-aap/20160527_1_a12_-_c_2016_2989_f1_annex_en_v1_p1_850276_en.pdf.
[206] European Commission Implementing Decision on the 2016 Partnership Instrument Annual Action Programme for cooperation with third countries to be financed from the general budget of the European Union, Annex 10: Action Fiche for IP Key South East Asia, available at http://ec.europa.eu/dgs/fpi/documents/2016-aap/20160527_1_a10_-_c_2016_2989_f1_annex_en_v1_p1_850182_en.pdf.
[207] European Commission Implementing Decision on the 2016 Partnership Instrument Annual Action Programme for cooperation with third countries to be financed from the general budget of the European Union, Annex 11, Action Fiche for IP Key Latin America, available at http://ec.europa.eu/dgs/fpi/documents/2016-aap/20160527_1_a11_-_c_2016_2989_f1_annex_en_v1_p1_850183_en.pdf.
[208] European Commission Implementing Decision on the 2016 Partnership Instrument Annual Action Programme for cooperation with third countries to be financed from the general budget of the European Union, Annex 7, p. 2, available at http://ec.europa.eu/dgs/fpi/documents/2016-aap/20160527_1_a7_-_c_2016_2989_f1_annex_en_v1_p1_850179_en.pdf.
[209] Interview with EU officials, 9 March 2016 (morning).

In conclusion, the PI allows the EU to engage with UMICs, while having a global scope.[210] It can intervene when bilateral DCI programmes are phased out, but 'with a budget of only EUR 1 billion, it is rather limited and remains a test balloon'.[211]

4.3.3 European Neighbourhood Instrument

Regulation No. 232/2014, which establishes the ENI, succeeds the older ENPI (see also chapter 3.2.1.5). For the time period 2014-2020, the European Neighbourhood Instrument (ENI) has a total budget of EUR 15,433 million.[212] The ENI is covering a total of 16 countries in the EU's neighbourhood. Out of these 16 countries, 7 countries are UMICs (see table 6) and could potentially benefit from the ENI.

Table 6: EU Neighbourhood UMICs

Algeria	Azerbaijan	Belarus
Jordan	Lebanon	Libya
Tunisia		

The ENI provides funding for several thematic fields, including the promotion of good governance, transition to democracy and human rights norms, sustainable and inclusive growth, mobility and people-to-people contacts and regional integration. Overall, the instrument supports 'the implementation of the political initiatives shaping the European Neighbourhood Policy'.[213] The ENI remains the main policy instrument benefiting the EU Neighbourhood-UMICs given the fact that Neighbourhood countries are excluded from the DCI geographical programmes,[214] and given the factual limitation to currently open the PI to non-Strategic Partners.

In the **Eastern Partnership**, the UMICs Azerbaijan and Belarus currently receive ENI support.[215]

For **Azerbaijan,** some EUR 77 to 94 million are planned for the time period 2014-2020. In 2014 only, EUR 21 million were committed. The key sectors in the bilateral cooperation include regional and rural development; justice; education; and skills development.[216]

For **Belarus,** some EUR 71 to 89 million are planned for the time period 2014-2020. In 2014, some EUR 19 million were committed to Belarus in the sectors education and skills development as well as direct support for civil society and independent media.[217]

[210] Interview with EU officials, 3 March 2016.
[211] Interview with EU officials, 3 March 2016.
[212] European Commission, The Multi-Annual Financial Framework: The External Action Financing Instruments, Memo, 11 December 2013 at:
http://europa.eu/rapid/press-release_MEMO-13-1134_nl.htm
[213] F. Gaub, O. de France, D. Fiott, 'EUISS Yearbook of European Security 2014', 23 May 2014, p. 36.
[214] Regulation (EU) No 233/2014 of the European Parliament and of the Council of 11 March 2014 establishing a financing instrument for development cooperation for the period 2014-2020, L 77/44, 11 March 2014, Art. 1.
[215] European Commission, Support for the Eastern Partnership, 2015:
http://ec.europa.eu/enlargement/neighbourhood/pdf/eastern-partnership-results-2014.pdf.
[216] European Commission, 'Support for the Eastern Partnership', 2015, available at
http://ec.europa.eu/enlargement/neighbourhood/pdf/eastern-partnership-results-2014.pdf, p. 10.
[217] Ibid., p. 13.

In the **EU's Southern Neighbourhood**, the UMICs Jordan, Lebanon, Libya and Tunisia are supported by the ENI. The indicative budget for the ENI is estimated between EUR 7.5 and 9.2 billion for the Southern Neighbourhood region in 2014-2020.[218]

For **Jordan**, the indicative programme foresees an allocation between EUR 567 and 693 million for the period 2014-2020.[219] For the period 2014-2017, an estimated of EUR 312 to 382 million is foreseen which breaks down into Reinforcing the Rule of Law for Enhanced (25%), Employment and Private Sector Development (30%), Renewable Energy and Energy Efficiency (30%), Complementary Support for Capacity Development and Civil Society (15%).[220]

For **Lebanon**, the indicative programme foresees an allocation between EUR 315 and 385 million for the period 2014-2020. For the period 2014-2017, between EUR 130 and 159 million will be used for the following sectoral programmes: Justice and Security System Reform (15%), Reinforcing Social Cohesion (40%), Promoting Sustainable Economic Development and Protecting Vulnerable Groups (20%), Promotion of Sustainable and Transparent Management of Energy and Natural Resources (25%).[221]

For **Libya**, the indicative programme foresees an allocation of EUR 126 and 154 million for 2014-2020. For 2014-2017 the following sectors will be targeted out of a total indicative amount of EUR 36 and 44 million: Democratic Governance (45%), Youth: Active Citizenship and Socioeconomic Integration (28%), Health (16%), Complementary Support for Capacity Development and Civil Society (11%).[222]

For **Tunisia**, the indicative programme foresees an allocation of EUR 725 and 886 million for 2014-2020. For the first phase of 2014-2015, a total Indicative allocation of EUR 202 and €246 million is foreseen. This is to be spent in the fields of Socio-Economic Reforms for Inclusive Growth, Competitiveness and Integration (40%), Strengthening Fundamental Elements of Democracy (15%), Sustainable Regional and Local Development (30%) and Complementary Support for Capacity Development and Civil Society (15%).[223]

4.3.4 Instrument for Pre-Accession

The **Instrument for Pre-Accession (IPA)** is worth EUR 11,699 million in the time period 2014-2020 (see also chapter 3.2.1.7). The IPA can be used to support potential future member countries of the European Union: Albania, Bosnia and Herzegovina, Kosovo, Montenegro, Serbia, Turkey, the former Yugoslav Republic of Macedonia. Out of these countries Albania, Bosnia and Herzegovina, Montenegro, Serbia and Turkey are considered UMICs.

[218] European Commission, European Neighbourhood and Enlargement Negotiations, at: http://ec.europa.eu/enlargement/neighbourhood/southern-neighbourhood/index_en.htm.
[219] European External Action Service, Financing the European Neighbourhood, http://eeas.europa.eu/enp/pdf/financing-the-enp/jordan_2014_2017_summary_of_the_programming_document_en.pdf, p.2
[220] Ibid.
[221] European External Action Service, Financing the European Neighbourhood, http://eeas.europa.eu/enp/pdf/financing-the-enp/lebanon_2014_2016_summary_of_the_programming_document_en.pdf.
[222] European External Action Service Financing the European Neighbourhood, http://eeas.europa.eu/enp/pdf/financing-the-enp/lybia_summary_of_the_strategy_paper_multi-annual_indicative_programme_2014-2015_en.pdf.
[223] European External Action Service, Financing the European Neighbourhood, http://eeas.europa.eu/enp/pdf/financing-the-enp/tunisia_2014_2015_summary_of_the_programming_document_en.pdf.

Table 7: 'Accession UMICs' and allocated IPA budget in 2014-2020

UMIC	Mio Euro
Albania	649,4
Bosnia and Herzegovina	165,8
Montenegro	270,5
Serbia	1508,0
Turkey	4453,9

The **Indicative Country Strategy Papers** give us clues about the amount spent per UMIC in the IPA context (see also table 8).[224] For Albania, an overall indicative amount of EUR 649,4 million is foreseen.[225] The main part of this budget is allocated to socio-economic and regional development (EUR 168 million) as well as reforms in view of EU membership in the field of democracy, human rights and the rule of law (EUR 320.5 million).[226] Bosnia-Herzegovina receives EUR 165.8 million in total, out of which the majority is allocated to reforms in preparation of EU membership and socio-economic development (EUR 64 and 63.8 million respectively). EUR 38 million are to be spent amongst others on employment, social policies, education and research.[227] For Montenegro an overall amount of EUR 270.5 million is foreseen.[228] Again, the majority of money to be spent will flow into reform for EU membership and socio-economic development. Both fields make up for EUR 99.2 and 90.8 million respectively.[229] However, considering the **size and importance of the two remaining UMICs** sponsored by the IPA, it does not surprise that these, Serbia and Turkey, will have received the largest amounts: EUR 1508 Mio Euro and 4453.9 million.[230] In the **Serbian and Turkish case**, about two-thirds of the money will be spent on EU pre accession reform in the field of democracy and governance as well as the rule of law.[231]

While it would go beyond the purpose of this study to analyse the IPA in greater detail, remains crucial to assess the implication for UMICs in view of the IPA. The fact that five UMICs receive substantial EU funding through the IPA shows the very diverse ways in which the EU engages with UMICs strategically and financially. This reality was already becoming evident in the context of the ENI. However, the indicated

[224] European Commission, European Neighbourhood and Enlargement Negotiations, http://ec.europa.eu/enlargement/news_corner/key-documents/index_en.htm?key_document=080126248ca659ce.
[225] European Commission, European Neighbourhood and Enlargement Negotiations http://ec.europa.eu/enlargement/pdf/key_documents/2014/20140919-csp-albania.pdfhttp://ec.europa.eu/enlargement/pdf/key_documents/2014/20140919-csp-albania.pdf
[226] European Commission, European Neighbourhood and Enlargement Negotiations http://ec.europa.eu/enlargement/pdf/key_documents/2014/20140919-csp-albania.pdf
[227] European Commission, European Neighbourhood and Enlargement Negotiations http://ec.europa.eu/enlargement/pdf/news/annexe_acte_autonome_nlw_part1v1.pdf
[228] European Commission, European Neighbourhood and Enlargement Negotiations http://ec.europa.eu/enlargement/pdf/key_documents/2014/20140919-csp-montenegro.pdf
[229] European Commission, European Neighbourhood and Enlargement Negotiations http://ec.europa.eu/enlargement/pdf/key_documents/2014/20140919-csp-montenegro.pdf
[230] European Commission, European Neighbourhood and Enlargement Negotiations http://ec.europa.eu/enlargement/pdf/key_documents/2014/20140919-csp-turkey.pdf and http://ec.europa.eu/enlargement/pdf/key_documents/2014/20140919-csp-serbia.pdf
[231] European Commission, European Neighbourhood and Enlargement Negotiations http://ec.europa.eu/enlargement/pdf/key_documents/2014/20140919-csp-serbia.pdf

allocated amounts to be spent on Serbia and Turkey are – for various strategic and geopolitical reasons – of a different, larger dimension than the ones in the context of the ENI (with the exception of Tunisia). For the UMICs funded by the EU at large, this finding means an absolute gap between countries like Serbia, Turkey and Tunisia and those who are neither eligible for the IPA nor the ENI. Obviously, this pattern reflects EU interests on the ground in view of EU Membership and its neighbourhood. But it also presents a picture of a very **heterogeneous and diversely funded group** of countries – the UMICs.

4.3.5 European Instrument for Democracy and Human Rights

The EIDHR has been described at great length above (see chapter 3.2.1.6). The EIDHR is a relatively small instrument considering its overall budget, for the time period 2014-2020, the allocated budget for the EIDHR is EUR 1,333 million. However, the EIDHR is considered of great added value to the EU's toolkit.[232]

In fact, the European Instrument for Democracy and Human Rights ('EIDHR') can be considered the EU's tool to support, develop and consolidate democracy and to promote the respect for human rights and fundamental freedoms in third countries, including UMICs.

According to data on the spending of external financing instruments in 2014 – the first implementation year of the 2014-2020 multi-annual programme – within the following recently graduated UMICs Civil Society organisations have received EIDHR money.

Table 8: Graduated Countries* from DCI without further bilateral DCI support or with granted exception and disbursements of EIDHR in 2014 (in million Euro)

Graduated countries – non eligible to DCI support (bilateral) and EIDHR disbursement in Mio Euro				**Graduated countries – granted exception and benefitting from DCI support (bilateral) and EIDHR disbursement in Mio Euro**	
Argentina	0.16	Iran	0.29	Colombia	2.28
Brazil	0.70	Malaysia	0.02	Cuba	-
Chile	0.43	Maldives	0.70	Ecuador	0.46
China	1.79	Mexico	1.3	Iraq	1.42
Costa Rica	0.03	Panama	-	Peru	0.61
Kazakhstan	0.87	Thailand	0.18	South Africa	0.87
India	0.71	Venezuela	0.84	Turkmenistan	0.65
Indonesia	0.48				2.28

*Indonesia and India graduated due to the fact of contributing to more than 1 percent of global GDP; while all others countries fall under the category of UMICs.

Source: European Commission, https://ec.europa.eu/europeaid/sites/devco/files/2015-annual-report-web_en.pdf

[232] European External Action Service, Instrument for Democracy and Human Rights Worldwide, Multi-Annual Indicative Programme (2014-2017), http://eeas.europa.eu/human_rights/docs/eidhr-mip-2014-2017_en.pdf

The overall amounts spent in 2014 are only rough indications of spending for the following years. Civil society in almost all UMICs benefit from the EIDHR. The assistance to projects spent by the EIDHR on recently promoted UMICs vary greatly. It is interesting that the largest absolute amounts were spent on China, Colombia, Mexico and Iraq, followed by Kazakhstan, South Africa, Brazil, the Maldives, India and Turkmenistan. EIDHR has global geographic reach in all continents. Interestingly, four Strategic Partners and so-called BRICS are tackled as UMICs. Clearly, however, the case of Colombia sticks out as it not only received the highest absolute amount of project assistance while at the same time being still eligible to the DCI funding. In other words, here the interest is to grant Colombia, despite its status as a UMIC, the possibility to use development and human rights related assistance.

4.3.6 Instrument contributing to Stability and Peace

In 2014, the European Parliament and the Council adopted the regulation governing the new Instrument contributing to Stability and Peace (IcSP, see also chapter 3.2.1.4).[233] While it has been covered in section 3 of this study already in view of 'protracted crises', this part of the study explores the link between the IcSP and UMICs in general, and those UMICs which have recently graduated in particular.

It is clear that IcSP not only addresses the prevention and management of crises and conflict scenarios arising from so-called internal and international factors contributing to insecurity, but also capacity building regarding the rule of law in overcoming internal and transnational insecurities. Overall then, the instrument not only focuses on internal conflict, but also on the international and transnational dimension of it. In regard to UMICs, it means that those UMICs identified above in terms of 'fragility' (see section 4.1) are likely to be considered EU partners in the context of IcSP.

For the period between 2014 and 2020 the IcSP has been assigned with a budget of EUR 2.339 million.[234] Interestingly, Brazil is one of the beneficiaries of the ICSP. [235]

4.4 Analysis of the European Development Fund

The 11th European Development Fund (described at greater length in chapter 3.2.1.2) is another source of development aid for ACP and OCT countries. There are two exceptions: Cuba is not a signatory to the Cotonou Agreement and South Africa which is signatory of a special protocol (and receives development assistance through, for example the DCI).[236] The 11th European Development Fund for the period 2014-2020 covers EUR 30.500 million.[237]

Given that Cuba and South Africa receive funding from other instruments, the EDF is not a relevant source for additional assistance for recently promoted UMICs (which are neither APC nor OCT countries). However, amongst the DAC/ODA list of UMICs (see table 1) certain countries still receive EDF based assistance. For example, in 2014, the Dominican Republic received some EUR 32.86 million through EDF-based

[233] Regulation (EU) No 230/2014 of the European Parliament and of the Council of 11 March 2014 establishing an instrument contributing to stability and peace (OJ L77/1 11.03.2014).
[234] European Commission, The Multi-Annual Financial Framework: The External Action Financing Instruments, Memo, 11 December 2013 at
http://europa.eu/rapid/press-release_MEMO-13-1134_nl.htm
[235] European External Action Service, Delegations,
http://eeas.europa.eu/delegations/brazil/eu_brazil/tech_financial_cooperation/index_en.htm.
[236] European Parliamentary Research Service, European Development Fund, November 2014, at
http://www.europarl.europa.eu/EPRS/EPRS-IDA-542140-European-Development-Fund-FINAL.pdf
[237] Herrero, Alias, Knoll, Anna; Gregersen, Cecilia; Kokolo, Willy: Implementing the Agenda for Change – a An independent analysis of the 11th EDF programming, ECDPM, September 2015.

assistance.[238] Belize, as another example, received EUR 2.63 million and the Cook Islands received EUR 1.00 million.[239] It is interesting to note that the 11th EDF also applies a differentiation policy aimed at significantly reducing the aid allocated to UMICs in order to prioritize aid to LDCs.[240]

4.5 Complementary and overlaps of existing instruments

For many, the different financing instruments do not create an overlap amongst each other.[241] In this perspective, each instrument has its own objective and has its own issues to cover. Accordingly, the mix of current instruments makes sense. In this regard the PI is often referred to as an example showing that instruments are 'born' in order to fill an existing perceived gap compared to the status quo-ante.[242] Nevertheless, the analysis of the PI also showed that its relatively limited budget has so far only benefitted a few countries falling into the category of UMICs. In fact, mainly so-called Strategic Partners, which are also considered UMICs, have profited from PI (see also section 4.6.2 below). Another example is Peru that has not only been granted an exception to continuously receive bilateral DCI support, but which also benefits from the PI.[243]

At the same time, certain financing instruments also complement each other, such as ENI, the EIDHR and DCI. The EIDHR is used for particular issues that the ENI cannot cover itself, for example civil society-support on the ground). As an example, the EIDHR is used complementary with the ENI and the thematic programmes of DCI in Azerbaijan, which is a UMIC.[244] However, while such a complementarity is useful, it should be understood that such complementarity does work in the European Neighbourhood, where the ENI can be used as the second-largest financing instrument (EUR 15.433 million in total) and where – accordingly – all other instruments are of secondary nature.[245] For UMICs outside the European Union's Neighbourhood this means that benefits and complementarity will depend on the thematic or regional programmes of the DCI (EUR 7 billion and for the thematic programmes and some EUR 2.500 million for regional programmes) and its combination with the financially limited PI, IcSP and EIDHR.

At the same time, in practice, it remains very difficult to determine from an aid donor perspective which project is funded by the PI and which is run in the DCI context.[246] From a transparency and recipient perspective, it would be useful to think about clearer rules that distinguish the use of the DCI and the PI in the future. One way of making a clearer distinction between the two could be to have an overarching list of topics/priorities in the thematic DCI, while the PI would focus on the specific priorities and needs for each country.[247] According to the EEAS, the question is less about money, but rather about which expertise is needed for each country in the future.[248]

[238] European Commission, 2015 Annual Report on the European Union´s development assistance policies and their implementation, 2014, at: https://ec.europa.eu/europeaid/sites/devco/files/2015-annual-report-web_en.pdf

[239] Ibid.

[240] A. Herrero, A. Knoll, C. Gregersen, and W. Kokolo, 'Implementing the Agenda for Change: An Independent Analysis of the 11th EDF Programming', ECDPM Discussion Paper, n. 180, September 2015, p. 12, available at http://ecdpm.org/wp-content/uploads/DP-180-Implementing-Agenda-Change-September-2015-ECDPM.pdf.

[241] Interview with EU officials, 9 March 2016 (afternoon).

[242] Interview with EU officials, 9 March 2016 (afternoon).

[243] See Peru Country Report, http://eeas.europa.eu/delegations/azerbaijan/documents/press_releases/2010-grants-brochure-final_en.pdf

[244] Interview with EU officials, 17 March 2016.

[245] Interview with EU officials, 17 March 2016.

[246] Interview EU officials, 3 March 2016.

[247] Interview EU officials, 3 March 2016.

[248] Interview EU officials, 3 March 2016.

4.6 Discussion of specific issues

4.6.1 Exceptions and eligibility to bilateral programming

The framework explained above should nevertheless not be seen as completely unified. Not all the countries that were supposed to graduate from bilateral aid programmes under the DCI have done so. Indeed **exceptions have been granted** to some countries that can therefore continue **benefiting from bilateral aid programmes under the DCI** in application of a Joint Declaration by the European Parliament, the Council of the European Union and the European Commission.[249]

In line with this Declaration, 'the following partner countries are considered eligible for bilateral cooperation, as exceptional cases, including in view of the phasing out of development grant aid: Cuba, Colombia, Ecuador, Peru and South Africa.'[250] Turkmenistan and Iraq were later added to this list of exceptions.

Starting with **Cuba**, it appears that two principal reasons explain why Cuba has been granted an exception. First, the data provided on the economic situation within the country were considered as non-reliable.[251] Second, Cuba is an ACP country that cannot benefit from the European Development Fund. The main instrument used in the bilateral relationship with Cuba remains the DCI, therefore with around EUR 50 million secured for the period 2014-2020. Development cooperation more specifically targets sustainable agriculture and food security, the environment and the economic and social modernization of the island.[252]

It may come as a surprise that **South Africa**, despite its status as a fast-rising economy, continues to benefit from bilateral aid programs under the DCI. Bilateral cooperation with South Africa has been granted the biggest envelope, with as much as EUR 241 million to be spent on creating employment, improving education, training, and innovation, and building a capable and developmental state in the period 2014-2017.[253] The rationale behind this exception probably relates to the fact that South Africa can be portrayed as a success story of the EU's development cooperation. In the past, the EU has provided approximately 70 percent of total aid to South Africa.[254] The EU aid programme has, in that context, been largely designed to support what the EU perceives as South Africa's central role on the African continent. As a Strategic Partner, the EU encourages South Africa to drive the regional integration process, pushes South Africa to lead the African Union, and sees the role of South Africa as central in the implementation of the Joint Africa-EU strategy.[255]

Partly due to the strong pressure from the European Parliament,[256] three countries, namely Peru, Colombia, and Ecuador, have since been granted exceptions to continue to benefit from bilateral aid programmes

[249] Declaration by the European Parliament, the Council of the European Union and the European Commission on point (ii) of point (b) of Article 5(2) of Regulation No 233/2014 of the European Parliament and of the Council of 11 March 2014 establishing an instrument for development cooperation for the period 2014-2020, available at http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+20131211+ITEMS+DOC+XML+V0//EN&language=EN#sdocta21.

[250] Declaration by the European Parliament, the Council of the European Union and the European Commission on point (ii) of point (b) of Article 5(2) of Regulation No 233/2014.

[251] Interview with EU officials, 9 March 2016 (morning).

[252] EEAS, 'EU Relations with Cuba', available at http://eeas.europa.eu/cuba/index_en.htm.

[253] European External Action Service and European Commission, 'Multiannual Indicative Programme (MIP) 2014-2017: South Africa, p. 35, available at https://ec.europa.eu/europeaid/sites/devco/files/mip-south-africa-edf11-2014_en.pdf.

[254] European External Action Service, EU Relations with South Africa, available at http://eeas.europa.eu/south_africa/index_en.htm

[255] N. Keijzer, F. Krätke, and J. Van Seters, 'Meeting in the Middle? Challenges and Opportunities for EU cooperation with Middle-Income Countries', ECDPM, Discussion Paper n°140, 2013, p. 35.

[256] Interview with EU officials, 9 March 2016 (morning).

even though they fall under the UMIC category. **Colombia** on its side continues to receive EUR 67 million for the period 2014-2017 with the greatest part of the budget supposed to be spent in the years 2015 and 2016. Bilateral cooperation targets 'strengthening social cohesion, addressing governance issues, in particular regarding public institutions at sub-national levels, and supporting an active civil society, as well as promoting development aid for trade to ensure that micro-enterprises and SMEs can benefit from international trading opportunities'.[257]

Bilateral development cooperation with **Ecuador** was allocated a budget of EUR 67 million for the period 2014-2017. The Multi-Annual Indicative Programme identifies the support for sustainable and inclusive growth at the local level and the development of sustainable trade as the main priorities for the EU in Ecuador.[258]

Peru is another Latin American country that was granted a special status and can exceptionally continue to benefit from bilateral development programmes for the period 2014-2017. The EUR 66 million allocated should contribute to the strengthening of inclusive development at the local level as well as sustainable trade and investments 'as means for improving living conditions of the most vulnerable population'.[259] The fact that three countries from Latin America were granted exceptions should not come as a surprise. It is indeed in Latin America that most of the graduated countries can be found. Interestingly, the objectives set in the Multi-Annual Indicative Programmes for Peru and Colombia correspond to a large extent to some of the broad objectives set by the Trade Agreement that the EU signed with Peru and Colombia in 2011.[260]

As much as EUR 75 million have been secured for the bilateral development cooperation with **Iraq** for the period 2014-2017. The DCI is here used to promote human rights and the rule of law, strengthen the primary and secondary education systems, and guarantee the access to sustainable energy.[261] In a context where the situation in Iraq has become directly linked to the fate of the region (i.e. situation in Syria), the EU approach in Iraq needs to be particularly comprehensive, which explains why the EU uses all the instruments at its disposal in its relationship with Iraq.[262] The DCI is there used with the specific purpose of addressing the root causes of violence and installing a structural stability.[263] With Iraq being a country rich in resources, political and knowledge transfers aimed at tackling the enduring 'structural political instability and inadequate model of governance' are also a key to the EU policies vis-à-vis Iraq.[264]

As for **Turkmenistan**, at the time of the negotiation of the Multi-Annual Indicative Programme it was likely that the status of the country would change on the DAC list during its next review, which was scheduled to take place in November 2014.[265] The country had indeed recently benefitted from high economic growth and a strong increase of income levels in recent years. The decision was therefore taken to make a

[257] European External Action Service and European Commission, 'Multiannual Indicative Programme (MIP) 2014-2017: Colombia', p. 1, available at https://ec.europa.eu/europeaid/sites/f/files/mip-colombia-2014-2017_en.pdf.
[258] European External Action Service and European Commission, 'Multiannual Indicative Programme (MIP) 2014-2017: Ecuador', p. 25, available at https://ec.europa.eu/europeaid/sites/devco/files/mip-ecuador-2014-2017_en.pdf.
[259] European External Action Service and European Commission, 'Multiannual Indicative Programme (MIP) 2014-2017: Peru', p. 4, available at https://ec.europa.eu/europeaid/sites/devco/files/mip-peru-2014-2020-180814_en.pdf.
[260] Trade Agreement between the European Union and its Member States, of the One Part, and Colombia and Peru, of the Other Part, 2011, available at http://trade.ec.europa.eu/doclib/docs/2011/march/tradoc_147704.pdf.
[261] European External Action Service, Relations between Iraq and the EU, available at http://eeas.europa.eu/iraq/index_en.htm.
[262] European External Action Service, Relations between Iraq and the EU.
[263] Foreword by the European Commissioner for International Cooperation and Development, 'Strengthening Iraq through EU cooperation' in European Commission, 'Strengthening Iraq through EU cooperation', 2015, p. 5.
[264] J.C. Boidin, Head of Unit, DG DEVCO in Delegation for Relations with Iraq, 5th European Parliament-Iraq Interparliamentary Meeting, 4 December 2014, Brussels, p. 9.
[265] It is at the occasion of the November 2014 review that Turkmenistan was officially added tot he list of UMIC on the DAC list.

first allocation for bilateral aid cooperation for the period 2014-2017 and then to assess the country's eligibility for the period 2017-2020.[266] The overall purpose was to ensure 'a smooth transition from a development partner to a fully graduated country'.[267] It was agreed that the European Commission would review the progress made by Turkmenistan and reassess both the eligibility of Turkmenistan for bilateral aid programmes and the opportunity to apply the exception clause in agreement with Article 3 (d) of the new DCI Regulation.[268] During the period 2014-2017, EUR 37 million that will be allocated to different development projects in the areas of professional education, institutional strengthening, and capacity-building and development.[269]

As a conclusion, it is important to note that there is the ability to have an exemption from graduation 'with a view to phasing out development grant aid'.[270] Nevertheless, the criteria used to award an exemption are not explained in detail by the Regulation establishing the DCI. The list of countries who have been awarded this exceptional status is indeed the fruit of political negotiations between the European Parliament, the Council and the Commission. While these exceptions remain by definition limited, the Turkmenistan case demonstrates that **the use of** the OECD/DAC lists **as the main criteria** to justify the phasing out from bilateral aid programme is particularly problematic for those countries that are in between the LMIC and UMIC categories.

Nevertheless, the **exception list arguably fits with the differentiated approach** because exception criteria were established 'with a view to phasing out development grant aid'.[271] On the one hand, these exceptions were granted for the period 2014-2017. It remains to be seen whether or not these exceptions will be renewed at the mid-term review of the DCI. Interestingly, South Africa appears here as the only country that was granted an exception for the entire period 2014-2020. On the other hand, countries who were granted an exception were allocated a more limited envelope than for the previous implementation of the programme for the period 2007-2013.

4.6.2 Strategic Partners: First amongst equals?

In line with the 2014 Regulation of the European Parliament and the Council establishing a financing instrument for development cooperation for the period 2014-2020, **five strategic partners are no longer eligible for the bilateral programmes** under the DCI (Brazil, China, Mexico, India and Indonesia) because they are UMICs on the OECD/DAC list of developing countries and/or because their GDP is higher than 1 percent of the global GDP. As mentioned earlier, South Africa is another Strategic Partner that was supposed to be phased out from bilateral aid programmes, but the country was granted an exception for the period 2014-2020.

While the PI was defined as a global instrument, without any geographic limitation, it appears that **only four UMICs have benefitted from the PI so far**, namely Brazil, China, Mexico and Peru. The Strategic Partners are 'the priority, not the only target, but the main priority in the context of a limited budget'.[272] In addition to these UMICs, strategic partners who have also benefited from the PI include the United-States,

[266] European External Action Service and European Commission, 'Multiannual Indicative Programme (MIP) 2014-2017: Turkmenistan, p. 4, available at https://ec.europa.eu/europeaid/sites/devco/files/mip-2014-2017-turkmenistan-20141021_en.pdf.

[267] Interview with the EU officials, 3 March 2016.

[268] European External Action Service and European Commission, 'Multiannual Indicative Programme (MIP) 2014-2017: Turkmenistan, p. 9.

[269] European External Action Service and European Commission, 'Multiannual Indicative Programme (MIP) 2014-2017: Turkmenistan, p. 9

[270] Regulation (EU) No 233/2014 of the European Parliament and of the Council of 11 March 2014 establishing a financing instrument for development cooperation for the period 2014-2020, L 77/44, 11 March 2014, Art. 5.2

[271] Interview with EU officials, 9 March 2016 (afternoon).

[272] Interview with EU officials, 9 March 2016 (afternoon).

Canada, Korea, Japan, India, Australia and Russia. Given the limited envelope for the PI, it is understandable that priorities are to be set. It nevertheless comes as a surprise that such a limited number of countries have benefited from the PI. Apart from Peru, the three other UMIC countries that have benefited from the PI are EU Strategic Partners. PI Projects with the Strategic Partners are very diverse in terms of both their content and the size of their respective budgets (for a detailed list of projects, see Table 6). They cover a large range of issues from migration, sustainable development, rule of law, human rights and democracy promotion, cybersecurity, education cooperation and corporate social responsibility.

While the budget allocations make it clear that Strategic Partners have remained the main UMIC beneficiaries of the Partnership Instrument, **the illegibility of the same Strategic Partners for bilateral programmes under the DCI is not without consequences**. The case of the EU-China School of Law (ECSL) is particularly interesting in that respect. The ECSL was created back in 2008 as the fruit of a joint initiative by the European Union and the People's Republic of China. The purpose of the school is to serve as a platform for EU-China legal education and dialogue between European academics and students and their Chinese counterpart. In line with Article 21 TEU, the EU aims 'to support the Chinese Government in its efforts to develop a society based on the rule of law'.[273] The creation of the ECSL acted therefore as a first attempt to institutionalize cooperation between the EU and China in the legal field. At the time of the creation of the ECSL, it was decided that the EU would contribute an amount of EUR 17.5 million to the project (i.e. 57.4 percent of the total budget).[274] This amount was to be financed by the EU bilateral envelope to China from 2006 onwards (under the old Asia-Latin America Regulation Instrument). The project implementation and spending have been slower than originally foreseen, allowing for a multi-year extension of the financing agreement and grant till mid-2018. With the new DCI Regulation for 2014-2020, China was no longer eligible to benefit from the DCI bilateral programmes. It remains therefore to be seen which financing instrument will be used to cover the EU contribution to the ECSL budget after 2018. Interestingly, this question will emerge at a time where the EU will be in the first years of implementation of the new Legal Affairs Dialogue it launched with the PRC.[275] It was indeed agreed at the occasion of the 2015 EU-China Summit that this dialogue would be created as an arena 'for policy exchanges, mutual learning and cooperation in legal affairs'.[276] The PI will be used – with an allocated amount of EUR 300 000 - to support the organization of workshops providing expertise for the new legal affairs dialogue. It remains therefore to be seen whether the **PI will be used for the financing of the ECSL after 2018**.

4.6.3 Financing Gaps for specific UMICs?

A central question to be debated is whether the existing instruments will engender financing gaps with some UMICs that would no longer benefit from the EU instruments as much as they did before the new DCI regulation. It is useful at this stage to make a distinction between the countries which are eligible for the ENI/IPA and those which are not.

Many UMICs are indeed located in the EU's neighborhood or are candidate countries for EU Membership From that perspective, neighbouring and candidate countries that fall under the UMIC category are not directly affected by the reform of the DCI for the period 2014-2020. Interestingly, the European Commission acknowledges that the **World Bank/OECD classifications are not central in the definition**

[273] European External Action Service, Development Cooperation Instrument for the People's Republic of China, Mid-Term Review of the National Indicative Programme 2011-2013, p. 17.
[274] See EEAS, Project Fiche: Europe-China School of Law, available at http://eeas.europa.eu/delegations/china/projects/list_of_projects/18029_en.htm.
[275] See generally: M.Burnay, J. Hivonnet and K. Raube, 'The Case for an Eu-China Rule of Law Dialogue: The Squaring of a Circle?', Asia Europe Journal, Volume 14, Issue 1, March 2016, pp. 95-106.
[276] EU-China Summit Joint Statement, The Way Forward after Forty Years of EU-China Cooperation, 29 June 2015, Para. 23, available at http://www.consilium.europa.eu/en/meetings/international-summit/2015/06/150629-eu-china-joint-statement/.

of the European Neighbourhood Policy. From that perspective, the whole debate on 'graduation' and 'differentiation' does not have a direct impact on the way the European Commission looks at these countries. There is to a certain extent a 'mystification' in the perspective of the European Commission in a context where many of these countries are still facing tremendous development challenges. The **main focus indeed remains on institutional reforms** and on the needs of countries where the GDP per capita remains limited. If the gap exists, it originates primarily from the way the EU strategically engages with these countries, rather than from the instruments available for these countries.

In contrast, **countries that have graduated from bilateral aid programmes under the DCI and have so far not benefited from the PI are facing the risk of being phased out from the main EU financing instruments**. The question for these countries is rather whether thematic and regional programmes sufficiently fill in the gap left by graduation from bilateral aid programmes. This question is obviously difficult to answer in a context where it is impossible to break down the figures of the thematic and regional programmes by country. When looking at the case of Argentina, it nevertheless becomes clear that the gap left by the graduation can hardly be compensated by the regional and thematic programmes only. In the period 2007-2013, it was as much as EUR 65 million that was spent by the EU under the DCI for financing projects promoting social inclusion and the education sector, small businesses, and the strengthening of EU-Argentina relations.[277] While it is very difficult to evaluate the extent to which a country such as Argentina can benefit from the Latin America DCI Regional Programme, a budget of EUR 8.75 million has been foreseen for CSO – LA programmes for the period 2014-2020.[278] Whatever the specific needs of a UMIC country such as Argentina, it is hardly defendable that the phasing-out from bilateral programmes would have no consequence on the strategic ties between Argentina and the EU without a meaningful compensation through the PI. Argentina has in this respect only benefited from the PI through one regional PI project, the IP Latin America Project, despite all of the discussions regarding adding Argentina to the list of EU Strategic Partnerships.

From a more thematic perspective, it appears to be particularly **difficult to identify specific themes** that would be left behind by the current instruments. The themes covered and the way the instruments are being mobilized vary depending on the country concerned. With the 'differentiated approach', the potential concern does not relate to the question of whether specific themes would be sufficiently covered but rather relates to the way that the EU engages with UMICs.

4.6.4 Budget: Increasing the envelope?

The previous section identified the existing gaps engendered by the reform of the instruments for the MFF 2014-2020. The question remains, nevertheless, whether the existing envelope dedicated to financing instruments is sufficient to achieve the EU development objectives and meet the needs of UMICs within the framework set for the MFF 2014-2020. The EU 'differentiated approach' to development and the graduation of UMICs from bilateral aid programmes under the DCI justify the limited envelope available for UMICs. **UMICS would indeed be mainly in need of knowledge and technology sharing** rather than in need of ODA.[279].According to this rationale, UMICs would hope that the EU shares more of its expertise/experience in order to improve their situation rather than billions of help to alleviate poverty.[280]

When talking to institutional stakeholders, it appears that the **budget allocated to the instruments available for UMICs would be sufficient** to reach the targets set by the MFF 2014-2020. The **main concern relates nevertheless to low staff capacities to manage funding**. Of particular concern is the

[277] European Commission, Country Strategy Paper: Argentina 2007-2013, 23 April 2007, p. 4, available at http://eeas.europa.eu/argentina/csp/07_13_en.pdf.
[278] Exchange of Information with the European Commission, September 2016.
[279] Interview with EU officials, 9 March 2016 (morning).
[280] Interview with EU officials, 9 March (afternoon).

application of the PI which would require more flexibility, mainly at the level of the EU Delegations. While EU Delegations to Strategic Partners do have a PI dedicated staff, there is still a strong reliance on DEVCO staff in other delegations.

Generally speaking, the resources exist but there is a strong need to improve their management and secure a more tailored implementation. The MFF 2014-2020 has led to the reduction of the staff present in the delegations: **'The process has been very simplistic in a sense: no bilateral allocation anymore, less staff'.**[281]

4.6.5 Need for a revised or new instrument for UMICs?

The mid-term review of the EU external action financing instruments will take place in 2017. In line with the 2014 Regulation, which establishes common rules and procedures for the implementation of the Union's instruments for financing external action, the review 'shall cover the period from 1 January 2014 to 30 June 2017 and shall focus on the achievement of the objectives of each Instrument by means of indicators measuring the results delivered and the efficiency of the Instruments'.[282]

In practice, this mid-term review will be the occasion to assess the relevance of the reforms undertaken in 2014 with the changes in the eligibility criteria for bilateral programmes under the DCI and the creation of the PI. From the perspective of the EEAS, the **reflection on the financing instruments cannot be seen in isolation of the EU global strategy.**[283] It is therefore only when the EU Global Strategy is implemented that the EEAS will really start looking at the instruments.[284] From the EEAS' perspective, it is therefore 'premature' to look at the individual instruments before implementation. The political reflection should indeed come before the assessment of the individual instruments.[285]

Though it might still be a bit early to draw major conclusions, the following points can already be made at this stage.

First, all the EU services (Commission, EEAS, FPI) agree that there is **no need for a new instrument to be created**. There is a consensus that the more instruments you create, the more fragmentation and rigidity you engender. **Flexibility is an important asset for dealing with UMICs** and should therefore be encouraged by avoiding the multiplication of instruments at the disposal of the EU. Flexibility is central in the EU's differentiated approach towards development cooperation with the aim to strengthen the EU's capacity to deal with unforeseen events. Some voices at DG DEVCO even expressed their preference for rationalizing the existing instruments that should all be combined in one efficient and working instrument that could be adjusted for the country the EU is dealing with. The ideal would be, from that perspective, to have one mixed instrument that could be used in different issues areas.[286]

Second, **the *raison d'être* of the PI is likely to remain valid** in a context where UMICs and fast emerging countries are phased out from the bilateral programme of the DCI. From the perspective of the service for FPI, there would be therefore no reason to have the PI revised.[287] The existence of exceptions to the graduation process as well as the very limited coverage of the PI should nevertheless lead the EU to reflect upon the instruments at its disposal to deal with countries as important as Argentina. So far the PI has been an instrument primarily used in the bilateral relationships with Strategic Partners. It would be, from that

[281] Interview with EU officials, 9 March 2016 (morning).
[282] Regulation (EU) No 236/2014 of the European Parliament and of the Council of 11 March 2014 Laying Down Common Rules and Procedures for the Implementation of the Union's Instruments for Financing External Action (OJ L 77/95, 11.03.2014), art. 17.
[283] Interview with EU officials, 3 March 2016.
[284] Ibid.
[285] Ibid.
[286] Interview with EU Officials, 9 March 2016 (morning).
[287] Interview with EU Officials, 9 March 2016 (afternoon).

perspective, important to clarify whether the Strategic Partners should be the only targets of the Partnership Instruments during the mid-term review and possibly adjust the mid-term indicative programme for 2018-2020 for the PI.

Third, the **instruments appear to be rather complementary** to each other and do not entail significant overlap. Nevertheless, the **lack of coherence between the different instruments** can be portrayed as rather problematic. If one looks for instance at the ENI and the IPA, it is striking that the differentiated approach to development cooperation is not really included in the EU approach towards its neighborhood. The priority of the EU should therefore better coordinate the implementation of the instruments in a context where the EU has to choose and select among different issues given the limitation of funding available.[288]

It is clear that the mid-term review of the financing instruments will largely be conditioned by the overall economic and budgetary situation of the EU. From that perspective, it is very likely that the **'differentiated approach' will not be questioned**. Instead of creating a new instrument, the EU should carefully consider its existing instruments with the view of avoiding financing gaps more particularly when non-strategic partners are concerned, strengthening the coherence between the instruments, and clarifying the overall nature of the PI.

4.7 Conclusions UMICs: is there a need for a new instrument?

The preceding part of this study has identified the various needs of UMICs and the EU's 'differentiated approach'. Despite the importance and relevance of the 'differentiated approach', this study identified some of the many problems inherent to the MFF for the period 2014-2020 more particularly when UMICs are concerned: the study shows that the **PI so far mainly targeted Strategic Partners**. Thematic and regional programmes of the DCI hardly fill in the gap left following the graduation of some countries from bilateral aid programme. The overall budget of the thematic and regional programmes clearly demonstrate that the **envelope is here much more limited** than the one available for the bilateral programmes. It also became clear that financing instruments that are now available for some UMICs do not allow to reach the same ambitious objectives as those identified in the context of the MFF for the period 2007-2013. The analysis also pointed out that some **exceptions that have been granted to some UMICs are strongly problematic**, as they remain primarily based on a political and somehow arbitrary decision that has a significant impact on the extent to which UMICs can benefit from EU funding. At the same time, the **question remains whether these exceptions will be extended for the period 2017-2020.** In this respect, it remains to be seen whether the 2017 mid-term review of the external financing instruments will not only consider the extension of these exceptions from the perspective of the limited EU development budget but will also carefully consider the enduring development needs of these countries. Finally, the study emphasized that while there is **a clear need for a better coherence and coordination** in the application of financing instruments, there is no apparent need for the creation of a new instrument specifically targeting UMICs.

[288] Interview with EU Officials, 9 March 2016 (afternoon).

5 Conclusions

The preceding study has looked into the current financing instruments of the EU in view of protracted crises and UMICs. It identified challenges and potential avenues of how to improve the current set up of financing instruments in view of the two specific cases analyzed by this study.

5.1 Protracted Crises

Regarding protracted crises, the study showed that current situations of crisis and protracted crisis pose new challenges to the EU institutions for responding effectively. In view of crisis situations getting much longer term, there are clear **needs to find more sophisticated approaches** which can establish links between different situations of crisis. Immediate crisis response, for situations of violent conflict as well as disasters, often needs to be combined with humanitarian aid, peacebuilding efforts and longer-term development assistance to **pave the way towards more stability**. Despite progress, the EU responses to crisis and protracted crisis must be made more effective (both the EU Trust Funds and the IcSP allow clearly for more flexibility and speed compared to other EU instruments). Compared to some other international agencies, however, the Instrument – while being fast in relation to decision-making – is not always as fast with regard to contracting which is caused by the overall requirements and procedures of the EU. This should get attention so that the EU can remain an even more relevant actor in relation to crisis response

The EU has **a variety of financing instruments to address situations of protracted crisis**, which have been described in this study. In an ideal world, EU external action should be able to do with less and reduce fragmentation. Examples are the split between the EDF and the DCI, each with its own guidance and regulations for dealing with situations of crisis, fragility and conflict. The EU's political and institutional landscape is complex and requires **pragmatic approaches in the absence of strong political leadership.** In other words, EU external action requires a competency which is strongly grounded in the powers of EU Member States.

The need for more flexibility, speed and timeliness is another incentive to create instruments and mechanisms to respond more effectively to protracted crisis. Protracted crisis, as has been explained in the introductory part of this study are not always linear and are sometimes cyclical, requiring **financing responses which can be easily adapted to situations of rapid change**, or phases of stabilisation, depending on the respective contextual situation. There is a benefit of having different instruments in place, which – depending also on the political situation – can be used at a particular point in time. The IcSP, conceptualised as a highly flexible and rapid instrument to respond to crisis and emerging crisis where other EU instruments cannot be used, is of particular value with regard to the political dimensions of EU external action, though there is a need to clarify how these interventions relate to more flexible development-related interventions, which the newly created EU Trust Funds are financing.

Given the imperfection of the EU's institutional set-up for external action, **effective coordination among the different institutional actors**, at headquarters as well as field levels, is of paramount importance to ensure that the different instruments are used coherently and in a complementary manner. While efforts have been taken to enhance this coordination through useful approaches and tools, e.g. the establishing of crisis platforms, the formulation of Joint Humanitarian Development Frameworks (JHDF) and the creation of a conflict assessment tool developed jointly by the EEAS and DG DEVCO (just to name a few), the various parts are not smoothly cohering. **More political leadership and resource**s are needed to reinforce joint work with a view to further enhance the comprehensiveness of the EU external action.

This needs to be underpinned with efforts to enhance the overall institutional capacity in dealing with crisis and protracted crisis, which are the new realities of EU external action (and which will remain a reality for the time to come). Strengthening the EU's capacity will need, first, a targeting of the human resources

dimension. The complexities in dealing with (protracted) crisis require good EU institutional knowledge as well as solid context and thematic knowledge. The **mobilisation of sufficient expertise**, its development and longer-term duration on the job will be indispensable. Second, there has been relatively little attention given to the creation of a community of practice across EU institutions that is able to reflect and learn from experiences and lessons gleaned on the matter at hand. The field of protracted crisis is still fairly new and could benefit from investments in more effective knowledge sharing and networking within EU institutions, across EU institutions and between EU institutions and other international partners active in this field of work.

5.2 UMICs

Regarding the **relationship between the EU's financing instruments and the needs of UMICs**, this study clearly confirmed the well-known characteristics of the new development environment that is characterized by both its diversity and complexity. UMICs are no exception in this regard, with some UMICs still facing major challenges in addressing extreme poverty and in providing a stable social, economic, and political environment to their population. From that perspective, it has been argued that the **revision of the financing instruments** used in the relationship with MICs according to the sole OECD/World Bank criteria is extremely simplistic. Indeed, the classifications provided by the World Bank and the OECD do not adequately account for the significant diversity among the UMICs, particularly in terms of their enduring development needs.

The **'differentiated approach'** can nevertheless hardly be questioned. At a time when the EU budget has become increasingly tied and the budget for development cooperation more limited, it is necessary for the EU to concentrate its budget on those countries that are the most in need of ODAs, more particularly LDCs. The 'differentiated approach' is also consistent with the expectations of many of the UMICs that are more in need of knowledge, experience, and technology sharing than large amounts of ODAs.

Despite the importance and relevance of the 'differentiated approach', this study identified some problems inherent to the MFF for the period 2014-2020 particularly when UMICs are concerned:

First, the Partnership Instrument that was created to fill in the gap left for those countries that had graduated from bilateral aid programmes under the DCI has so far mainly targeted Strategic Partners. Despite its global scope, Strategic Partners have clearly been identified as the main beneficiaries of this new instrument. While this approach can obviously be questioned in terms of its substance, it should be emphasized that **more transparency/clarity on the actual objectives of the PI is necessary**.

Second, thematic and regional programmes of the DCI hardly fill in the gap left following the graduation of some countries from bilateral aid programmes. While it remains difficult to know how much individual countries benefit from thematic and regional programmes under the DCI, the overall budget of the thematic and regional programmes clearly demonstrate that the envelope is here much more limited than the one available for the bilateral programmes.

Third, the **exceptions that have been granted to some UMICs are strongly problematic**. First, they truly demonstrate that the criteria used to justify the graduation from bilateral aid programmes are too simplistic. The development needs of countries such as Cuba, Ecuador, Columbia, Peru, South Africa, Turkmenistan, and Iraq are indeed recognized by the EU despite of their UMIC status. Second, the **question remains whether these exceptions will be extended to the period 2017-2020.** In this respect, it remains to be seen whether the 2017 mid-term revision of the MFF will not only consider the extension of these exceptions from the perspective of the limited EU development budget but will also carefully consider the enduring development needs of these countries.

Fourth, **thematic gaps can hardly be identified** in a context where the needs of UMICs strongly vary. It is, however, clear that the instruments that are now available for some UMICs – we took the example of

Argentina in this study – do not allow one to reach the same ambitious objectives as those identified in the context of the MFF for the period 2007-2013. Nevertheless, if one only sticks to the rationale behind the 'differentiated approach', it becomes clear that the main concern would then relate to staff shortage rather than to the actual size of the budgetary envelope available. The revision/reform of the instruments for the period 2014-2020 and the graduation of some countries from bilateral aid programmes has indeed been translated into a diminution of available staff.

Finally, it is important to acknowledge that the existing foreign policy instruments happen to be complementary to each other. While there is a clear need for a better coherence and coordination in the application of these instruments, there is **no apparent need for the creation of a new instrument specifically targeting UMICs**. It is indeed perceived that the more instruments you create, the more rigidity in the implementation of the instruments you engender. **Flexibility appears here as a key** in the relationship between the EU and UMICs. Flexibility in the implementation of the existing financing instruments is of central importance if the EU wants to achieve its strategic objectives and respond to the specific needs of UMICs.

6 Recommendations

6.1 Protracted Crises

Overall recommendations

- To enhance the EU's response capacity, a greater commitment and risk-acceptance from long-term financing instruments for conflict and disaster response, peacebuilding and stability needs to be ensured. In this way, long-term instruments (EDF, DCI, ENI and IPA) should better connect with other instruments (e.g. the IcSP) and provide a longer-term perspective on addressing structural vulnerabilities, while at the same time retaining flexibility.
- The benefits of having a diversity of instruments and mechanisms at the disposal of the EU should not be underestimated. Attempts to rationalise the EU's set of instruments for the purpose of efficiency might limit its ability to respond to varied protracted crisis situations. Discussions on the possible streamlining of instruments should be informed by concerns about the EU's effectiveness and added value in responding to protracted crises.
- In view of considerable amounts of EU funding going to fragile and conflict-prone situations (e.g., some 70% of EDF) there is a need for making the EU institutional apparatus more sensitive to (protracted) crises. Efforts should be made to enhance the awareness and knowledge across Commission, EEAS and EU Delegation staff on the nature and needs of protracted crises.
- The relevance of responding in a context-specific manner to crisis and stability based on solid knowledge of a country or region should be recognised. This requires empowering and resourcing EU Delegations to provide more strategic orientations, coordination and decision-making in accordance with local needs and political realities. Joint programming between the EU and its member states in situations of protracted crisis, where clear guidance and coordination from partner countries is often weak, should specifically be promoted.
- Responses to protracted crisis and humanitarian needs that reinforce national and local systems instead of undermining or replacing them should be promoted. This requires approaches that support the involvement and strengthening of local initiatives in response to a crisis from early on to allow local actors, including those operating at the community level, to build resilience.

Operational recommendations

Conceptual clarity

- Promote a cross-EU conceptual understanding and framing of the term 'protracted crisis' and 'stabilisation', and develop a dedicated and comprehensive guidance on addressing protracted crises and working towards achieving stability and resilience. This does not presently exist. Work in this domain should liaise with other international actors' work (e.g. UN, EU member states), which are equally challenged to frame their approaches appropriately.

Responsiveness and flexibility

- Beyond instruments such as the IcSP, there is a need for a flexibilisation of long-term instruments that can provide sustainable support to stability and resilience. This implies looking for ways to flexibilise the EU Financial Regulation and reduce procedures that currently slow down contracting procedures. The introduction of so-called 'crisis modifiers' could be considered at programme and project level in order to allow a share of funding to be reallocated across development, relief and recovery activities in crisis situations, to increase flexibility and reduce risk adversity of long-term assistance.
- Consider re-establishing the PAMF, or a similar mechanism, under the IcSP. The PAMF (Policy Advice and Mediation Facility) was available under the Instrument for Stability 2007-2013 as a mechanism to very quickly fund small-scale and highly focused crisis response interventions up to an amount of EUR 2 million. It has been discontinued under the IcSP due to the lack of a legal basis within the Instrument regulation. To remain a credible actor in the domain of (political) crisis response, the EU would benefit from having a similar highly flexible mechanism when urgent needs arise.

Integrating a resilience approach in instruments

- Consider increasing the amount of resources available to ECHO. The flexibility of EU humanitarian aid is currently hampered by limited resources, forcing ECHO to make hard choices between addressing urgent needs in emergencies or investing in prevention- and resilience-related activities. Given more budgetary leeway, the Commission could start experimenting with multiannual programming for part of its budgetary efforts in identified protracted crises to ensure a more sustainable and predictable engagement, especially where conditions are too unstable for DEVCO or NEAR to step in. However, this should not go at the expense of ECHO's ability to quickly respond to unforeseen needs.

- ECHO would also benefit from the availability of additional resources through other instruments (e.g. from the EDF) that would allow it to directly fund local organisations in situations of protracted crisis to enhance local resilience and response capacities, without threatening ECHO's neutrality.
- Promote the practice of developing Joint Framework Documents and Joint Humanitarian-Development Frameworks, outlining both short- and long-term priorities, and ensure that they are more systematically formulated and used as a basis for programming. Ground these in solid mechanisms to analyse conflicts and crises, leading to a joint identification of the way forward, while keeping procedures flexible and light.
- Use long-term instruments more systematically to engage in conflict prevention, peacebuilding and post-crisis reconstruction. This would not require changes of instrument regulations, but rather provide better incentives to make full use of what is currently foreseen in the existing ones. For the IcSP, this implies fostering recognition across EU institutions that the Instrument is not purely a political troubleshooting instrument to respond to urgent crisis situations, but also an instrument whose central mandate includes prevention and linking crisis response with development. For long-term instruments, the Commission should build on good practices and lessons learned from past and

ongoing initiatives, such as the PRO-ACT programme, and mainstream conflict prevention and resilience in its programming documents where relevant.

- When addressing situations of protracted displacement, strengthen incentives for working with and through local authorities and host countries, including by strengthening their capacities. This implies integrating forced displacement better in the development programming of long-term instruments. This should be combined with political dialogue to incentivize host governments to provide assistance to refugees and include their needs in national development plans, e.g. by opening local employment markets to refugees.[289]

Coordination

- Work through effective coordination mechanisms between the EEAS and the Commission to clarify the use of EU Trust Funds and the IcSP in dealing with specific (protracted) crises in regions covered by the EUTFs. Attention needs to be given to the political coordination of responses by ensuring that EUTF decisions carry sufficient political backing from different EU levels and are well coordinated with responses based on other political decisions (through financing decisions).
- Strengthen units with DGs DEVCO, ECHO and NEAR dealing with fragility and protracted crises in order to function as effective coordinators within their respective organisations and ensure effective responses to protracted crises. They should also connect effectively with the political leadership within the EU to better deal with possible conceptual and operational divides between humanitarian action, crisis response, stability and development.
- Further improve coordination and information sharing between EU actors in the field, including by ensuring that the Heads of ECHO field offices are systematically invited to the EUD coordination meetings.
- In line with recommendations formulated in the 2014 evaluation of the Instrument for Stability's Crisis Preparedness Component, EUDs should be encouraged to draw better linkages to IcSP activities in their strategic planning routine to ensure the coherence and sustainability of EU external action.[290]

Human resources

- The EU should give more attention to the mobilisation, development and maintenance of human resources in order to deal with protracted crisis both thematically and managerially. To effectively deal with the complexities of protracted crises, expertise should be made available not only at Headquarters and EU Delegation, but also at regional levels so that responses within a region can be supported in a more flexible manner.
- Promote the establishment of a community of practice for crisis response across the EU institutions, including at EUD level. Such a community would understand the specificities of relevant EU instruments, have good content knowledge about topical issues (such as SSR, DDR, humanitarian assistance or transitional justice), be able to communicate across sector boundaries, and be familiar with the approaches of other international partners. To nurture this community, the EU should invest in knowledge management and ensure that learning and experiences in dealing with (protracted) crises are systematically shared. This could also be embedded in training programmes for staff from the EEAS and the DGs DEVCO, NEAR and ECHO. In light of this, there would also be value in improving information sharing between the political and operations sections at EUDs.

[289] Interview with EU officials, 9 March 2016.

[290] Italtrend C&T, Socaba and EPRD, *Evaluation of the Instrument for Stability Crisis Preparedness Component (2007-2013) final report*, Brussels, European Commission, March 2014.

Capacity Building for Security and Development

- The current Commission proposal for an amendment to the IcSP regulation to cover CBSD is a promising step to address an important gap in EU support in crisis situations. The IcSP is in principle a suitable instrument to house such funding, particularly because using this option would allow for parliamentary scrutiny. It would allow testing the ground in a new area for EU support through an existing instrument, but will nevertheless require close monitoring on how it fully covers the identified CBSD gap to inform a longer-term decision on the matter beyond 2020.
- The inclusion of CBSD funding under the IcSP should not lead to a deprioritisation of other areas belonging to the instrument's mandate, such as support to conflict prevention, peacebuilding and resilience. In order to ensure sustainable results, the funding of CBSD activities should be embedded in a broader security-development policy framework focused on long-term capacities.

Parliamentary scrutiny of EUTFs

- Strengthen parliamentary oversight over the EUTFs. The limited involvement of the European Parliament in the establishment and implementation of EU Trust Funds hampers democratic control over a considerable share of EU external action funding. Parliamentary scrutiny could be strengthened through the involvement of the European Parliament in scrutiny of the EUTF board and operational committee meetings, and through tools such as the discharge procedure, allowing ex post scrutiny.

6.2 Recommendations: UMICS

Overall Recommendations

- Considering the diversity among UMIC countries, more particularly in terms of their specific development needs, the EU should avoid considering UMICs as a homogeneous group of countries.
- The EU should recognise that some UMICs do have enduring needs in terms of development cooperation. The EU should therefore consider the possibility of adding more DCI exceptions or to enlarge the use of the Partnership Instrument to a greater number of UMICs.
- While the 'differentiated approach' identifies LDCs as the main target of the EU development cooperation, the EU should not neglect the development dimension of its bilateral relations with UMICs, including those located in the EU's neighborhood.
- The EU should see the exceptions that have been granted to some UMICs in order for them to still benefit from bilateral aid programmes under the DCI as an important tool in the EU assistance towards these countries. The exceptions tend to recognise the remaining development needs of certain UMICs. They also support the endorsement of a development approach in the relationship with certain UMICs.
- The 2017 Mid-term Evaluation will be an important step in view of assessing the necessity to further revise/reform the foreign policy instruments of the EU. This Mid-term Evaluation of the financing instruments should be informed by the new EU Global Strategy in order for the foreign policy instruments to complement the more political objectives that will guide the EU's external action.
- Considering the numerous foreign policy instruments at its disposal, the EU should avoid further fragmentation of existing or newly created instruments. It appears that high fragmentation can engender more rigidity in the implementation of its financing instruments.
- Any move in the direction of a new financing instrument needs to be carefully reflected upon by EU institutions, including the EP, as well as EU programming and implementing officials who currently do not see the need for a new financing instrument targeting the UMICs specifically.
- Considering the financial constraints and the significant foreign policy ambitions of the EU, the EU could consider rationalizing its foreign policy instruments. One possibility the EU may want to consider,

in this respect, would be to combine existing instruments into one overarching framework instrument that could be adjusted in function of the needs of the targeted country as well as the EU's strategic interests.

- Any move in the direction of such a framework instrument needs to be carefully reflected upon by all the European institutions, including the European Parliament, the European Commission and the Council. The discussions on the possible streamlining of instruments should be informed by concerns about the EU's effectiveness and added value in responding to the EU principles and strategic interests in relation to UMICs.
- In a context where the EU seeks to enhance the coherence between its foreign policy instruments, it is necessary to clarify the overall objectives and eligibility criteria of the instruments, more particularly the PI, which currently is mostly used in relation to Strategic Partners.

Operational Recommendations

Flexibility:

- Considering the variety of contexts, strategic importance and development needs of UMICs, the EU needs to ensure the flexibility of its financing instruments with the aim of strengthening the EU's capacity to deal with unforeseen events occurring in UMICs.
- The diversity of UMICs and their respective needs should be reflected in the programming and implementation of the financing instruments. The EU should potentially aim to pay specific attention to those UMICs who cannot benefit from large budgetary instruments such as the ENI and the IPA in a context where some of them keep facing serious development needs.

Coordination and Coherence:

- The EU's coherence would benefit from developing a strategic approach towards UMICs, which would inform the programming and implementing of its own financing instruments.
- Considering the complementarity between the existing financing instruments, the programming and implementing bodies including the European Commission, the FPI and the EEAS must enhance the coordination between the financing instruments.
- Of particular concern is the difference between the existence of the so-called 'differentiated approach' (Agenda of Change) in the implementation of the DCI and the lack of such an approach in other financing instruments, more particularly the ENI and IPA. The EU should consider developing a coherent approach regarding differentiation in its relationship with countries within and outside the neighborhood.
- Given the important role of UMICs in the EU's external action, the EU should be primarily focused on policies towards UMICs, which are based on its own strategic objectives and the development needs of UMICs.

Human Resources:

- The EU's 'differentiated approach' has become a guiding theme of EU development cooperation not least because of budgetary reasons, which also resulted in staff shortages. There is a strong need for the EU to have sufficient staff to ensure the implementation of the foreign policy instruments, including when the PI is concerned.

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Protracted Crises

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Annex 1: EU instruments and mechanisms: main features for protracted crises

Instruments under the EU budget	
Humanitarian Aid	– Quick and flexible; – Mostly short-term; – Mandate also includes rehabilitation, reconstruction and disaster prevention; – Aims to include resilience and DRR in programming and project design; – Insufficient funding to cover needs forces ECHO to draw on other budget lines; – Trade-off between responding to urgent needs and taking a sustainable approach to resilience; – Cannot directly fund partner governments or local NGOs; – Heavy bureaucracy compared to other humanitarian donors.
Development Cooperation Instrument	– Conflict prevention and resolution, state-building and peacebuilding, and post-conflict reconciliation and reconstruction are part of mandate; – Instrument cannot be used for operations with military or defence dimensions; – Long procedures for programming decision-making and contracting ensure ownership and accountability, but decrease responsiveness and flexibility; – Urgency procedures can be used for quicker decision-making or reprogramming; – Unallocated funds create a flexibility buffer; – No comitology needed for smaller special measures; – Long-term perspective and focus on results may create risk aversion.
Instrument contributing to Stability and Peace	– Can quickly and flexibly respond to (emerging) crises and provide longer-term support for peacebuilding and conflict prevention; – Has a highly political character; – No ODA-eligibility requirements; – Is complementary to other instruments; – Can fill a funding gap in the conflict cycle; – Crisis-Response Component is non-programmable and allows to choose implementing partners; – Political steering may make it less likely to respond to emerging or protracted crises; – Conflict prevention is in mandate of both Article 3 and Article 4 components; – Tensions persist on whether the Crisis Response Component should be an LRRD instrument or a political troubleshooting tool;

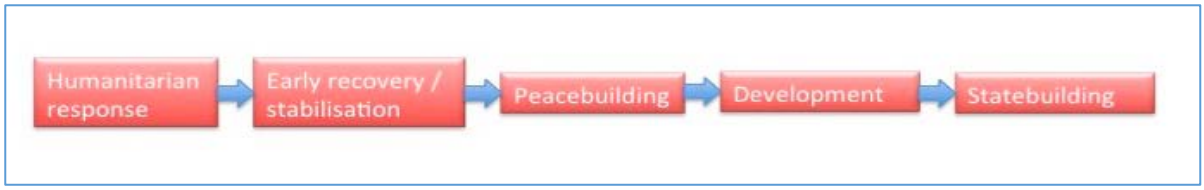
	– Limited budget available.
European Neighbourhood Instrument	– Can address regional and cross-border dimensions of crises; – Programming cycles are shorter and tailored to each country's situation; – Often works via calls for proposals; – Urgency procedures can quicken decision-making, contracting and reprogramming; – Mandate of instrument covers security-development nexus within the total EU limit; – Use of flexibility cushions explored to allow for more flexible responses.
European Instrument for Democracy and Human Rights	– Global coverage; – Can in principle operate without consent of third country authorities; – Can provide funding to civil society actors in situations where they are under pressure; – Focus on democracy and human rights contributes to peacebuilding and conflict prevention; – Limited financial envelope; – Works mainly through calls for proposals.
Instrument for Pre-Accession Instrument	– Action Plans take a long-term seven-year outlook; – Reconciliation, peacebuilding and confidence-building measures are among the IPA's objectives; – Cross-border and cross-instrument cooperation is possible; – Special measures used to flexibly address consequences of refugee and migration flows through IPA-eligible countries;
Outside EU budget	
11th European Development Fund	– Geographically limited to ACP countries; – Long programming, decision-making and contracting procedures; – Regulation provides a legal basis for including conflict prevention and resolution, statebuilding and peacebuilding, and post-conflict reconciliation and reconstruction in programming; – Urgency procedures can reduce time for financing decisions and contracting; – EDF reserve can cover emergency and recovery needs; – APF can fund security-related activities, including support to APSA and to PSOs; – The APF's ERM provides quick and flexible funding for crisis prevention and mediation; – Long-term perspective may create risk-aversion; – APF can only support regional and continental actors, but no national ones; – Bulk of APF funding goes to short-term PSO support, rather than longer-term institution-building.
EU Trust Funds: pooling and coordination mechanism	
EU Trust Funds	– Focus on crisis and post-crisis situations; – Pools resources from different donors and instruments, allowing for coherence and risk-sharing;

	– Flexible and quick decision-making; – Can leverage funds from other donors, including EU member states; – Increases EU visibility and political weight; – Lack of normal comitology and parliamentary involvement reduce political backing; – Danger of overlap with existing instruments (e.g. IcSP)

Annex 2: From LRRD to resilience

In the debate on how to better link different types of response in (post-) crisis situations, two models can be distinguished: a linear model and a contiguum model. Traditionally, transition processes from crisis to stability have often been conceptualised as a **continuum from relief over early recovery and stabilisation to development,** as reflected in Figure 1. This linear model views crises as exceptional disruptions from the 'normal' path to development. The challenge for policymakers and practitioners then is to ensure proper exit strategies and smooth handovers of responsibilities and funds from one phase to another.

Linear model of post-crisis transition[291]

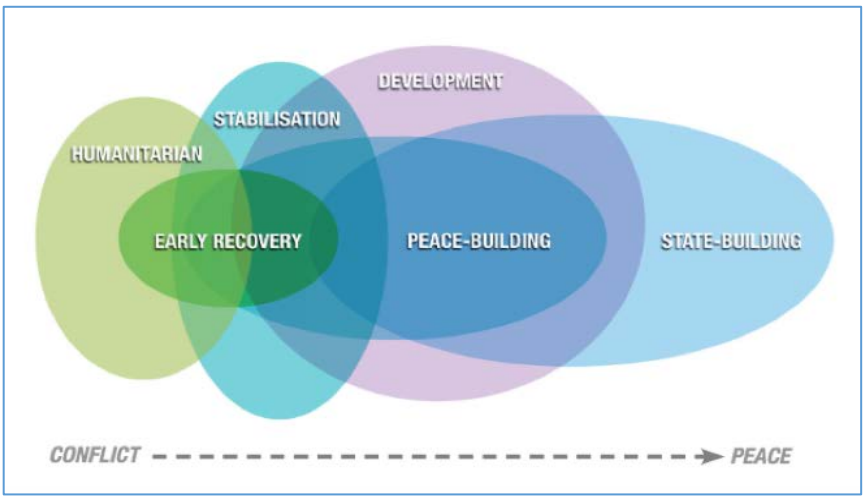


In reality, post-crisis transitions are usually not one-directional or clearly delineated processes moving from crisis to development. Protracted crises rather display a complex mix of natural hazards, conflict, poverty and fragility, where short-, medium-, and long-term needs occur simultaneously, and relapses in the transition from crisis to stability and sustainable development are not uncommon.

As a consequence, responses to protracted crises are usually a complex patchwork of overlapping interventions, as shown in Figure 2. As noted by the OECD[292], the non-linearity often poses tensions and trade-offs between the need to provide urgent life-saving relief and establishing peace, and the longer-term challenge of supporting the development of state structures, creating opportunities for human development and building resilience. This 'contiguum model' recognises that crises are not just exceptional shocks, but should be treated as indicators of fragility and weak development[293]. A donor practice following this contiguum model would invest efforts in improved information exchange, shared context analyses and joint strategising and planning between policy domains. It would also imply recognising security and development as closely interrelated sectors by firmly incorporating the security-development nexus into institutional thinking and design of both rapid responses to crises and longer-term engagements. Finally, it would acknowledge the importance of prevention to avoid relapses to crises.

[291] Inspired by OECD, *Transition financing. building a better response*, Paris, OECD DAC, 2010.
[292] OECD DAC, *International support to post-conflict transition*, Paris, OECD, March 2012.
[293] OCHA, *Saving lives today, managing the risk of humanitarian crises*, OCHA Policy and Studies series, New York, United Nations, 2014.

The contiguum model of post-crisis interventions[294]



Throughout the last two decades, the EU has developed an increasingly robust policy framework to address the multidimensionality and underlying vulnerabilities of protracted crisis, with a focus on strengthening the coherence and complementarity of EU external action by better linking humanitarian aid, development, security, conflict prevention and peacebuilding, and resilience. Figure 3 below summarises the main building blocks of the current EU policy framework.

The 2001 communication on **Linking Relief, Rehabilitation and Development (LRRD)**[295] (which built on an earlier communication dating back to 1996)[296], formulated a framework for bridging the conceptual and institutional humanitarian-development divide to a more holistic approach, stating that *'[violent conflict] poses the greatest challenge to ensuring an effective linkage, particularly for countries in protracted crises or long-lasting wars, or where there are recurrent outbreaks of fighting'*[297]. But LRRD practice largely reflected the linear model outlined above, focusing on exit strategies and handovers from short- to long-term engagements.

The increased attention to fragile states (especially following the events of 9/11 in 2001) has triggered new efforts to integrate security, statebuilding and development activities in fragile environments and crisis situations. In 2001, the Commission published a **communication on conflict prevention**[298]**,** and the Council adopted the **Gothenburg programme on the prevention of violent conflicts**[299]**.** They propose, inter alia, to streamline conflict prevention in EU cooperation programmes through the use of conflict analysis, early warning and policy coherence. The security-development nexus was further elaborated in the **2007 Council Conclusions on Security and Development**, and reiterated in the 2011 **Agenda for Change**[300]. At the same time, 2007 saw the adoption of the **European Consensus on Humanitarian Aid**[301], which confirmed the clear distinction between EU humanitarian aid and EU crisis management tools.

[294] Source: OECD DAC, *International support to post-conflict transition.*
[295] European Commission, COM(2001) 152. LRRD - an assessment.
[296] European Commission, COM(1996) 153 on Linking Relief, Rehabilitation Development (LRRD).
[297] European Commission, COM(2001) 152. LRRD - an assessment, p. 6.
[298] European Commission, COM(2001) 211 final Communication from the Commission on conflict prevention.
[299] Council of the EU, EU Programme for the Prevention of Violent Conflicts, 2001.
[300] European Commission, COM(2011) 637 final Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the regions. Increasing the impact of EU Development Policy: An Agenda for Change.
[301] Council of the EU, 2008/C 25/1, Joint Statement by the Council and the Representatives of the Governments of the Member States meeting within the Council, the European Parliament and the European Commission. The European Consensus on humanitarian aid.

The **communication on the EU approach to resilience**[302] published in 2012, is a key milestone. In the text, 'resilience' is defined as 'the ability of an individual, a household, a community, a country or a region to withstand, to adapt, and to quickly recover from stresses and shocks'. Building on lessons and good practices from SHARE (Supporting the Horn of Africa's Resilience) and AGIR (Alliance Global pour l'initiative Résilience-Sahel), the communication highlights the need to work on a long-term and systematic approach to addressing chronic vulnerability and building resilience. It recommends a focus on prevention and preparedness, by bringing together the EU's humanitarian, development, Disaster Risk Reduction (DRR) and climate change efforts under one framework, making it a central aim of EU external action. The communication was accompanied by the 2013 Action Plan for Resilience in crisis-prone countries for 2013-2020[303], which focuses, among other thigns, on strengthening national and local resilience capacities, and improving EU tools for joint engagement.

According to Bennett[304], the resilience concept has been particularly successful in moving away from the linear LRRD thinking towards an approach of joint strategising, prioritisation, planning and implementation by the EU and its member states. As such, it is an essential framework to address the multidimensionality and underlying vulnerabilities associated with protracted crisis.

With the adoption of the **Comprehensive Approach to external conflict and crisis** in 2013[305], the EU took another step in promoting synergies among EU instruments and resources dealing with complex external crises. It proposes several measures to improve the coherence and effectiveness of EU external action across its diplomatic, security, defence, trade, development and humanitarian activities, including through shared analysis, an increased focus on prevention through early warning and early action, making better use of EU Delegations (EUD) to ensure local coherence, and committing to the long-term perspective based on a shared vision.

2016 has seen three more steps: first, a **communication on forced displacement** was adopted[306]. Noting that the five largest refugee displacement situations[307], and three of the five largest internal displacement situations[308], are all protracted, the communication formulates a framework to prevent and address protracted forced displacement by addressing its 'root causes'. It focuses on ending relief dependence by fostering self-reliance and addressing development needs of displaced people through development-oriented frameworks, thus integrating a resilience approach to protracted displacement.

Second, 2016 also saw the publication of the **Global Strategy for the European Union's Foreign and Security Policy**. The Global Strategy fully integrates the resilience agenda, promoting collaborative action between the different components of EU external action. This notably includes calls to further strengthen links between humanitarian aid and development in conflict situations, by ensuring humanitarian aid access to goods and services, which is seen as key to stabilisation and longer-term peacebuilding efforts.

[302] European Commission, COM(2012)586 Communication from the Commission to the European Parliament and the Council: the EU approach to resilience: learning from food security crises.

[303] European Commission, SWD(2013) 227 final Action plan for resilience in crisis prone countries 2013-2020.

[304] C. Bennett, *The development agency of the future*, ODI Working Paper, London, ODI, March 2015.

[305] European Commission & High Representative of the Union for Foreign Affairs and Security Policy, JOIN(2013) 30 final Joint Communication to the European Parliament and the Council - The EU's comprehensive approach to external conflict and crises.

[306] European Commission, COM(2016) 234 final. Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. Lives in dignity: from aid-dependence to self-reliance. Forced displacement and development. European Commission: Brussels, 26 April 2016.

[307] Syria, Afghanistan, Somalia Sudan and South Sudan. Based on UNHCR. June 2015. World at war: Global trends, forced displacement in 2014.

[308] Syria, Colombia and Sudan

Third, a **joint communication on an EU-wide strategic framework to support security sector reform (SSR)** was released in July 2016[309]. It provides a framework to anchor all EU tools and financial instruments (including the EU external action financial instruments and the Common Security and Defence Policy (CSDP)) into a single SSR framework that takes into account the linkages between security, politics, justice, humanitarian response, development, conflict and fragility. Among the measures proposed are the use of structured context assessments such as political economy analysis, systematic political and policy dialogue with partner countries, and the development of a coordination matrix to coordinate EU support.

Four policy pillars spanning across development, humanitarian aid and foreign policy[310]

EU's approach to resilience (2012)	EU's Comprehensive approach (2013)	EU's communication on forced displacement (2016)	EU Global strategy for Foreign and Security Policy (2016)
• Strengthen resilience of the most vulnerable becomes a shared objective for EU development assistance and humanitarian aid; • Promotes synergies between instruments and EU security approach • Collaborative action through joint analysis, coordinated planning and programme implementation	• Improved coherence and effectiveness of EU external action, spanning EU diplomacy, defence, security financial trade, development and humanitarian action • Collaborative action through shared context analysis + strategic vision	• Sets the building blocks of a comprehensive approach to resilience building • Collaborative action through: Information exchange, coordinated assessments, joint analytical frameworks, coordinated programming, financial cycles	• Resilience agenda and SDG underpin EU's joined-up approach; • Links between humanitarian aid and migration, development and peacebuilding are made explicit; • Collaborative action through: joint risk analysis, multi-annual programming and financing.

Currently, the European Commission is also working on a proposal for a **revision of the European Consensus on Development.** This is planned to be finalised in 2016, and will then be subject to negotiations between the Council and the European Parliament. It remains to be seen as to what extent it will provide backing to a more coherent and robust EU approach to protracted crises through fully integrating a resilience approach throughout its external action policies and instruments.

[309] European Commission & High Representative of the Union for Foreign Affairs and Security Policy, JOIN(2016) 31 final. Joint Communication to the European Parliament and the Council – Elements for an EU-wide strategic framework to support security sector reform.

[310] Source: A. Herrero Cangas, A, Medinilla, & M. Deneckere, *Living apart together. EU development cooperation and humanitarian aid in situations of fragility and protracted crisis*, Maastricht, ECDPM, forthcoming.

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