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Glossary

Term or acronym	Meaning or definition
EU	European Union
DNSH	Do No Significant Harm
DOAG	Decision on the Overseas Association including Greenland
EBRD	European Bank for Reconstruction and Development
ECA	European Court of Auditors
EFSD+	European Fund for Sustainable Development Plus
EIB	European Investment Bank
EIP	Economic and Investment Plan
ENP	European Neighbourhood Policy
EUR	Euro
GDP	Gross Domestic Product
GE	Global Europe
GEPMS	Global Europe Performance Monitoring System
GERF	Global Europe Results Framework
HUMA	Humanitarian Aid
INSC	International Nuclear Safety Cooperation

IPA	Instrument for Pre-Accession Assistance
MFA	Macro-Financial Assistance
MFF	Multiannual Financial Framework
MIP	Multiannual Investment Plan
NCQG	New Collective Quantified Goal
NDICI	Neighbourhood, Development and International Cooperation Instrument
NGO	Non-Governmental Organisation
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
REFIT	European Commission's Regulatory Fitness and Performance Programme
RF	Results Framework
RGF	Reform and Growth Facility
SDGs	Sustainable Development Goals
SO	Specific Objective
TFEU	Treaty on the Functioning of the European Union
ULCM	Ukraine Loan Cooperation Mechanism
UN	United Nations

US	United States of America
USD	United States Dollar
WBIF	Western Balkans Investment Framework

1. INTRODUCTION: POLITICAL AND LEGAL CONTEXT

The EU's external action in a changing international landscape

The global political and economic landscape poses challenges of unprecedented magnitude. Russia's war of aggression against Ukraine has brought war back to the European continent. The situation in the Middle East is leading to instability across the region and further humanitarian needs. Growing unfair competition and more aggressive economic and geopolitical stance have undermined the global multilateral system reflecting a shift from cooperation to competition and rising conflicts. Competition on technology and access to critical raw material are key concerns. Less than 20% of the Sustainable Development Goals targets[1] are on track and the gap to reach them by 2030 continues to widen[2]. Global fragility is on the rise[3], and the impacts of climate change and biodiversity loss continue to increase.[4] Humanitarian needs continue to rise: in 2024, EUR 45 billion are needed globally for humanitarian assistance, more than double compared to 2019. The United States' administration's disengagement from development cooperation, humanitarian aid, and multilateral institutions marks a geopolitical and geoeconomic shift, with significant effects for both the EU and its partners globally.

In such an increasingly **difficult and volatile context, building and leveraging sustainable partnerships with third countries and international organisations** to promote the Union's fundamental interests and values[5] is a defining challenge for the EU's external policies. With a view to foster the Union's prosperity, competitiveness, sovereignty, security, resilience, preparedness, and global influence while upholding the highest standards on rule of law and democratic values, the overall objectives for EU external action per policy are described in the box below.

- **Enlargement is a political and geostrategic imperative: it is an investment in long-term security, peace, stability and prosperity in Europe**. Assistance to candidate countries and potential candidates aims at preparing them, through investment and reforms, to Union membership. **The objective** is to support merit-based accession processes, through alignment with Union values, laws, rules, standards, policies and practices, as well as socio-economic convergence with the EU.

- The Union is to develop **a special relationship with neighbourhood countries**, aiming at establishing an area of prosperity, stability, security, and good neighbourliness, founded on the values of the Union and characterised by close and peaceful relations based on cooperation and economic stability.

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[1] United Nations (2024) The Sustainable Development Goals Report.
[2] 2024 Financing for Sustainable Development Report https://desapublications.un.org/sites/default/files/publications/2024-04/2024_FSDR_ChIIIE.pdf
[3] OECD States of Fragility Report https://www.oecd.org/en/publications/states-of-fragility-2025_81982370-en.html
[4] IPCC, 2023: Climate Change 2023: Synthesis Report. Contribution of Working Groups I, II and III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change. IPCC, Geneva, Switzerland, 184 pp., doi: 10.59327/IPCC/AR6-9789291691647.
[5] Article 21 of the Treaty on European Union

- **The objective of the EU's international partnerships** is to advance sustainable development, poverty eradication, peace, and human rights while promoting European values and interests in the world. Global Gateway is the key strategy in that regard, supporting fair and sustainable infrastructure worldwide while boosting competitiveness and security of global supply chains.

- **The objective of EU humanitarian aid** is to provide principled and needs-based humanitarian assistance to save and preserve life, prevent and alleviate human suffering and safeguard the integrity and dignity of populations affected by natural hazards or human-induced disasters, including in protracted crises and through disaster preparedness before crises occur.

The scale of current and upcoming challenges require the EU to adapt its external action financing, to fulfil these policy objectives and better serve its strategic interests while addressing crises and future critical trends post-2027.

The context in view of the next multiannual financial framework

Excessive complexity and inherent rigidities have hampered the EU budget's impact in the ongoing and previous implementation periods. Currently, several programmes may finance similar types of activities, but without the same rules and conditions, and there is insufficient flexibility to respond to unforeseen needs. This leads to inefficiencies and administrative burden for beneficiaries, Member States and the Commission. In addition, a difficult budgetary situation (with the start of NextGenerationEU repayments, the increasing number of EU priorities and the tight fiscal situation of Member States) reinforces the need to reduce inefficiencies and administrative burden.

The Political Guidelines[6] of the European Commission 2024-2029 acknowledge that '*our spending is spread over too many overlapping programmes – many of which fund the same things but with different requirements and difficulties to combine funding effectively'*. The Guidelines set out that the next long-term budget needs to be **more focused, simpler, with fewer programmes and more impactful**.

In line with the Political Guidelines, the Commission adopted on 11 February 2025 the Communication '*The road to the next multiannual financial framework*'[7], which states that *'the next long-term budget will have to address the complexities, weaknesses and rigidities that are currently present and maximise the impact of every euro it spends'*. The Communication also underlines that **flexibility** is key in guaranteeing the budget's ability to respond to a changing reality.

In this context, impact assessments for programmes under the next multiannual financial framework (MFF) focus **on how to streamline the architecture of the EU budget**, thereby assessing the most important policy choices underpinning the legislative proposals for the future EU programmes. **Policy aspects** are considered in the analysis of the context, the problem definition and the objectives, which inform the choices on the programme

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[6] https://commission.europa.eu/document/download/e6cd4328-673c-4e7a-8683-f63ffb2cf648_en
[7] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52025DC0046

architecture. Given that the proposed architecture of the next MFF will be significantly different from the current structure, the impact assessment does not include funding scenarios and, consequently, only qualitative cost-benefit analysis is possible.

This reflects the **specificities** of this exercise, as acknowledged in the Commission's better regulation rules. This impact assessment complies with Tool #9 of the better regulation toolbox, which states that *'the special case of preparing a new multiannual financial framework is a unique process requiring a specific approach as regards scope and depth of analysis'*.

Objectives for the financing of EU external action in the next MFF

While the 2021-2027 architecture already resulted from a streamlining process of external financing, the objective set in the above-mentioned Communication is **to** continue our efforts **to better align external action financing with the EU's strategic interests in view of mutually beneficial partnerships**. This objective sets the parameters for this impact assessment as well as options presented in view of the legislative proposal. The impact assessment accompanies the Commission proposal for the basic act of the Global Europe Instrument, the main external MFF spending programme. Such basic act provides the financial allocations, the objectives for the actions it is meant to finance as well as the available toolbox, while referring to the policy framework which underpins the implementation of the instrument.

The **following regulations form the legal framework for 2021-2027** corresponding to the scope of this impact assessment:

- The Neighbourhood, Development, International Cooperation Instrument – Global Europe (NDICI-Global Europe)[8].
- The Instrument for Pre-Accession Assistance (IPA III)[9].
- Humanitarian aid (HUMA)[10].
- The Ukraine Facility[11].
- The Reform and Growth Facility for the Western Balkans[12].
- The Reform and Growth Facility for the Republic of Moldova[13].

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[8] Regulation (EU) 2021/947 of the European Parliament and of the Council of 9 June 2021 establishing the Neighbourhood, Development and International Cooperation Instrument – Global Europe, amending and repealing Decision No 466/2014/EU and repealing Regulation (EU) 2017/1601 and Council Regulation (EC, Euratom) No 480/2009
Commission Delegated Regulation (EU) 2021/1530 of 12 July 2021 supplementing Regulation (EU) 2021/947 of the European Parliament and of the Council establishing the Neighbourhood, Development and International Cooperation Instrument – Global Europe, amending and repealing Decision No 466/2014/EU of the European Parliament and of the Council and repealing Regulation (EU) 2017/1601 of the European Parliament and of the Council and Council Regulation (EC, Euratom) No 480/2009.

[9] Regulation (EU) 2021/1529 of the European Parliament and of the Council of 15 September 2021 establishing the Instrument for Pre-Accession assistance (IPA III)

[10] Council Regulation (EC) No 1257/96 of 20 June 1996 concerning humanitarian aid

[11] Regulation (EU) 2024/792 of the European Parliament and of the Council of 29 February 2024 establishing the Ukraine Facility

[12] Regulation (EU) 2024/1449 of the European Parliament and of the Council of 14 May 2024 on establishing the Reform and Growth Facility for the Western Balkans

[13] Regulation (EU) 2025/535 of the European Parliament and of the Council of 18 March 2025 establishing the Reform and Growth Facility for the Republic of Moldova - European Commission

The above-listed regulations will expire at the end of 2027 (with the exception of Humanitarian Aid), at the same time as the MFF 2021-2027 laid down in Council Regulation 2020/2093[14]. **A proposal for a more integrated successor instrument is thus needed.**

Enlargement: a renewed momentum

Twenty years after the largest enlargement of the EU and ten years after the most recent accession (Croatia), **enlargement is again at the top of the EU agenda** with nine candidate countries and one potential candidate. The importance of European integration was further demonstrated during the COVID-19 pandemic, which put in the spotlight Europe's interconnectedness and the need to face global challenges together. The three membership applications from the EU's eastern neighbours in the wake of Russia's war of aggression against Ukraine in 2022, and the ensuing decisions by the European Council, are further testimony of the geopolitical weight of EU enlargement. The enlargement policy framework for the Western Balkans is historically based on the 2003 Thessaloniki agenda, laid down in the stabilisation and association agreements and strengthened by the 2018 Western Balkans strategy[15] and the 2020 revised enlargement methodology[16]. Enlargement is a strategic imperative for the EU in the current challenging geopolitical context.

A credible, merit-based prospect of EU membership can be a key driver of transformation, fostering reconciliation, stability, and socio-economic prosperity. It is a strategic choice of the (potential) candidate. EU accession is dependent (and conditional) on the progress made on the political, economic criteria and the alignment with the EU *acquis* established at the Copenhagen European Council in 1993 while abiding by the fair share principle[17]. The rule of law, democracy and fundamental values are the cornerstones of the EU's enlargement policy. Past enlargements have helped strengthen the Single Market, opened trade and financial flows, thus contributing to economic growth, environmental protection, and job creation in the EU and the acceding countries.

The 2024 Communication on pre-enlargement reforms and policy reviews[18] confirms that the EU must **deepen as it widens** and calls for EU and future Member States being ready at the time of accession. The EU needs to provide sufficient support to enable candidate countries and potential candidates to adopt the relevant *acquis*, including building technical and administrative capacity, notably taking into account that some of the chapters require large investments especially under policy clusters 4 (Green agenda and connectivity) and 5 (Resources, agriculture and cohesion). The EU path of the Western Balkans and Türkiye has been supported through the Instruments for Pre-Accession Assistance[19] since 2007. In the current MFF, much of IPA III is dedicated to the Economic and Investment Plan for the

[14] https://eur-lex.europa.eu/eli/reg/2020/2093/oj/eng
[15] EUR-Lex - 52018DC0065 - EN - EUR-Lex (europa.eu)
[16] Revised enlargement methodology (europa.eu).
[17] Pre-accession assistance is based on both a performance-based approach and the 'fair share' principle. According to the 'fair share' principle, assistance must be targeted and adjusted to the specific situations of beneficiaries, to ensure an appropriate level of support to all of them and avoid a disproportionately low level of assistance for some beneficiaries as compared to others.
[18] Communication on pre-enlargement reforms and policy reviews - European Commission (europa.eu).
[19] (IPA) I, II and III

Western Balkans, which supports sustainable connectivity, human capital, competitiveness and inclusive growth, and the twin green and digital transition. Continued support is furthermore provided to security, migration management, fighting organised crime and corruption.

Since 2022, **Ukraine, Moldova and Georgia have been granted candidate status** and Ukraine and Moldova have opened accession negotiations. The European Council also decided in March 2024 to open accession negotiations with Bosnia and Herzegovina.

The accession paths of Moldova, Georgia and partially also Ukraine have continued to be supported under NDICI-Global Europe. For Ukraine, faced with the limitations of the EU budget and given the Union's strong political commitment to support Ukraine for as long as necessary, in February 2024, the EU adopted the **Ukraine Facility**[20]. The Facility allows Ukraine to benefit from unprecedented support with up to EUR 50 billion over 2024-2027 in grants and loans, promoting the recovery, reconstruction, modernisation and growth of the Ukrainian economy, embedded in Ukraine's EU accession path. It is complemented by a comprehensive financial assistance package of EUR 45 billion by the EU and G7 partners, backed by the establishment of a Ukraine Loan Cooperation Mechanism. As part of it, an exceptional Macro-Financial Assistance loan of up to EUR 18.1 billion was adopted by the co-legislators in October 2024. The Ukraine Loan Cooperation Mechanism provides Ukraine with non-repayable financial support, stemming from extraordinary profits from immobilised Russian central bank assets, for the repayment of the Macro-Financial Assistance loan.

In 2023, the European Commission adopted 'A new Growth Plan for the Western Balkans'[21]. Building on the Union's full and unequivocal commitment to the Union membership perspective of the Western Balkans, the Growth Plan aims at **bringing some of the benefits of membership to the region before accession,** as well as to boost economic growth, accelerate the socio-economic convergence and tap on reforms in fundamental areas, such as connectivity, digitalisation, energy, public administration reform, the fight against organised crime, anticorruption and visa policy alignment. The anchor is the integration of the region in the EU's Single Market, including the Digital Single Market. An integral part of the Growth Plan is a new performance and reform-based Reform and Growth Facility for the Western Balkans[22], complementing IPA III. It has EUR 6 billion in grants and loans over the 2024-2027 period.

In October 2024, the European Commission adopted a **'Growth Plan for the Republic of Moldova'**[23] worth EUR 1.8 billion and underpinned by a Reform and Growth Facility for the period 2025-2027. The Growth Plan, which is the largest EU financial support package since Moldova's independence, will accelerate socio-economic and fundamental reforms (Pillar 1), enhance access to the EU Single Market (Pillar 2) and increase financial assistance through a dedicated Reform and Growth Facility for Moldova (Pillar 3). Together, the Plan and Facility will enable and incentivise reforms and the investments needed to accelerate the accession process as well as sustainable growth and decarbonisation of Moldova's economy.

[20] The Ukraine Facility - European Commission (europa.eu)
[21] New Growth Plan for the Western Balkans - European Commission (europa.eu)
[22] pdf (europa.eu)
[23] Commission Communication on the Moldova Growth Plan

Türkiye remains a key partner of the EU. However, accession negotiations are at a standstill, as Türkiye has not reversed the negative trend of moving away from the EU, with serious backsliding especially on the rule of law and on fundamental rights. The EU and Türkiye continue their engagement in line with the European Council conclusions of June 2021 in a ***phased, proportionate and reversible manner***[24]. Cooperation on migration continues in the framework of the 2016 EU-Türkiye Statement.

Neighbourhood East and South: creating long term and mutually beneficial partnerships

The European Neighbourhood Policy governs the EU's relations with thirteen of its closest neighbours. **Creating long term and mutually beneficial partnerships** based on common values and dialogue, investing in a **people-centred development** and deploying a **comprehensive approach** encompassing humanitarian, development, political and security policies, all underline the EU's strategic focus towards the neighbourhood.[25]

The European Neighbourhood Policy was reviewed in 2015[26] to add three joint priorities for cooperation (economic development for stabilisation, security, migration and mobility) and **put differentiation at the centre**, recognising different aspirations of partner countries through tailor-made bilateral partnerships. At its core is the ambition to deepen engagement with civil society and social partners. The European Neighbourhood Policy offers partner countries greater access to the Single Market and to EU programmes.

Neighbourhood East

In the neighbourhood East, the Eastern Partnership was established in 2009 with the main purpose to enhance the political association and economic integration of the six Eastern partners[27]. For the period beyond 2020, **the new agenda for the Eastern Partnership**[28] is centred around governance and investment and sets resilience as an overarching priority. In December 2023, the EU moved Moldova, Ukraine and Georgia under the enlargement policy.[29]

Neighbourhood South

The neighbourhood South covers ten countries of the Mediterranean and Middle East region[30]. Relations with the region have been revitalised by **the new Agenda for the Mediterranean of 2021**[31], which focuses on five priority areas: (1) Human development, good governance and the rule of law; (2) Resilience, prosperity and digital transition; (3) Peace and security; (4) Migration and mobility; and (5) Green transition. The EU has also upgraded its relationship with the Gulf countries through its 'Strategic Partnership with the Gulf', which covers areas

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[24] European Council conclusions on external relations, 24 June 2021 - Consilium (europa.eu)

[25] e6cd4328-673c-4e7a-8683-f63ffb2cf648_en (europa.eu)

[26] Joint Communication JOIN/2015/050 final of the European Commission and High Representative of 18 November 2015 on the Review of the European Neighbourhood Policy

[27] Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine

[28] Joint Communication JOIN(2020) 7 final of the European Commission and High Representative of 18 March 2020 on the Eastern Partnership policy beyond 2020: Reinforcing Resilience – an Eastern Partnership that delivers for all

[29] Joint Communication JOIN(2020) 7 final of the European Commission and High Representative of 18 March 2020 on the Eastern Partnership policy beyond 2020: Reinforcing Resilience – an Eastern Partnership that delivers for all

[30] Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, Palestine, Syria and Tunisia

[31] Joint Communication JOIN(2021) 2 final of the European Commission and High representative of 9 February 2021 on a Renewed partnership with the Southern Neighbourhood – a New Agenda for the Mediterranean

such as trade, digitalisation, energy, people to people exchanges and partnerships at institutional level.

Building upon the 2021 Agenda, **the upcoming Pact for the Mediterranean** will aim at taking advantage of the proximity between the EU and the region, in order to create a common space that can be mutually beneficial to both shores of the Mediterranean. Focus will be on concrete projects structured around a bilateral dimension, with Strategic and Comprehensive Partnerships (based on the example of those already signed with Egypt, Jordan and Tunisia), and regional initiatives, including strategic investments. The appointment of a Commissioner with a dedicated portfolio for the Middle East, North Africa and the Gulf further underlines the strategic importance of the region and reflects the interrelations among the three areas with a key impact on the EU.

Over 2021-2027, NDICI-Global Europe supports the implementation of the European Neighbourhood Policy. The allocation for the entire neighbourhood region is set at EUR 19.3 billion, reinforced with an additional EUR 3.6 billion for the Southern neighbourhood allocated during the mid-term revision of the MFF. Both the renewed Eastern Partnership and the Agenda for the Mediterranean are accompanied by their respective Economic and Investment Plans, with the ambition to mobilise investments up to EUR 17 billion for the Eastern[32] and EUR 30 billion for the Southern neighbourhood,[33] bearing mutual benefits on sustainability, competitiveness, energy transition and security. This is complemented by support to the macro-economic stability of key partner countries in the region.

A paradigm shift in the EU's international partnerships

Eradicating poverty is the primary objective of the EU's development cooperation, as set out in Article 208 of the Treaty on the Functioning of the European Union[34]. At global level, the EU's compass is the universally endorsed **UN Agenda 2030 and its 17 SDGs**[35]. Despite the efforts, the SDG financing gap remains vast, and the current financial system is ill-equipped to close it. Simultaneously, poly-crises from geopolitical tensions to conflicts, threats to the climate, environment and biodiversity, economic coercion and increasing fragility call for both swift responses and sustainable solutions.

Since 2021, the EU has revamped its model of international cooperation beyond its immediate neighbourhood in line with new global realities. This **paradigm shift** derives from a recognition that the EU should move away from donor-recipient dynamics and present partnership offers that are bolder, sustainable and based on shared interests and values. **Long-term mutually beneficial partnerships** with countries in Sub-Saharan Africa, Asia and the Pacific, as well as in Latin America and the Caribbean, should underpin the new EU economic foreign policy and efforts to strengthen a rules-based multilateral order.

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[32] Joint Staff Working Document of the European Commission and High representative of 2 July 2021 on Recovery, resilience and reform: post 2020 Eastern Partnership priorities

[33] Joint Staff Working Document of the European Commission and High representative of 9 February 2021 on Renewed Partnership with the Southern Neighbourhood Economic and Investment Plan for the Southern Neighbours

[34] OJ C 326, 26.10.2012, p. 47

[35] Sustainable Development Goals sdgs.un.org

The Global Gateway strategy is at the core of the EU's economic foreign policy agenda. It is a key enabler for European competitiveness and has been designed as a **positive offer** to EU partners, enabling the EU to deliver on the twin transition and human development objectives while bringing mutual benefits to the EU and its partners alike and helping to close the SDG financing gap. By mobilising investments worth EUR 300 billion in the EU's partner countries by 2027, the strategy aims to promote greater public and private investments in sustainable connectivity, notably through transport, climate and energy, digital infrastructure, health, education and research, which also leads to strengthening the Union's geopolitical and geo-economic presence. It encompasses not just hard infrastructure, but also investments in resource efficiency and sustainable food systems, skills, access to sustainable financing, regulatory support, voluntary technology transfer and knowledge sharing, while at the same time supporting a conducive regulatory and policy environment and promoting EU and international standards, values and principles.

Global Gateway is implemented in a **Team Europe approach**[36], which helps to pool funding, expertise and to nurture strategic cooperation. The EU responded the COVID-19 pandemic by developing the Team Europe approach, which brings together the EU, its Member States, their diplomatic networks, implementing agencies and development finance institutions, export credit agencies, the EIB, the EBRD, as well as the private sector.

Furthermore, the Commission and the High Representative adopted political strategies to set out the framework for relations with partner countries and regions in Africa[37], Asia and the Pacific[38] and Latin America and the Caribbean[39]. In November 2023, the EU and its Member States, and the 79 Members of the African, Caribbean and Pacific States signed the successor to the Cotonou Agreement: **the Samoa Agreement**[40].

For the period 2021-2027, under NDICI-Global Europe, the initial allocation for Sub-Saharan Africa, Asia and the Pacific, and the Americas and the Caribbean totalled EUR 41.1 billion. The budget for thematic programmes was set at EUR 6.4 billion, while EUR 3.2 billion were allocated to rapid response actions worldwide and EUR 9.5 billion to a general reserve (the 'emerging challenges and priorities cushion').

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[36] Joint Communication JOIN(2024) 25 final to the European Parliament, the Council, the European Economic and Social Committee, the Committee of the Regions, and the European Investment Bank – Building sustainable international partnerships as a Team Europe

[37] The Joint Communication "Towards a comprehensive strategy with Africa" and the joint statement "A Joint Vision for 2030", following the 6th EU-African Union Summit in 2022, consolidated a renewed partnership for solidarity, peace and sustainable economic development and prosperity between Europe and Africa. In this context, the Africa-Europe Investment Package of EUR 150 billion has been designed to support these common ambitions.

[38] The Council Conclusions on an EU Strategy for cooperation in the Indo-Pacific, the Joint Communication "A strategic partnership with the Gulf" and the Joint Communication "The EU and Central Asia: New Opportunities for a Stronger Partnership" reinforced the EU approach in Asia and the Pacific to strengthen resilience and economic cooperation, foster prosperity and improve the work with partners in the region.

[39] Political engagement between the EU and the Latin American and Caribbean countries has been reinforced through the Joint Communication "New Agenda for Relations between the EU and Latin America and the Caribbean", which was published in June 2023 on the road to the 2023 EU-CELAC Summit. The Global Gateway Investment Agenda represents the operational arm of this political commitment.

[40] Partnership Agreement between the European Union and its Member States, of the one part, and the Members of the Organisation of African, Caribbean and Pacific States, of the other part, OJ L, 2023/2862, 28.12.2023

EU humanitarian action: projecting EU solidarity and humanity

In a global context of rising needs, climate change, and geopolitical power shifts threatening multilateralism and politicising humanitarian aid, EU humanitarian action is one of the most tangible, quick and visible elements of **EU solidarity and humanity**, providing assistance on the basis of needs and in line with humanitarian principles, in coordination with the UN System.[41]

The EU is one of the world's leading humanitarian donors with a budget of around EUR 15 billion for the period 2021-2027, providing assistance, relief and protection to people in third countries who are victims of natural or human-induced disasters, as established in the Treaty on the Functioning of the European Union.[42]

Humanitarian aid is a shared competence and EU Member States can act in parallel. The Commission may take initiatives to enhance the **efficiency and complementarity** between actions of the EU and Member States. The overall policy framework for humanitarian assistance is outlined in the 2007 **European Consensus on Humanitarian Aid**,[43] jointly adopted by the Parliament, the Commission, the Council and EU Member States. It reaffirms the EU's commitment to the humanitarian principles – humanity, neutrality, impartiality and independence – and to the respect of international humanitarian law. The Consensus confirms the EU's support for a stronger and coordinated international humanitarian system and stresses the importance of strengthening disaster risk reduction, as well as effective linkages between emergency relief, anticipatory action, and long-term development aid.

Moreover, the 2021 Communication on "The EU's humanitarian action: new challenges, same principles",[44] provides for a clear and comprehensive approach. Since its adoption, the unfolding of the crises in Afghanistan, Ukraine, Sudan and Gaza **have driven needs to unprecedented levels** and have further illustrated the magnitudes of the challenges faced by the humanitarian aid sector.

2. PROBLEM DEFINITION

Introduction

Today, following years of instability in the EU's neighbourhood and beyond, the **geopolitical stakes** for the EU are far higher than when the 2021-2027 MFF was adopted. The EU operates in a **highly volatile and unpredictable environment**, characterised by geopolitical rivalry[45],

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[41] Joint Communication on the Climate-Security Nexus | EEAS
[42] OJ C 326/47, 6.10.2012, Article 214
[43] 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, OJ C 25, 30.1.2008
[44] Communication from the Commission to the European Parliament and the Council on the EU's humanitarian action: new challenges, same principles, COM(2021) 110 final, 10 March 2021
[45] Veron, P., Perceptions of the EU's international cooperation: navigating troubled waters, ECDPM, 2025, https://ecdpm.org/work/perceptions-eus-international-cooperation-navigating-troubled-waters

geoeconomic competition, strategic dependencies, competitiveness challenges, the worsening triple planetary crisis of climate change, biodiversity loss and pollution, and increasing global fragility. The trend towards greater polarisation, global friction, resource scarcity and competition is likely to be a defining feature in the period to 2040. The shift from cooperation to competition poses critical questions for the EU's future role in the global stage.[46]

The growing challenges to the **international rules-based order and the global economic governance are defining elements of this friction[47],** challenging the premises of the EU's long-term foreign policy vision[48]. Multilateral institutions have become less effective and trust in them is declining[49], while reciprocal and transactional foreign policy is gaining ground and redirecting focus to bilateral relations and short-term gains. War on the EU's doorstep and rising centres of influence[50] impacting the global value chains call for a higher degree of European open strategic autonomy and preparedness. Slow economic growth since the start of the century combined with deteriorating trade dynamics challenge the EU's competitiveness[51].

Simultaneously, and whilst the SDG financing gap continues to widen, official development assistance contributions by developed countries are shrinking. In March 2025, the US announced it had terminated more than 80% of its external aid programmes under USAID while the remaining ones were to be administered by the State Department. Budgetary constraints drive several EU Member States and other likeminded partners to reduce ODA.

The EU's economic security, open strategic autonomy, competitiveness, prosperity, resilience, as well as its capacity to promote its interests, values and standards are inextricably linked to these global developments. As emerging economies and established powers alike position themselves as leaders in key sectors, **the EU economy faces critical dependencies and vulnerabilities**, including in its supply chains and in the access to sources of energy and strategic resources, such as critical raw materials. There is a heightened understanding among the stakeholders, EU institutions and citizens about these risks. 66.2% of the respondents of the Open Public Consultation (OPC) expected that EU external financing promotes EU interests, including European competitiveness[52]. In similar vein, and among its external action priorities for the next MFF, the European Parliament calls on the Union to boost competitiveness and the security of global supply chains[53]. This challenge was also addressed by the participants to the 'European Citizens' Panel on a new European Budget fit for our

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[46] Choosing Europe's future; global trends to 2040, https://espas.eu/files/espas_files/about/ESPAS-Global-Trends-to-2040-Choosing-Europes-Future-EN.pdf

[47] Hurrell. A., Geopolitics and Global Economic Governance, Oxford Review of Economic Policy, 2024, 2, https://academic.oup.com/oxrep/article/40/2/220/7691461

[48] Michalski A. and Parker C., The EU's evolving leadership role in an age of geopolitics: Beyond normative and market power in the Indo-Pacific, European Journal of International Security, 2024, 2, https://doi.org/10.1017/eis.2023.34

[49] Muench S. et al., Risks on the Horizon, 2024, EU Policy Lab,https://publications.jrc.ec.europa.eu/repository/handle/JRC137493

[50] Vinjamuri, L. (editor), Competing Visions of International Order, 2025, Chatham House, 2025-03-27-competing-visions-international-order-vinjamuri-et-al

[51] Draghi, M., The Future of European Competitiveness, 2024, https://commission.europa.eu/topics/eu-competitiveness/draghi-report_en

[52] The breakdown of the 66.2%: 42.1% of the respondents expected promotion of the EU's interests (including European competitiveness) "to a large extent' while 24.1% "somewhat" expected it.

[53] European Parliament resolution of 7 May 2025 on a revamped long-term budget for the Union in a changing world, https://www.europarl.europa.eu/doceo/document/TA-10-2025-0090_EN.html

ambition', which recommended the EU budget to support and invest in areas such as democracy, internal security as well as independence from external actors, economic power, technological development and cultural influence to strengthen EU diplomacy.

Furthermore, global fragility is on the rise. Compounded by the impacts of climate change, demographic trends and increasing levels of **poverty and inequalities** within and between countries are important **drivers of social unrest, political instability and conflict**. The complexity of crises in fragile contexts puts to the test the EU's capacity to swiftly implement rapid and impactful responses, accompanied by coherent short to medium- and long-term actions directed towards stability and, where possible, investments. The existing international financing architecture is neither fit nor fair for fragile countries, leaving them vulnerable to relapse and conflict or turning to other political allies. The importance of tackling fragility is recognised by the EU stakeholders and institutions. 76.8% of the respondents of the OPC expected EU external financing to contribute to the engagement in fragile contexts[54]. Less than 50% of the respondents believed that EU external financing is sufficiently flexible to respond in a timely manner to crises and secure stability at the EU's borders and beyond[55]. However, at the same time the OPC results signal that flexibility should always *complement* predictability. The Council has also recalled the urgent need to build resilience, particularly in the conflict-affected and fragile contexts, with a focus on addressing immediate needs and investing in prevention.[56]

In the coming years, and in strong correlation with fragility, the EU will likely face continuous **migratory pressures and challenges of forced displacement**, fuelled by conflict, demographic developments and weak economic development. The European Citizens' Panel acknowledged the importance to address the root causes of migration via development and humanitarian aid focusing on Africa and conflict-affected countries.

In addition, and while the world has fewer democracies than autocracies for the first time in 20 years, the EU will face a range of risks in the areas of space, cybersecurity, artificial intelligence, hybrid threats, disinformation, and particularly foreign information, manipulation and interference by foreign powers, radicalisation and terrorism. Simultaneously, civic and democratic spaces may shrink further, curbing the ability of civil society organisations to act and limiting the involvement of young people in policymaking[57]. These issues were identified in the OPC, in particular by CSOs working on human rights and democracy. The European Citizens' Panel stressed that the Charter of Fundamental Rights of the EU is a compass in enlargement, bilateral partnerships, migration and other matters where integration is key.

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[54] The breakdown of the 76.8%: 54.5% of the respondents expected engagement in the fragile contexts "to a large extent" while 22.3% "somewhat" expected it.

[55] Only 7,8% of the respondents "to a large extent" believe that the EU funding is sufficiently flexible to respond to crises and secure stability at the EU's borders and beyond.

[56] Council conclusions of 26 May 2025, ahead of the 4th International Conference on Financing for development https://data.consilium.europa.eu/doc/document/ST-9394-2025-INIT/en/pdf

[57] The respondents of the Open Public Consultation expected that the EU external funding contributes to a wide array of objectives, *inter alia* human rights, democracy and rule of law, peace and security, green and digital transitions, migration and asylum, and fight against disinformation.

The above-mentioned dynamics are gradually affecting EU policies and challenge sectoral approaches to policymaking.[58] Against this backdrop, **the link between EU external and internal policies** has become increasingly relevant but is currently not sufficiently catered for – neither in the external nor in the internal financing instruments – and the interplay of external and internal financing instruments is sub-optimal. In particular, the EU needs to rethink how its external engagement can repower its prosperity to remain a credible player on global challenges. This calls for a careful allocation of resources to support EU's growth, which will stem from a new combination of different components: an enlarged Single Market, a stable and dynamic neighbourhood, a string of partnerships aiming at reducing strategic dependencies and expanding economic opportunities across the globe. In this respect, the EU will face the challenge of striking the right balance between acting with others when it can and reinforcing its capability to act autonomously when it wishes or is obliged to do so. Strengthening alliances may be just as crucial as building new ones.[59]

While current external financing instruments are effective in delivering on their expected results, the changing geopolitical landscape and the era of poly-crises have exposed some architectural weaknesses in their design. **Sub-optimal policy coherence and flexibility** in the implementation of the EU's external financing instruments hamper the Union's capacity to advance strategic interests and address fragility and crises situations. This observation was supported in the responses of the OPC. Companies suggested the Union to ensure coherence and long-term vision as well as flexibility and speed in its (Team Europe) projects. Development finance institutions called for a greater flexibility, allowing for quick responses especially in situations of fragility. At the same time, it was essential for the respondents of the OPC that Europe remains a credible partner, reinforcing its position as a global force for stability, sustainability and shared prosperity.

Following the problem definition, three **problem drivers** have been identified, as explained below. These problem drivers, driving sub-optimal coherence and flexibility, have been identified at the level of the architecture of the external financing instruments, to advise the policy makers on certain weaknesses and gaps in the instruments. The identification of problem drivers is supported by stakeholder views (including OPC) and/or the Commission's operational practice over the past years.

1) IMPLEMENTATION LEVEL

Insufficient adaptative capacity to a fast-changing world because the interplay between programmable and non-programmable actions is not always fit for purpose. Programmable actions refer to action that is typically programmed multiannually, to advance policy objectives under the pre-accession, neighbourhood and international partnerships policies. Non-programmable actions are more reactive in nature, though very often planned in advance. The combination of these two types of tools is important to foster a coordinated and impactful EU response to local contexts and developments.

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[58] Strategic foresight report 2023; https://commission.europa.eu/document/download/ca1c61b7-e413-4877-970b-8ef619fc6b6c_en?filename=SFR-23-beautified-version_en_0.pdf

[59] Choosing Europe's future; global trends to 2040, https://espas.eu/files/espas_files/about/ESPAS-Global-Trends-to-2040-Choosing-Europes-Future-EN.pdf

2) INSTRUMENT LEVEL:

Partner country, regional and global contexts evolve rapidly while the split between IPA III, NDICI-Global Europe and humanitarian aid is not conducive to swift adaptation. Different strands of external action financing are currently fragmented into different financing instruments, with the exception of the Neighbourhood policy and International Partnerships policy financing which are part of NDICI-Global Europe. The current framework creates *rigidities* between instruments, including on shifting of funds between different instruments. It also gives rise to *high coordination efforts* which can hamper synergic and coherent approaches at the regional level, for instance in the contexts of fragility (i.e. humanitarian-development-peace nexus), and interplay between the Enlargement and Neighbourhood policies. This fragmentation has limited the EU's responsiveness to unforeseen developments in the enlargement region with new membership applications, leading to the creation of *ad hoc* instruments to cater for new needs. Several contributions to the OPC consider the previous merge of external financing instruments as a positive development. They consider that this merge significantly streamlined the collaboration between the EU and its implementing partners.

3) TOOLBOX LEVEL:

There is only a limited interplay between current internal and external financing instruments, which stems from inadequate policy coherence between internal and external policies. This inadequacy does not serve the Union's new objective to build mutually beneficial packages with partner countries.

Furthermore, the existing toolbox (implementation modalities) is not sufficient to advance the EU's strategic interests. While private sector involvement is needed to boost sustainable development in partner countries and to support the EU priorities such as competitiveness, traditional development finance instruments are not sufficiently appealing to private investors[60]. This means that European private sector's potential is underused in the external financing instruments. Two-thirds of the respondents to the OPC considered important to encourage private sector investments to increase the total funding for development to achieve the SDGs. As shown by the OPC results, companies in particular supported the idea of creating a more competitive and more compelling Team Europe offer in terms of scale, flexibility and speed. While the private sector has called for new tools in the context of the Global Gateway Business Advisory Group[61] [62], the OPC results also illustrated that the European private sector expects the toolbox to be enlarged with new innovative mechanisms. The Council has also reiterated the importance of mobilising private finance towards sustainable development, including to leverage domestic, bilateral, triangular and multilateral public resources to achieve

[60] Bilal S. and Klasen A., Delivering on Global Gateway: Strengthening Development and Export Finance Complementarity and Coordination, 2025, ECDPM,https://ecdpm.org/work/scaling-global-gateway-boosting-coordination-development-export-finance

[61] Digital SME Alliance et al., Discussion Paper: SMEs as part of the Global Gateway Strategy, 2024, https://www.digitalsme.eu/global-gateway-smes-voice-their-requests-to-the-commission/

[62] EBCAM, EMCAM recommendations to policy makers: Engaging the European Private Sector in the Global Gateway Strategy for Africa, 2025, https://www.ebcam.eu/images/PDF/Position_paper_EBCAM_2025_02.04.pdf

scale and impact. It has called for effective use of innovative financial instruments with financial additionality.[63]

Finally, under the current MFF, increased needs in fast-changing contexts have demonstrated the insufficient capacity to leverage EU funds and optimise the impact of external funding.

The next sub-chapters look into policy-specific challenges more in detail.

The enlargement's key challenge: accelerating socio-economic convergence

The next enlargement is perceived as a 'geostrategic investment in peace, security, stability and prosperity' and a direct response to Russia's war of aggression against **Ukraine**[64], as well as an 'economic and moral imperative'[65]. The EU promotes the (potential) candidate countries' gradual integration into the Single Market prior to accession, based on their alignment with EU rules and standards, as a possibility to unlock some of the accession benefits and obligations earlier on. This contributes to the competitiveness of the EU's economy and make it more fit to tackle global challenges, including the green and digital transitions. Enlarging the EU could, among others, further facilitate energy infrastructure development and bolster the EU's energy security, affordability, and decarbonisation.

According to the most recent enlargement package[66], the Western Balkans and Türkiye are moderately prepared to accede to the Union. This has also been confirmed by external evaluations[67], ECA audits[68] and the result frameworks for the performance of the EU budget. Ukraine, Moldova and Georgia have a similar preparedness. This being said, the limited administrative capacity to align with the *acquis* and the cost of implementation, while keeping pace with EU regulatory developments, requires financial support and in-depth strengthening to advance complex accession negotiations and deliver on structural reforms. The scale of the investment needed to implement the acquis will be significant for many sectors[69]. Mobilising the necessary financing will be key as much as developing the capacity to identify and make these investments.

The slow progress of socio-economic convergence[70], which is in part induced by slow progress on reforms, lack of political will, lack of data and administrative capacity constraints, limits the benefits of a deepened integration and market opening. Tangible and irreversible progress, starting with the fundamentals (including democracy, rule of law, fight against

63 https://data.consilium.europa.eu/doc/document/ST-9394-2025-INIT/en/pdf
64 Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. 2023 Communication on EU Enlargement Policy, Brussels, 8.11.2023 COM (2023) 690 final, 8.11.2023, available here
65 Mission Letter to Marta Kos, Commissioner-designate for Enlargement
66 Strategy and Reports - European Commission
67 Evaluation of the European Union's External Financing Instruments (2014-2020 and 2021-2027)
68 Special Report 01/2022: EU support to the rule of law in the Western Balkans (europa.eu)
69 For example, based on the 2004 enlargement, the investments needed for the current candidate countries to implement the environmental acquis will be of the magnitude of at least EUR 100 billion.
70 The Western Balkans' level of economic convergence in terms of GDP per capita in purchas g power standards is at between 30% and 50% of the EU average and is not progressing fast enough impacting on the prosperity, stability and security of the region.

corruption and organised crime) of the EU accession process is needed. Keeping pace with EU regulatory developments will remain challenging. For instance, achievement of decarbonisation will be ambitious given the diversity of national energy mixes. Another example is customs, where candidate countries must be equipped upfront to control and supervise the (new) EU external borders according to EU standards and rules, facilitating trade and supporting competitiveness, while securing the flow of goods. Similarly, the EU needs to provide sufficient support to enable candidate countries to adopt the relevant acquis, including building technical and administrative capacity.

Ukraine faces, in addition, the challenge of Russia's war of aggression resulting in **destructions of key infrastructures, critical assets and the contamination of approximately 25% of its territory with mines and explosive**. This will entail massive reconstruction costs. Moreover, as a result of EU commitments, significant resources would be required to integrate Ukrainian and EU Defence industrial and technological bases.

Specific challenges affecting the EU's neighbouring countries[71]

Economic performance in the neighbourhood is held back due to **weaknesses in the business environment and constraints to human capital,** especially related to demographic challenges, low level of digitalisation, the low-quality of education and training systems and an ever-increasing brain-drain. Lack of decent and safe jobs and insufficient investment in active inclusion and non-discrimination leave many potential contributors outside the labour market. The private sector, on the other hand, struggles to find talents with the right skills.

Investment is disincentivised by limited fiscal space, inadequate standards of rule of law as well as persistent weaknesses in administrative capacity and governance. The economies are rattled by high inflation and public debt levels that call for economic reforms. Connectivity gaps, a heavy predominance of the informal sector, and an undiversified production base that is largely focused on sectors with low value added are also persisting problems.

The countries face challenges in their public health and social protection systems and significant gender inequalities. **Many partners also face challenges with democratic governance, fundamental rights and justice reform, high corruption and weak public administrations with lack of reliable statistics**. There is often a lack of political will to address these challenging reforms because they touch upon vested interests and require long-term commitment beyond the mandate of the governments.

Recent and prolonged conflicts such as conflicts in the Middle East, the conflict between Armenia and Azerbaijan, and Russia's war of aggression against Ukraine, impact the whole area. They increase political instability and the migratory pressure to the EU. These conflicts also create new hybrid threats, increasing inflation, exacerbating poverty, as well as food and energy insecurity in the EU. They disrupt EU value chains and the supply of commodities and critical raw materials. The EU is also confronted with the growing influence of foreign actors (e.g. Russia, China), including in the provision of critical infrastructures such as digital and

[71] Maghreb and Mashreq countries, and Israel (neighbourhood South), Armenia, Azerbaijan, Belarus, Georgia, Moldova, Ukraine (neighbourhood East), Western Balkans and Türkiye

telecommunication networks, and a “battle of narratives”, including that of alleged double standards by the EU.

These challenges will limit progress in other key priority areas - the investment agenda of green and digital transition, transport, energy, and private sector development, but also in the reconstruction of Ukraine and Gaza. The limited socio-economic convergence with the EU in the case of the Western Balkans, Türkiye, Ukraine, Moldova and Georgia pose a particular challenge to their enlargement perspective.

Focus on Middle East, North Africa and the Gulf

The Middle East, North Africa and Gulf region includes diversified realities, with both fragile/conflict affected countries and partners that are key to maintain its stability.

There is **a large unexploited potential** to develop connections in sectors such as trade, digital, energy, connectivity and culture. Harnessing this potential will require investing smartly in political and economic exchanges with a diversified set of stakeholders. The growing share of young people will also need to be factored in as it is a source of opportunities and challenges.

At the same time, the region is grappling with a complex set of challenges that have profound implications both locally and for the EU. The evolution of the conflicts in the Middle East in the recent years has compounded the concerns related to the significant migration and refugee crisis. In this respect, the **growing instability** has become a focal point of geopolitical concern.

The level of destruction created by the conflicts (in Gaza, Lebanon or Syria) has also raised pressing needs for **large-scale reconstruction**. Countries in the region face the daunting task of rebuilding vital infrastructure, housing, and essential services against a backdrop of constrained financial resources. The limited financing options available are further exacerbated by the economic ramifications of prolonged instability, leaving governments and local communities without the means to effectively address these urgent needs.

Addressing all these challenges will be key to achieve shared stability and security, prosperity and mutual opportunities so that the EU’s investment in the region can provide **clear political dividends**.

Finally, the EU’s **engagement with Gulf countries** is increasingly important, particularly given their strategic importance in addressing regional and global challenges. Arab donors are important geopolitical actors, assertive donors, and active agenda-setters in multilateral and international fora.

International partnerships: addressing the SDG financing gap through strategic investment in a context of increased global fragility

With only **17% of the SDGs targets[72] on track**, **the world is lagging behind**. The OECD estimates that the annual investment gap to reach them in developing countries stands at about

[72] The-Sustainable-Development-Goals-Report-2024.pdf

USD 4 trillion annually[73]. This gap increased in the wake of the COVID-19 pandemic and was further accelerated by Russia's war of aggression against Ukraine. The decision of the US administration and other major donors to significantly scale down development assistance and humanitarian aid will likewise have a negative impact.

Thus, it is in the EU's and its citizens' direct interest to engage with developing countries around the world. The EU's partner countries in **Sub-Saharan Africa, Asia and the Pacific and Latin America and the Caribbean are at the crossroads of all the defining "mega trends" of our time**, affecting the security and prosperity of the EU. The Union's failure to engage with partners both bilaterally and in multilateral *fora* would mean slower progress on all three pillars of sustainable development (economic, social and environmental), with repercussions to global stability:

- **Economic and social growth** are hampered by structural constraints: weaknesses in the business environment, lack of access and low quality of education, large infrastructure gaps, weak regulatory and institutional environments, and an undiversified production base that is largely focused on extractive sectors with low value added. This has direct consequences on poverty and inequalities.

- **The triple planetary crisis of climate change, biodiversity loss and pollution** are global problems that do not know borders and impact all ecosystems on land and at sea as well as food security. They call for global action to transition to low-carbon and resource efficient economies and adapt to climate change impact. Both the EU and its partner countries committed to addressing climate change and biodiversity under the Paris Agreement and the Kunming-Montreal Biodiversity Framework.

- **Digitalisation and the fast pace of technological innovation**, including the advent of artificial intelligence, prove to be challenging. Partner countries are becoming increasingly dependent on high-risk communication networks and digital infrastructure. Next to this, there remains a significant digital divide, increasing cyber threats, and inadequate digital and cyber regulation.

- Strengthening of **health systems** and their resilience as well as preparedness for preventing and combating global health threats remain insufficiently tackled around the world.

- The access to **quality education and training** in many partner countries remain too low, also when it comes to basic skills, resulting in a mismatch between education and the labour market, further undermining economic growth.

- Many countries around the world continue to face significant **gender disparities** as well as gender-based violence. **Civic and democratic spaces** have shrunk, limiting even further the involvement of **civil society organisations and young people** in policy making.

[73] OECD (2025), Global Outlook on Financing for Sustainable Development 2025: Towards a More Resilient and Inclusive Architecture, OECD Publishing, Paris, https://doi.org/10.1787/753d5368-en

The complexity of crises in **fragile contexts** puts to the test the EU's capacity to react and implement impactful responses, building on coherent short to medium- and longer-term actions directed towards stability and, where possible, investments. While the Union has confirmed its position as the world's leading donor, international public funding can only offer a partial contribution to cover the financing gap.

Therefore, addressing the issue of financing for development, including through **leveraging broader public and private funds and facilitating debt sustainability**, is essential. Progress has been made through the Team Europe approach to bring in the private sector and other new actors, such as export credit agencies, to deliver on the EU policy objectives. Tools need to be further developed to attract private investors to advance sustainable development globally. Greater cooperation with emerging markets and developing economies will be needed to both tackle inequalities and support EU interests worldwide.

Humanitarian aid: crisis of funding, morale and legitimacy

The global humanitarian system is grappling with an unprecedented increase in the scale, frequency and complexity of crises, combined with significant aid cuts from major donors and severe violations of International Humanitarian Law. The humanitarian community confronts a massive crisis of funding, morale, and legitimacy.

Humanitarian needs are at an all-time high and continue rising. By the end of 2024, 325.3 million people in the world need humanitarian assistance and protection, and global funding requirements for the humanitarian response have skyrocketed to nearly EUR 45 billion, more than double compared to 2019.

On the one hand, **the rise in humanitarian needs is driven by multiple and often overlapping factors**, including the multiplication and escalation of conflicts, insecurity, the aggravating impact of climate change acting also as a threat multiplier, which results in more impactful natural disasters and exacerbates displacements, as well as disease outbreaks and socioeconomic inequality. Food insecurity and malnutrition, limited access to water and sanitation and to other basic services are only some of the major humanitarian challenges today.

On the other hand, **the costs of humanitarian operations are on the rise**, making it even more difficult for donors and aid organisations to fulfil the demands for humanitarian assistance.

Systematic violations of **international humanitarian law**, including the restriction of humanitarian access, security challenges and targeting of aid workers, hinder the protection of civilians, undermine long-term prospects for development and continue to drive the increase of humanitarian needs and cost of humanitarian assistance.

In addition, the decision of major donors to cut humanitarian funding create severe gaps in global aid efforts, as it forces humanitarian organisations to scale-back or delay emergency operations, thus leaving millions of people without critical support.

Therefore, **there is an urgent need to reform to humanitarian system** and make it **more efficient and cost-effective,** accountable, resilient and in line with humanitarian principles of humanity neutrality, impartiality and independence, including by promoting joint work on supply chains, locally led responses, anticipatory action, disaster risk management, cash assistance as well as predictable and flexible funding to respond quickly and efficiently to emergencies.

In response to mounting pressures on the global humanitarian system, the UN Under-Secretary-General and Emergency Relief Coordinator (USG/ERC) launched on 10 March 2025 the 'Humanitarian Reset' – an initiative aimed at overhauling the global humanitarian system.

The Humanitarian Reset is closely linked to the UN80 initiative, a comprehensive reform process launched by the UN Secretary-General António Guterres, to review the UN working methods, mandate, and eventual programme realignment, in conjunction with the UN's 80th anniversary.

Leveraging EU engagement with High-Income Countries

The full potential of engagement with High-Income Countries has not been entirely exploited, notably in view of **promoting and defending EU interests either bilaterally or via multilateral alliances** as soon as opportunities arise. Despite upstream investment, the EU has not timely capitalised on its collective strength in multilateral *fora* to lead on key areas of strategic interest (e.g. UN Tech Envoy in 2022), leaving the field to other actors.

3. NECESSITY AND ADDED VALUE OF EU'S ACTION - WHY SHOULD THE EU ACT?

EU's external action financing seeks to partner with third countries, as well as promote multilateral solutions to global challenges. It enables the EU to defend its interests, to promote its values and standards, to support the objectives of its internal policies, ensure its security and protect its citizens. EU's external funding should focus more on **strengthening the Union's competitiveness and reducing dependencies**, notably through securing critical supply chains. Moreover, it is in the EU's own interest to preserve its role of a trusted global player.

The mid-term evaluation of EU's External Financing Instruments for the 2021 - 2027 Multiannual Financial Framework[74] (hereinafter 'mid-term evaluation') confirmed the added value that the External Financing Instruments bring to EU's external relations, as they provide a more **integrated and sizable offer** to partner countries, improving their capacity to address shared priorities with the EU and contributing to sustainable development. Additionally, mainstreaming climate, biodiversity and gender in EU external action contributes to achieving the SDGs.

As a party to most multilateral processes, the EU can **engage with multilateral and regional partners** in key policy areas. Compared to its Member States acting separately, the EU, together with Member States, can achieve greater impact by coordinating common positions and speaking with a stronger voice. As a world's leading proponent and defender of multilateral and rule-based global governance system, the EU has credibility as an honest broker and defender of core international human right instruments. This leverage in multilateral and

[74] Evaluation of the European Union's External Financing Instruments for the 2014 - 2020 and 2021 - 2027 Multiannual Financial Frameworks; [Register of Commission Documents - COM(2024)208 (europa.eu)]

regional fora also enables the Union to project globally its policies and values, as well as influence the **shaping of global norms and regulatory standards**. The EU's financial commitment is an **integral part of the overall engagement** in several multilateral agreements (e.g. climate and biodiversity).

Through the increased use of budgetary guarantees and blending operations, **the EU incentivises and pools together public and private investments**, including to the benefit of countries and sectors having difficult access to financial markets. Through blending and guarantees, between 2021 and 2023, the EU mobilised public and private investments worth EUR 50 billion to accelerate progress towards the SDGs. EU non-action would widen the SDGs financing investment gap and further deteriorate the situation of fragile countries while weakening the EU as a geopolitical and geoeconomic actor and as global player in multilateral fora.

Finally, the EU triggers **collaboration among development financial institutions**. Macro-financial assistance loans provide much needed financing for countries experiencing balance of payments crises, with favourable conditions.

The EU added value is explained in further detail in annex 6.

4. OBJECTIVES: WHAT IS TO BE ACHIEVED?

4.1. General objective: more strategic and responsive external financing instruments

The objectives of EU external action are multifaceted and lie at the crossroads of Treaties-based objectives, international commitments and political priorities that guide the EU engagement with partner countries[75], candidate and potential candidate countries.

Importantly, **the mid-term evaluation** on the EU's external financing instruments confirms that the current instruments are **largely fit for purpose.** The evaluation corroborates that NDICI-Global Europe is on track to deliver against the objectives it was expected to fulfil at the time of its adoption. Moreover, the objectives of NDICI-Global Europe continue to be relevant, and the instrument effectively serves the roll-out the Global Gateway strategy. In a similar vein, the mid-term evaluation shows that IPA III has demonstrated its general effectiveness as a pre-accession instrument and is likewise on track to meet its objectives. The instrument is aligned with the enlargement methodology and mirrors EU policy developments, such as the focus on green, digital and economic priorities.

Nonetheless, the changing geopolitical landscape and poly-crises in recent years have exposed some **architectural weaknesses in the design of the external financing instruments**. As explained in chapter 2 on problem definition, sub-optimal policy coherence/toolbox and flexibility of the EU's external financing instruments hamper the Union's capacity to advance strategic interests and address fragility and crisis situations.

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[75] Political priorities are set in the political guidelines for the Commission 2024-2029 as well as the Strategic Agenda 2024-2029 adopted by the European Council in June 2024.

The problem definition guides the general objective of the impact assessment: **the EU should design external financing instruments that effectively advance the EU's strategic interests while being responsive to fragility and crisis situations**. As mentioned in Chapter 1, the Communication on 'the road to the next multiannual financial framework'[76] strives for external action financing that is better aligned with the EU's strategic interests. Furthermore, the mid-term evaluation confirms that, while current external financing instruments have improved in terms of coherence and flexibility of EU external action, the context of multiple and protracted crises has overstretched this flexibility.

To pursue its economic foreign policy agenda and to address fragility and crisis situations in an increasingly uncertain geopolitical environment, the EU should better **balance flexibility and predictability** in the design of its external financing instruments. The next chapter outlines the specific objectives of the impact assessment, which contribute to the general objective. The latter indicates the long-term goal while the specific objectives indicate the ways to achieve this goal.

The specific objectives reflect the fact that the next external financing instrument should be enabling in nature. It needs to be able to serve various external action objectives and the EU's strategic interests in more than 100 countries well into the next decade, in a world where the pace of change is unprecedented compared to the previous MFFs. The specific objectives have therefore been drafted with this reality in mind while responding to the problem drivers (chapter 2).

Moreover, considering the ringfenced problem definition and general objective, it also needs to be stressed that this impact assessment does not suggest a complete overhaul of policy objectives of the next external financing instruments. The focus is on ensuring the right architecture at the levels of implementation, instrument and toolbox.

The specific objectives guide the criteria to assess the effectiveness, efficiency and coherence of the policy options in chapters 6 to 7.

4.2. Specific objectives

Three broad specific objectives (SO), each with their sub-set of objectives, illustrate the general objective of the impact assessment described in 4.1. The below intervention logic explains in a nutshell the relationship between the problem drivers, general objective and specific objectives, which is then followed by more detailed descriptions.

[76] https://commission.europa.eu/document/download/6d47acb4-9206-4d0f-8f9b-3b10cad7b1ed_en?filename=Communication%20on%20the%20road%20to%20the%20next%20MFF_en.pdf

Intervention logic

Intervention logic

Problem definition	**Sub-optimal policy coherence and flexibility in the EU's external action to advance the EU's strategic interests and address fragility and crisis situations**		
Problem drivers	**D1. IMPLEMENTATION LEVEL -** Insufficient adaptative capacity to a fast-changing world because the interplay between programmable and non-programmable actions is not always fit for purpose	**D2: INSTRUMENT LEVEL –** Partner country, regional and global contexts evolve rapidly while the split between IPA, NDICI-GE and humanitarian aid is not conducive to swift adaptation	**D3: TOOLBOX LEVEL:** EU's strategic interests are increasingly at risk and the existing toolbox is not sufficient to advance them
General objective	**Design external financing instruments that effectively advance the EU's strategic interests while being responsive to fragility and crisis situations**		
Specific objectives (criteria against which the options will be assessed)	**SO1: Provide adaptability and stability by striking the right balance between programmable and non-programmable actions**	**SO2: Increase responsiveness by simplifying the architecture of the instruments**	**SO3: Advance policy coherence and the EU's strategic interests by creating and updating tools**
	SO1.1: Ensure capacity to adjust to new priorities, emerging crises and humanitarian needs	SO2.1: Ensure integrated approach through allocations earmarked for regions and a global envelope under one instrument	SO3.1: Ensure coherence between external and internal policies including via Global Gateway
		SO2.2 : Ensure humanitarian-development-peace policy nexus	SO3.2: Build tailor-made mutually beneficial packages with partner countries in all regions
	SO1.2: Ensure predictability by establishing mutually beneficial long-term partnerships with partner countries	SO2.3: Ensure interplay between enlargement and Neighbourhood policies (e.g. in case of backsliding or policy changes in these countries)	SO3.3: Foster private sector's access to public and private funding through enhanced toolbox
		SO2.4 : Ensure that there is a specific leeway for funding the needs in Ukraine	SO3.4: Ensure performance-based approach in enlargement countries and accelerate their economic convergence
Options	**Option 1:** A fully flexible external financing instrument based exclusively on strategic priorities defined annually, with no multiannual planning. Ukraine-related support for pre-accession and reconstruction needs would be covered above MFF ceilings.		
	Option 2: An external financing instrument based on indicative geographic and global envelopes covering programmable and non-programmable funding for multiannual planning, balancing flexibility and predictability. Ukraine-related support for pre-accession and reconstruction needs would be covered above MFF ceilings.		
	Option 3: An external financing instrument based on indicative geographic and global envelopes covering programmable and non-programmable funding for multiannual planning, balancing flexibility and predictability. Pre-accession needs for Ukraine would be covered by this instrument inside MFF ceilings while the reconstruction needs of Ukraine would be covered over and above the MFF ceilings.		

4.2.1. Provide adaptability and stability by striking the right balance between programmable and non-programmable actions

The first specific objective is to provide adaptability and stability by **striking the right balance between programmable and non-programmable actions** in external financing instruments (SO 1).

Programming is a process that sets the framework for a partnership with a country or region, through the identification of priority areas for cooperation and, where relevant, the allocation of financial resources. By nature, external action encompasses both structural and crisis policies and tools. Structural policies, such as international partnerships, pre-accession and neighbourhood, are implemented through programmable actions. Crisis-responsive policies and tools (humanitarian aid, macro-financial assistance, as well as rapid response notably linked to peace, security and resilience) translate in non-programmable actions. A good interplay between programmable and non-programmable actions is needed to provide **capacity to adjust to new priorities, emerging needs and crisis situations (SO 1.1)**, while at the same time ensuring **predictability to establish mutually beneficial medium- to long-term partnerships with partner countries for strategic interests** supporting the EU's growth and competitiveness **(SO 1.2).**

In fragile and politically complex countries, the EU should have adequate flexibility and capacity to adapt and respond rapidly and effectively to situations of crisis, instability and conflict and support affected populations. An indicative amount of funding allocated to non-programmable actions per region should cater for this need. Typically, such actions are carried out under humanitarian aid, rapid response actions and macro financial assistance. Longer term mutually beneficial partnerships and cooperation between EU and a partner country require predictability and therefore programmable actions as a basis.

These partnerships require multiannual planning with shared priorities and, where relevant, indicative financial allocations, fostered in a dialogue with a partner country/region, to deliver on the EU's strategic interests. In particular, the development of investments under Global Gateway as well as engagement on socio-economic, migration and governance/security interests, are only possible with a medium-term funding, providing a sufficient level of predictability for both the EU and the partner country. Regional programming offers a high degree of flexibility, allowing to build mutually beneficial packages when opportunities arise in partner countries.

Lastly, both programmable and non-programmable actions could be reinforced, when needed, by **a reserve** available to all components of the instrument to react and adjust to emerging challenges and priorities.

4.2.2. Increase responsiveness by simplifying the architecture of the instruments

The second specific objective is to increase responsiveness via an integrated approach by further **simplifying the architecture of current instruments (SO 2).** As noted above, the Communication on the road to the next MFF stressed the need for a more focused and simpler EU budget. Therefore, this impact assessment suggests merging the current external financing instruments, NDICI-Global Europe, IPA III, various Facilities (Ukraine, Western Balkans, Moldova) and humanitarian aid funding into one instrument.

This approach would **integrate under one instrument indicative allocations for regions** – i) Enlargement and Neighbourhood East; ii) Middle East, North Africa and the Gulf; iii) Sub-Saharan Africa; iv) Asia and the Pacific and v) Americas and the Caribbean – and for a global envelope **(SO 2.1)**. This would remove the financial and operational barriers that may exist between the current standalone instruments, as described in chapter 2.

A simplified broader instrument enhancing geographisation would strengthen the support at regional and country level to the extent possible, mobilising all the available policy tools. In turn, a global envelope would serve to support truly global initiatives, addressing global challenges and threats.

A merged instrument could strengthen **the humanitarian-development-peace policy nexus**[77] and increase the resilience of partner countries **(SO 2.2)**. The recurrent, protracted and complex nature of many crises calls for both swift reactions and capacity to develop longer-term interventions that address humanitarian needs as well as development and peacebuilding challenges in a coherent way. Better synergy would ensure that humanitarian funding can focus on acute needs and partnerships funding can focus on long-term resilience, promoting peaceful and robust communities. The nexus approach is closely associated with the need for increased flexibility: when partner countries go through unexpected turmoil or natural disasters, more structural development cooperation should be able to be substituted with crisis tools, such as humanitarian aid, among others. On the other hand, there are situations where longer term investments such as Global Gateway interventions can help stabilise fragile contexts.

An integrated instrument could optimise the **interplay between enlargement and neighbourhood policies** and allow to better respond to policy changes in partner countries **(SO 2.3)**. EU assistance could be recalibrated in cases where countries are backsliding on the EU accession process, through enabling their transition between pre-accession assistance and other types of financing. Integrating support to accession candidates and potential candidates into a simplified external action instrument would also avoid the creation of *ad hoc* instruments in response to emerging needs and priorities in the neighbourhood.

The budgetary architecture **should ensure Ukraine's needs are covered while minimising the impact on the overall effectiveness of external financing**. Ukraine will need the support of the EU and its allies to continue withstanding Russia's war of aggression and weather its economic fallout. Ukraine's economy has continued to show resilience, but risks remain exceptionally high given the uncertainty of the intensity and duration of the war, including with respect to the continued damage to energy infrastructure. The architecture of external financing should combine strong and predictable support to Ukraine's accession path and reconstruction efforts with the advancement of the EU's broader external policy objectives **(SO 2.4)**.

[77] Following the outcomes of the 2016 World Humanitarian Summit, the Humanitarian-Development-Peace nexus is intended to ensure strong cooperation, collaboration and coordination between humanitarian, development and peacebuilding efforts at the national level to ensure collective outcomes on the basis of joined-up, coherent, complementary and risk-informed analysis, planning and action https://www.undp.org/crisis/humanitarian-development-and-peace-nexus

4.2.3. *Advance policy coherence and EU's strategic interests by creating and updating tools*

NDICI-Global Europe already enables the EU to advance its strategic interests and values. However, there is a need to further **advance EU's strategic interests and policy coherence through tools that are fit for purpose (SO 3).**

To this end, an enhanced **coherence between external and internal policies is crucial (SO 3.1),** starting with better aligned priorities. For this, better legal consistency, coherence, synergies and complementarity should be ensured in both the external and internal financing instruments, notably through equivalent provisions. Articulation with the European Competitiveness Fund will be crucial to take various work streams (e.g. critical raw materials and related value chains[78], economic security and the Clean Industrial Deal) to the next level. The next external financing instrument should support the Union's open strategic autonomy by facilitating the diversification of value and supply chains, ultimately improving local value addition in partner countries and strengthening the market position of EU companies both within the Single Market and globally, in coherence with the Competitiveness Fund and synergies that both programmes create.

To effectively strengthen the interconnections between internal and external policies, the external financing instrument should allow to **build customised, mutually beneficial packages with partner countries in all regions (SO 3.2).** The interplay between different policy objectives (e.g. trade, climate, energy, migration) is essential to build these packages, such as Comprehensive Partnerships and Clean Trade and Investment Partnerships. This work stream should be strengthened by **fostering private sector's access to public and private funding (SO 3.3) through enhanced toolbox[79].** Existing tools include grants and more recently also guarantees and blending. As elaborated in the chapter on the problem definition and problem drivers, the private sector needs to play an enhanced role to contribute to EU external action objectives. In its recent conclusions the Council also stressed that sustainable development goes hand in hand with an enabling business environment that incentivises private investment.[80] While grants, guarantees and blending should be continued, the Union should further integrate the private sector in the external financing instrument by allowing new tools such as guarantees to export credit agencies as well as the option to provide direct support to companies. Finally, safeguarding the Union's strategic interests in the external action would benefit from entrusting the indirect management of the EU funds, whenever possible, to European organisations.

Strengthening **performance-based financing would help further align EU policy objectives and spending (SO 3.4)**. Following fifteen years of experience in budget support worldwide and the introduction of the new facilities in the enlargement region, support has already moved towards delivery-based models making disbursement conditional on achieved results. For candidate countries and potential candidates, maintaining this approach would allow to

[78] Communication on 'a secure and sustainable supply of critical raw materials in support of the twin transition' https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:52023DC0165

[79] Companies who responded to the OPC call for new, innovative mechanisms to be included in the toolbox, including more integrated European offer with better risk-sharing capabilities.

[80] https://data.consilium.europa.eu/doc/document/ST-9394-2025-INIT/en/pdf

continue incentivising key socio-economic reforms and accelerating economic convergence with the EU in view of accession. Policy-based loans should be introduced where relevant, and especially in the candidate countries, which strive for EU accession through reforms.

5. WHAT ARE THE AVAILABLE POLICY OPTIONS?

5.1. What is the baseline from which options are assessed?

The baseline scenario to assess the policy options for the next financing period is the *status quo*, i.e. the 2021-2027 external financing instruments as described in the previous sections.

5.1.1. NDICI-Global Europe

The mid-term evaluation of external financing instruments concluded that NDICI-Global Europe **has overall shown to be fit for purpose**. It confirmed that its objectives, its geographic and investment-oriented approach as well as its flexibility features (including financial flexibility and the emerging challenges and priorities cushion) were relevant to effectively implement EU external action priorities, including the Global Gateway strategy and the Economic and Investment Plans for the Eastern Partnership and Southern neighbourhood.

NDICI-Global Europe superseded several distinct external financing instruments of the 2014-2020 MFF, thus achieving a major **simplification of external funding** and bringing about effectiveness and efficiency gains. Nevertheless, the mid-term evaluation noted that NDICI-Global Europe **could still better contribute to an integrated approach balancing EU interests, partnerships and values,** further reconciling the EU's internal/thematic policies and external action objectives. In particular, the evidence gathered for the independent study that backed the mid-term evaluation and the related findings pointed to certain gaps in the response capacity, hence the need for further adaptations.[81]

As regards the **investment component** in NDICI-Global Europe aimed at leveraging both public and private investments, **the European Fund for Sustainable Development Plus (EFSD+)**, the mid-term evaluation noted that it has gradually demonstrated its catalytic effect to leverage additional finance for Global Gateway. Going forward, a stringent prioritisation was considered essential to focus on areas with the greatest transformative impact, catering for EU strategic interests and shared priorities with partners.

The mid-term evaluation also stated that rigidities in the instrument, including the number of targets, constrain its **flexibility**. The evaluation emphasised in particular that while the **emerging challenges and priorities cushion** – a reserve composed of unallocated funds available to increase the budgets of any of the three NDICI-Global Europe pillars, namely the geographic programmes, thematic programmes and rapid response actions – had proven to be a valuable tool providing a prompt response to crises, unforeseen events and Union priorities, its use showed a mismatch between the available funds and the actual needs, concluding that a more strategic prioritisation was needed.

[81] Evaluation of the European Union's external financing instruments (2014-2020 and 2021-2027); Independent study in support of the evaluation Volume I, Synthesis report, Publications Office of the European Union, p. 50

For the sake of clarity, some key principles and elements of the instrument are explained below. This will support the description of the policy options, assessing their impact as well as their comparison against the baseline in the next chapters.

- **Programming of the instrument:** The financial resources under the geographic and thematic pillars of NDICI-Global Europe have been programmed through a comprehensive process resulting in a set of country, multi-country, regional and thematic multiannual programming documents. These documents define the priority areas, specific objectives, expected results, indicators and indicative allocations for the period 2021-2027 with partner countries and regions, ensuring a high degree of predictability for the partnerships. A mid-term review of the programming was foreseen to make sure programming would adapt to changes on the ground, and financial allocations backing country programmes were set for 2021-2024 only, while the second tranche (2025-2027) was programmed as part of the mid-term review of programming. This approach aimed at balancing predictability and flexibility objectives.

- **Spending targets**: Under NDICI-Global Europe, a specific emphasis is put on certain priorities through spending targets that provide a certain level of predictability for policy outcomes.

  - At least 93% of funding shall fulfil the criteria for **Official Development Assistance.**
  - At least 30% of funding should contribute to step-up efforts on **climate objectives**. In addition, in her State of the Union address in September 2021, Commission President von der Leyen announced an additional EUR 4 billion for climate finance until 2027.
  - Indicatively 10% of funding should support management and governance of **migration and forced displacement**, as well as address the root causes of irregular migration and forced displacement when they directly target related specific challenges.
  - At least 20% of the Official Development Assistance spending should be dedicated to **social inclusion and human development.**
  - At least 85% of new actions should have **gender equality** as principal or significant objective. At least 5% of these actions should have gender equality and women's and girls' rights and empowerment as a principal objective.
  - NDICI-Global Europe should contribute to the ambition of providing 7.5% of annual spending under the MFF to **biodiversity objectives** in the year 2024 and 10% of annual spending under the MFF to biodiversity objectives in 2026 and 2027, while considering the existing overlaps between climate and biodiversity goals.

- **Flexibility components:** besides certain financial and operational flexibilities (e.g. carry-over of funds to the following year, reuse of decommitted funds, room of manoeuvre in programming and implementation), NDICI-Global Europe's features an emerging challenges and priorities cushion, as explained above. In addition, the rapid response actions respond swiftly, in particular to crisis and resilience challenges, complementing the geographic programmes.

5.1.2. IPA III

IPA III has demonstrated its effectiveness as a pre-accession instrument and is delivering on its main objectives. The mid-term evaluation of external financing instruments showed that IPA III is **well-aligned with the enlargement policy priorities**, with a programming framework allowing for a focused and strategic allocation of resources. The absence of pre-allocated financial envelopes for each beneficiary country provides flexibility in programming, enabling the EU to respond to changing priorities and needs.

IPA III has further created a **performance-based approach**, which makes beneficiaries more responsible for progress and allows for modulation of assistance. This approach is intended to create a virtuous cycle of reform, where beneficiaries are incentivised to make progress in key areas in order to receive increased assistance. However, the mid-term evaluation highlights that the instrument's flexibility has been limited by the fact that annual planning has, through implementation, prevailed over strategic multi-annual programming.

The mid-term evaluation states that IPA III is coherent with the NDICI-Global Europe policy-oriented approach and key EU internal policies as well as EU policies for the region, demonstrating a strong foundation for supporting the beneficiary countries in their accession process.

The implementation of IPA III was **affected by the EU's response to Russia's war of aggression against Ukraine**. The bilateral programming for 2023 was postponed to 2024 in all six beneficiaries, with unconditional disbursements, which limited the strategic focus and performance-based programming of IPA III for that year.

5.1.3. Humanitarian aid

Humanitarian assistance provided in accordance with the Regulation on humanitarian aid was not part of the above evaluation on external financing instruments, given its separate legal basis. A comprehensive evaluation assessing the European Commission's humanitarian aid during the 2017-2022 period concluded that the EU's humanitarian aid objectives remain relevant in the face of a rapidly changing humanitarian landscape and increasing humanitarian needs. **EU's humanitarian interventions were effective overall** and addressed the most pressing needs, although effectiveness varied across countries, regions and sectors. The European Union's funding was considered essential by its humanitarian partners across different regions, including more geographically remote ones with limited EU presence.

5.1.4. Ukraine Facility

Given the damage to the Ukrainian economy, society and infrastructure caused by Russia's war of aggression, Ukraine requires significant support and institutional capacity. Under the 2021-2027 budgetary structure, it was necessary to set up a dedicated, exceptional, medium-term single instrument bringing together the bilateral support provided by the Union to Ukraine, ensuring coordination and efficiency.

The Ukraine Facility provides a balance between flexibility and programmability of the Union's response to address Ukraine's financing gap and recovery, reconstruction and modernisation needs, while at the same time supporting the country's reforms effort as part of its accession path to the Union. It is a pivotal instrument in the European Union's strategy to address the multifaceted challenges confronting Ukraine in the wake of Russia's war of aggression. This **dedicated support mechanism**, offers up to EUR 50 billion in predictable financial support. It aims at bolstering Ukraine's resilience, fostering its recovery and facilitating its path towards sustainable development and EU membership.

Pillar 1, totalling EUR 38.27 billion, comprises both grants (EUR 5.27 billion) and loans (EUR 33 billion) aimed at addressing the financial needs of the Ukrainian State **to maintain macro-financial stability while supporting reforms and investments** aimed at the recovery, reconstruction and modernisation of Ukraine. Funds under this Pillar are subject to the successful implementation of the Ukraine Plan, with quarterly disbursements based on the achievement of specific results. Financing not linked to cost is fully embedded in the Regulation.

Pillar 2 consists of a **'Ukraine investment framework'**, equipped with EUR 9.3 billion (EUR 7.8 billion in loan guarantees underpinned by EUR 5.46 billion grants for provisioning and EUR 1.5 billion for blended finance grants), designed to attract and mobilise public and private investments for Ukraine's recovery and reconstruction.

Pillar 3, amounting to EUR 4.76 billion, provides **technical assistance and support measures** to facilitate Ukraine's alignment with EU laws and regulations.

5.1.5. Reform and Growth Facility for the Western Balkans

The Facility is the **financial pillar of the Growth Plan for the Western Balkans**. It covers the period from 2024 to 2027. The main aim of the Facility is to support Western Balkan partners' alignment with the EU's values, laws, rules, standards, policies and practices, with a view to future EU membership. Combining financial and policy tools under a comprehensive approach, it also aims at supporting Western Balkan partners in their progressive integration into the EU Single Market and socio-economic convergence with the EU.

The Facility **complements IPA III**, focused on enlargement related support. It is expected to demonstrate the benefits of closer EU integration even before accession. Support under the Facility is provided through:

- the Western Balkans Investment Framework, in the form of grants and loans, for investments underpinning the Reform Agendas, such as investments in infrastructure projects (EUR 3 billion);
- loans disbursed directly to Western Balkan partners' budgets to accelerate growth based on key socio-economic reforms (EUR 2.6 billion)[82].

Similarly to the Ukraine Facility, the Reform and Growth Facility for the Western Balkans embeds financing not linked to cost. Each partner in the region prepared a Reform Agenda, setting out planned reforms to achieve the Facility's objectives, and in order to receive the funds allocated to each of them, based on their level of ambition.

[82] The remainder is mainly required to provision the bilateral loans under the Facility.

5.1.6. Reform and Growth Facility for the Republic of Moldova

Following the model of the Growth Plan for the Western Balkans, the EU established a **Growth Plan for the Republic of Moldova**, which includes increased financial assistance, enhanced access to the Union single market and support for socio-economic and fundamental reforms. At the heart of the Growth Plan lies the **Reform and Growth Facility, which will provide increased financial assistance to support progress on socio-economic and fundamental reforms**. It will disburse up to €1.9 billion in financial support, composed of up to EUR 1 500 million in concessional loans and EUR 385 million of non-repayable financial support. The Facility, including the provisioning for loans, is financed primarily from the bilateral allocations foreseen for Moldova in the NDICI-GE budget covering the period 2025-2027.

In line with the performance-based approach followed in other Facilities, the disbursement of EU funding to Moldova is made conditional upon progress achieved in the implementation of reforms defined in the country's Reform Agenda. The Reform Agenda sets out the key socio-economic and fundamental reforms that Moldova intends to undertake in 2025-2027 to accelerate its convergence with the EU. It covers all sectors that are vital to promote Moldova's economic growth and integrate it into the EU single market. Funds will be released twice a year, based on requests by the Government of Moldova and following verification by the Commission that all relevant conditions have been met.

The non-repayable support covers support provided by the Union for projects approved under the Neighbourhood Investment Platform (NIP), one of the regional investment platforms in place under NDICI-GE, as well as complementary support. This complementary support includes support to civil society organisations and technical assistance, which will facilitate the implementation of reforms and Moldova's path to EU accession. In addition, the Facility is expected to mobilise up to EUR 2 500 million of new investments from the international financial institutions and the private sector.

5.2. Description of the policy options

The **sub-optimal policy coherence and flexibility** in the EU's external action financing to advance its strategic interests and to address fragility and crisis situations define the problem of this impact assessment. In this respect, **the balance between flexibility and predictability is the fundamental policy parameter** that governs the design of possible policy options. Evidence gathered in the independent study supporting the mid-term evaluation showed that while the current instruments equipped the EU to better play its role both as a development and geopolitical actor, the context at global, regional and national level had become even more challenging, reducing the scope for effective EU leverage. The report concluded that there was a need for more differentiated response strategies (underpinned notably by greater levels of flexibility) as well as enhanced capacities to exploit windows of opportunities as they arise[83].

In today's world of shifting international context and megatrends that will shape the next decades, the balance between flexibility and predictability is not theoretical, but a crucial policy

[83] Evaluation of the European Union's external financing instruments (2014-2020 and 2021-2027); Independent study in support of the evaluation Volume I, Synthesis report, Publications Office of the European Union, p. 59

and political choice. This observation, guides the choice of options analysed in this impact assessment. They are limited to three, so as to inform the key decisions on the future instruments. Breaking them down into more detailed sub-options bears the risk of distracting the analysis from the fundamental policy choice.

Far reaching financial predictability means that the amounts dedicated to individual countries are known for the duration of the entire MFF. When translated into operational terms, via detailed design of regional and country envelopes, this multiannuality gives a high degree of certainty of the EU involvement and aid. Such predictability gives a stable horizon for both the EU and the beneficiaries but leaves little room for manoeuvre. Flexibility, on the other hand, can include various layers. Financial flexibility can be ensured through the use of decommitments, carry-overs, transfers, and reserves while operational flexibility relates to room of manoeuvre in programming and implementation. Preserving the flexibilities of NDICI-Global Europe including its general reserve (the cushion), financial flexibilities would need to be a guiding principle for the next instrument, regardless of the option chosen. However, operational flexibility can be further calibrated, which is being explained in the descriptions on options later in this chapter.

The distinction between flexibility and predictability – in other words, agility to respond to unforeseen crises and seize opportunities, in contrast to funding which can be anticipated, calculable and foreseeable by partners – is not always clearcut. Also unprogrammable funding requires a degree of planning. For example, humanitarian aid and macro-financial assistance need predictability regarding the amounts of funding available for crisis tools from the onset of the MFF. Moreover, programmable funding can be built in a flexible manner, for instance via large regional envelopes and keeping part of the funding unallocated.

Given the political importance and the amounts at stake, the **budgetary architecture for Ukraine** is another core challenge to be analysed. The issue of how the EU navigates the Ukraine challenges, including the extraordinary budgetary proportions, has wide ranging impacts on the external funding under the future MFF. Different options can be assessed with regards to how well they allow to strike a balance between providing credible support to Ukraine and ensuring the external financing's overall efficiency in pursuing strategic objectives in other geographic areas.

To guide this impact assessment, the specific objectives listed in Chapter 4 constitute the criteria grid against which the three following policy options are assessed:

- **Option 1:** A fully flexible external financing instrument based exclusively on strategic priorities defined annually, with no multiannual planning. Ukraine-related support for pre-accession and reconstruction needs would be covered above MFF ceilings.
- **Option 2:** An external financing instrument based on indicative geographic and global envelopes covering programmable and non-programmable funding for multiannual planning, balancing flexibility and predictability. Ukraine related support for pre-accession and reconstruction needs would be covered above the MFF ceilings.
- **Option 3:** An external financing instrument based on indicative geographic and global envelopes covering programmable and non-programmable funding for multiannual planning, balancing flexibility and predictability. Pre-accession needs for Ukraine

would be covered by this instrument inside MFF ceilings while the reconstruction needs of Ukraine would be covered above the MFF ceilings.

Finally, the design of all three policy options encompasses cooperation with enlargement partners, with the neighbourhood East and South, as well as with Sub-Saharan Africa, Asia and the Pacific, and the Americas and the Caribbean, as well as macro-financial assistance and humanitarian funding, with the assumption that they would be covered under the same external financing instrument. The 1996 Regulation on humanitarian aid would continue to provide the legal basis, principles and rules for delivery of such aid, while it would draw on the funding allocations of the post-2027 instrument.

5.2.1 Option 1: a fully flexible external financing instrument – Ukraine-related support for pre-accession and reconstruction needs above MFF ceilings

Option 1 discusses how a more transactional model of engagement with partner countries would look like in the EU context while testing it against the specific objectives. Option 1 would ensure **full flexibility** to swiftly react and allocate funding on an *ad hoc* basis according to changing strategic interests and needs at any given time. The funding priorities in option 1 would be exclusively based on strategic priorities defined annually, with no multiannual planning and no spending targets. The MFF would frame the funding available for a multiannual period.

EU strategic interests and political priorities in the short-term would guide the allocation of the amounts available in the instrument **on an annual basis**, implying a negotiation with the budgetary authorities on these priorities. The financial flexibility (see above under 5.2) as provided in the current external instruments is assumed to be continued under option 1. In addition, this option would provide a full operational flexibility. Having no multiannual planning would translate into having no programmable earmarked financial allocations for EU interventions per partner country or region. Country packages would be identified only for a limited number of countries and for short-term, *ad hoc* priorities.

Option 1 **would not include spending targets** as EU interests and political priorities would be the exclusive drivers to define interventions and allocate funding.

5.2.2 Option 2: an instrument based on regional and global envelopes with indicative financial allocations covering both programmable and non-programmable components – Ukraine-related support for pre-accession and reconstruction needs above MFF ceilings

Under option 2, the instrument would be **more balanced between flexibility and predictability** in clear contrast with the fully flexible instrument in option 1. The instrument would be based **on regional pillars and one global pillar**, each of them covering **both programmable and non-programmable interventions**. It would thus be structured primarily by regions, with dedicated funding indicatively allocated to each region and to the global pillar. This option would allow the combination of programmable and non-programmable funding, both adjustable to changing circumstances. Under this option the financial flexibility (see above under 5.2) as provided in the current external instruments would also be assumed to be continued while operational flexibility under the programmable components is increased compared to the baseline with a new focus on reinforced regional programmes. In this approach, the programming would be done in a way that ensures built-in flexibility through regional programmes, and by a phased approach. This would cater for agile adaptation to needs.

To ensure predictability, part of the geographic and global envelopes would be **programmed** at the start of the MFF. For the programmable parts, multiannual indicative programmes would be adopted, where relevant, for regions, countries and global actions, by the Commission following comitology procedure.

Option 2 would include an adjusted Official Development Assistance target (compared to the baseline).

Ukraine's accession path via programmable allocations and unforeseeable reconstruction needs would be covered **above MFF ceilings**. Given the size of the disruption posed by the situation in Ukraine, such a mode of financing would also ensure that there is no outsized impact on the overall financial allocations under the next instrument, thus **protecting the integrity and stability of the EU's overall financial planning**. Sourcing the entirety of Ukraine's funding above MFF ceilings would allow the EU to better respond to unpredictable challenges and needs and their significant budgetary implications, as they appear in a still highly uncertain context, without hampering the financing instrument in providing swift support in case of unforeseen needs in other geographic areas.

5.2.3 Option 3: an instrument based on regional and global envelopes with indicative financial allocations covering both programmable and non-programmable components – Ukraine pre-accession needs covered by this instrument inside MFF ceilings and Ukraine reconstruction needs above MFF ceilings

This option would be identical to option 2, except that Ukraine's programmable allocations aimed at supporting its accession to the EU's path would be **inside the MFF ceilings**. This option would ensure an equal treatment in terms of budgetary approach of all candidate and potential candidate countries.

6. WHAT ARE THE IMPACTS OF THE POLICY OPTIONS?

The aim of this chapter is **to qualitatively assess the economic, social and environmental impact** of the three options presented in chapter 5.

The starting point of this chapter is the general objective of the impact assessment, i.e. to design external financing instruments that effectively advance the EU's strategic interests while being responsive to fragility and crisis situations. The **specific objectives** presented in chapter 4 **are used as a yardstick** when assessing the economic, social and environmental impact.

Limitations

Considering the more than 130 partner countries (including the candidate countries) and the full spectrum of SDGs that the EU external financing instruments may support, the economic, social and environmental impact is considered **at a high level of aggregation**. The impact on the EU is considered when relevant.

As explained, the policy framework for EU external action with its specific areas and various forms of action – ranging from investments in partner countries' infrastructure to support the green and digital transition to assistance to health and education systems, to name a few – provides the context, guiding the economic, social and environmental objectives to which external instruments are expected to contribute. This policy framework, the broader EU political priorities as well as commitments subscribed by the EU or defined in agreements between the EU and third countries at bilateral, regional and multilateral level guide the objective-setting of the external financing instruments and their implementation.

Therefore, the three options chosen are not analysed through the prism of specific policies driving the EU external action nor is it attempted to measure the impact of EU contributions in specific areas. This would not be feasible nor meaningful in an MFF-related impact assessment, given that the external financing instrument is an enabling vehicle for the EU to support various policies. This is why it is important to stress the limits of what this impact assessment may deliver, when it comes to projections regarding performance at intervention level or at a more 'macro' level.

Option 1: a fully flexible external financing instrument – Ukraine-related support for pre-accession and reconstruction needs above MFF ceilings

Economic impact

Option 1 allows for swift reaction and allocation of funding based on constantly evolving strategic interests, which can lead to a use of resources that better responds to fast changing needs and opportunities (meets Specific Objective 1.1).

It has the potential to foster innovation and adaptability in response to changing economic and geopolitical conditions, including emerging priorities under economic foreign policy. It would also allow to swiftly mitigate unintended economic consequences of the EU's environmental legislation in partner countries (meets Specific Objective 3.1).

However, the lack of predictability in funding allocation may lead to uncertainty for partner countries and implementing partners (e.g. development finance institutions), which can hinder economic development but also fails to deliver stability and support the implementation of long-term reforms (fails to meet Specific Objective 1.2). In the same vein, option 1 may come with a reduced ability to attract private sector investment, as the lack of predictability makes it more challenging for investors to engage in the long run (fails to meet Specific Objective 2.1 and 3.3.). This would affect the EU's capacity to project its longer-term strategic interests. In these respects, option 1 would have a limited capacity to support long-term partnerships, the new Clean Trade and Investment Partnerships and any similar long-term partnerships, including in the context of Global Gateway (fails to fully meet Specific Objective 3.2).

While option 1 would in principle allow a swift roll-out and utilisation of the updated toolbox, it would not create an enabling condition for new tools such as guarantees for Export Credit Agencies or direct support to the EU companies, which require medium- to long-term horizon. Without certainty of the EU's steady involvement in a partner country through de-risking and contribution to an enabling business environment, private sector's ability to take risk would not be supported in an optimal manner (fails to meet Specific Objective 3.3).

Furthermore, due to frequently changing funding priorities, there is a risk of inefficient allocation of resources, which could come with negative economic impact to the EU but also to partner countries. Under this option, key long-term objectives would risk systematic subordination to short-term needs and could negatively impact the EU's ability to fulfil its financial obligations as stipulated by multilateral commitments. Finally, the need for annual adjustments and negotiations could increase complexity and administrative costs for the EU.

Social impact

Option 1 allows for swift reaction to humanitarian and other basic needs, which can lead to more effective responses to crises and support to vulnerable populations (meets Specific Objective 1.1).

However, it would overlook preparedness and resilience dimension – a lesson learnt from the COVID-19 crisis and a growing EU priority that requires long-term planning and investment. Moreover, option 1 would not achieve humanitarian and development objectives through multilateral organisations that depend on donors' medium- to long-term commitment.

The lack of long-term partnerships and predictable funding may weaken social outcomes in partner countries, such as poverty reduction, education, health and other long-term development objectives (fails to meet Specific Objectives 2.1 and 2.2). It may not foster social change in partner countries to the tune of their international commitments, thus altering consistency between internal and external policies (fails to meet Specific Objective 3.1).

Environmental impact

Option 1 allows for swift reaction to emerging environmental challenges, which can sometimes lead to more effective responses (meets Specific Objective 1.1). This could materialise through quick responses to environmental crises and urgent support to affected communities.

However, these benefits are expected to be limited as most environmental challenges such as climate change and biodiversity loss are global, long-term challenges requiring multiannual planning and provision of resources, e.g. in line with the New Collective Quantified Goal agreed by the European Commission and EU Member States in 2024.

In addition, the lack of long-term partnerships, predictable funding allocation and thematic priorities may drastically impact the predictability of EU's environmental, climate-related and circular economy funding, which requires important infrastructure and technological investments. This would undermine the EU's ability to fulfil its financial obligations under the Paris Agreement and for the implementation of the Kunming-Montreal Global Biodiversity Framework. Furthermore, it may weaken environmental outcomes in partner countries (e.g. establishment of natural protection areas). The prioritisation of flexibility may compromise the

EU's ability to meet its climate objectives should candidate countries not receive adequate corresponding support. In this respect, Option 1 has a reduced ability to support sustainable development, climate change mitigation and adaptation initiatives as well as biodiversity initiatives (fails to meet Specific Objective 2.1 and 2.2), undermining the coherence between internal and external policies (fails to meet Specific Objective 3.1).

Further remarks

Option 1 would respond to the continued pressure for increased adaptability of the EU external financing instruments in a challenging geopolitical context. However, even if financial and operational barriers between the current standalone instruments were considerably reduced under one instrument, option 1 would fall short in providing an integrated approach for regions.

In addition, considering that the respondents of the Open Public Consultation deem it important that the EU continues to support multiple policy objectives, the 'short-termism' at the core of option 1 would not create an enabling environment to engage in the full range of economic, social and environmental priorities to the extent needed. In fact, due to its focus on crises and opportunities, option 1 would mainly serve short-term economic, social and environmental objectives, to the detriment of longer-term development interventions that are also necessary to sustain the coherence between internal and external action. This means that it would fall short of the potential of one instrument to provide not only short-term but also medium- to long-term interventions to advance sustainable development in the EU's candidate and partner countries. This would hamper the EU's objectives of economic, social and environmental development in these countries and could also undermine long-term development and security of the EU itself.

Option 2: an instrument based on regional and global envelopes with indicative financial allocations covering both programmable and non-programmable components – Ukraine-related support for pre-accession and reconstruction needs above MFF ceilings

Economic impact

Option 2 ensures predictability in funding allocation, conducive to more effective partnership-building and investment horizon, providing partner countries and implementing partners with a degree of stability (meets Specific Objective 1.2). At the same time, the combination of programmable and non-programmable funding at the regional or global level allows to flexibly respond to emerging economic foreign policy opportunities and crises (meets Specific Objective 1.1).

Furthermore, option 2 can better attract private sector investment as the predictability-flexibility balance would facilitate developing de-risking modalities such as guarantees and support to the EU companies, thus making it easier for companies and investors to plan ahead and invest in long-term projects (meets Specific Objective 3.3). The EU's capacity to cover financial risk would result in a greater leverage effect and subsequent positive economic impact in EU's partner countries and the EU alike. Similarly, option 2 would enable to provide guarantees through export credit agencies.

Option 2 would improve the interplay between internal and external policies. A more coherent approach at regional level would allow the EU to better respond to opportunities in partner countries and build alliances in a multi-polar world. Therefore, option 2 would meet the EU's expectation of mutual benefits and alignment with its strategic interests, such as regulatory convergence, promotion of mutually beneficial partnerships, implementation of key reforms to improve stability in partner countries, competitiveness, economic security and secure value chains for digital and emerging technologies, clean energy, clean tech and critical raw materials. Option 2 and its regional approach would enable an efficient use of the toolbox that would help scaling-up of the Global Gateway offer and to launch of Clean Trade and Investment Partnerships (meets Specific Objectives 3.2 and 3.3).

The use of indicative financial allocations for regions can lead to more effective use of resources, (meets Specific Objective 2.1), thus potentially reducing complexity and even administrative costs. Finally, a broader instrument may decrease administrative costs in the form of single support measure and technical assistance under one package (that may incorporate various components from investments to migration management).

Social impact

Option 2 allows predictable and stable partnerships with partner countries, which can lead to more effective social outcomes, such as poverty reduction and quality education, including for vulnerable populations (meets Specific Objective 1.2). The use of indicative financial allocations for regions and countries can lead to a more integrated approach to social development. In particular, the humanitarian-development-peace nexus would be significantly facilitated under option 2 (meets Specific Objective 2.2).

The longer-term perspective under option 2 also encourages investment in key social services, with important impacts in terms of addressing some demographic challenges and lack of employment opportunities especially for the youth. This, in turn, has wider effects on societal cohesiveness and migration.

When it comes to Global Gateway and its 360°-approach[84] to ensure local value added in the value chains, option 2 and its multiannual perspective for sustainable and high-quality projects would benefit local communities.

Finally, the use of indicative financial allocations for regions and countries can enable greater coherence between external and internal policies, as the EU strives to embed its role as a responsible global leader promoting decent work and social inclusion worldwide under the European Pillar of Social Rights Action Plan (meets Specific Objective 3.1). This coherence may, in turn, facilitate social development in partner countries.

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[84] Global Gateway investments adhere to principles of (1) democratic values and high standards; (2) good governance and transparency; (3) equal partnerships, (4) green and clean, (5) security-focused, and (6) catalysing private sector investment. While respecting these principles, the Global Gateway 360-degree approach is about creating an enabling environment for sustainable and quality investments, which promotes high social, environmental and governance standards (ESG), supports climate neutrality and the green and digital transition and enhances respect for human rights, the rule of law, non-discrimination and promoting decent work, education, gender, youth, social rights and the reduction of inequalities. It requires macro-economic stability and fiscal policies aimed at creating an enabling environment for private sector investment (cfr. the "Collect More Spend Better" agenda around Domestic Resource Mobilisation and Public Finance Management and actions supporting access to finance for SMEs).

Environmental impact

Option 2 ensures predictable and stable funding for environmental challenges, such as climate change and biodiversity loss, which can lead to more effective responses given that mitigating climate change, halting biodiversity loss and building a circular economy require important infrastructure and technological investments (meets Specific Objective 1.2). The use of indicative financial allocations for regions and countries under one instrument can lead to a more integrated approach to environmental development (meets Specific Objective 2.1 and 2.2). This tailor-made approach allows the EU to continue delivering on the commitments of developed countries to support developing countries in the implementation of major multilateral environmental agreements concluded in the recent years.

As environmental problems know no borders, a stable and region/country-specific approach brings also environmental benefits to the EU (meets Specific Objective 3.1).

However, if the option is only guided by EU strategic interests, it may become overly focused on economic development and prosperity. This may lead to trade-offs brought by twin transition and neglect of environmental concerns. Even if such scenario did not materialise, the EU should tackle upfront any such perception risk. Possible negative perceptions can be mitigated by ensuring the highest environmental, social and governance standards, for instance in projects associated with the extraction of critical raw materials, as well as by effective communication.

Further remarks

Option 2 would ensure vertical adaptive capacity, due to its in-built flexibility at the regional level. This means that while part of the funding would be programmed for long-term investment priorities, a part would be non-programmable, leaving room to react to crisis situations through humanitarian aid, macro-financial assistance, and rapid response. Moreover, the programmable part would be adaptable to the opportunities related to investment and creation of strategic partnerships in the region, thus providing flexibility in the planning of long-term development projects. A carefully deliberated balance between programmable and non-programmable funds is needed also for the synergies and interlinkages with internal priorities, as some of them will require a long-term investment horizon (e.g. green and digital transition, competitiveness), while others may also benefit from swift reactions (e.g. migration).

Simultaneously, combining structural and crisis tools under the same regional envelope under one instrument would allow for a better alignment of priorities and more synergic approach to partner countries' economic, social and environmental development, with strong potential for positive sustainability impact. This aligns with the outcome of the Open Public Consultation where respondents stressed that the future external financing instrument should serve multiple policy objectives[85].

[85] Policy objectives included in the OPC were green transition, digital transition, migration and asylum, peace and security, human rights, democracy and the rule of law, public diplomacy and fight against disinformation, preparation for EU accession, engagement in fragile contexts.

Finally, separating Ukraine, through a separate funding source above the MFF ceiling, from the other Union candidates might cause some issues regarding the enlargement policy's consistency and raise concerns of unequal treatment of enlargement partners (fails to meet Specific Objective 3.4). However, responding to the economic fallout of Russia's war of aggression is closely linked to Ukraine's socio-economic convergence with the EU. Despite Ukraine's economy demonstrating resilience, uncertainty remains high, with risks to the budget, as the conflict continues to severely impact Ukraine's people, economy, and infrastructure. A single funding source above MFF ceilings may allow to better support overlapping objectives: Ukraine's path towards meeting the economic accession requirements and post-war economic recovery and reconstruction (meets Specific Objective 2.4).

Option 3: an instrument based on regional and global envelopes with indicative financial allocations covering both programmable and non-programmable components – Ukraine pre-accession needs covered by this instrument inside MFF ceilings and Ukraine reconstruction needs above MFF ceilings

The difference between option 2 and option 3 is that the latter would build on programmable accession funding for Ukraine under the external instrument, inside MFF ceilings, and source financial resources for reconstruction needs above MFF ceilings. Therefore, the above-mentioned economic, social, and environmental features of option 2 in terms of predictability and policy coherence under a single external financing instrument also apply to option 3.

Economic impact

By catering for both pre-accession support (covered under the instrument) and reconstruction support (financed over and above the MFF ceilings but channelled through the instrument), option 3 would allow to combine predictability of pre-accession support to Ukraine and credible funding for post-war reconstruction. Option 3 further promotes equal treatment of enlargement partners along their merit-based accession paths (meets Specific Objective 3.4). Consequently, this approach would ensure fair conditional support to all candidates and potential candidates while covering Ukraine's funding needs and economic recovery (meets Specific Objective 2.4).

However, sourcing EU support to Ukraine from two different budget sources raises the difficulty of drawing a distinction between pre-accession and reconstruction financing for Ukraine. This distinction can be particularly challenging to make with regard to the economic accession criteria (fails to meet Specific Objective 2.4).

Social impact

Ukraine remains at an early stage of accession preparation in the field of social policy[86], also suffering from the social consequences of Russia's war of aggression. Ensuring targeted and predictable pre-accession support through option 3 for greater convergence and alignment with the EU could visibly support accession-related progress on social matters (meets Specific Objective 3.4).

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[86] 2024 Communication on EU enlargement policy, COM(2024) 690 final

On the other hand, a single funding source for Ukraine such as under option 2 may allow to better address priority overlaps from a social policy perspective and to accommodate continuing uncertainties. In many cases, supporting Ukraine's progress on social policy implementation is linked to reconstruction efforts, given the need to address the destruction of housing and social infrastructure. As a fallout from Russia's war of aggression, the country presents a critical need for investments, at local and regional level, in infrastructure to provide proper social services and healthcare. Conversely, option 3 would not allow for such synergies (fails to meet Specific Objective 2.4).

Environmental impact

An advantage of option 3 is that it more visibly focuses funding on alignment with EU environmental standards. Option 3 would also allow for increased predictability to the benefit of the EU's environmental and climate-related objectives in Ukraine.

On the other end, Russia's war of aggression has caused and risks to continue causing significant environmental damage in Ukraine. In this volatile context, two different funding sources would hamper the EU's ability to adjust its strategies to mitigate and adapt to the adverse effects of climate change in the very specific context of a war-torn country (fails to meet Specific Objective 2.4).

Further remarks

Option 3 would allow to align the architecture of external financing with the streamlined approach of pre-accession funding under one instrument.

7. HOW DO THE OPTIONS COMPARE?

This chapter compares the three options to the baseline, which is the current external financing architecture covering NDICI-Global Europe, IPA III, Facilities, funding for humanitarian aid and macro-financial assistance. The specific objectives, introduced in chapter 4, are used as a yardstick when comparing the options to the baseline. This comparison is made from the effectiveness and coherence point of view, i.e. to what extent the baseline and the options would reach the specific objectives designed to tackle the problem drivers (introduced in chapter 2).

The assessment is qualitative and does not include a cost-benefit nor a cost-effectiveness analysis[87]. However, efficiency is qualitatively evaluated in the predictability-flexibility axis.

To conclude this chapter, the impact assessment illustrates the capacity of different options to deliver on EU external policies priorities, with a focus on creating strategic partnerships, ensuring stability, supporting the implementation of the Global Gateway, addressing fragility and crisis situations, as well as EU engagement in Global Funds.

[87] The reasons for these limitations are explained in Annex 3.

Finally, the comparison table at the end of this chapter provides a visualisation of the comparison between the baseline and the options. The options' relation to the baseline is marked as (++), (+), neutral, (-) and (--). The different degree of plusses (++) (+) indicates that the options fare better than the baseline when using the specific objectives as a yardstick, while the different degree of minuses (-) (--) indicates the opposite, i.e. deterioration[88].

Provide adaptability and stability by striking the right balance between programmable and non-programmable actions - Specific objective 1

Baseline

NDICI-Global Europe revolves around three pillars that contribute to the overall effectiveness and flexibility of the instrument: a geographic pillar and a thematic pillar that are both programmable, providing a multiannual financing prospect for partner countries and on thematic priorities, along with a (non-programmable) third pillar for rapid response actions, notably to react to emerging and existing crises. NDICI-Global Europe's flexibility is also demonstrated by its broad and enabling nature, which has allowed to successfully roll out the Global Gateway strategy. A key feature is the 'emerging challenges and priorities cushion'. In the first years of implementation, the cushion proved to be a strategic tool, responding to crises, unforeseen events and Union priorities, notably by supporting partner countries facing the COVID-19 pandemic, Ukraine following Russia's war of aggression, and migration-related challenges.

How do the options compare?

Against this backdrop, and when looking at their potential to create long-term partnerships while adapting to new situations, all three options come with strengths and weaknesses.

When compared to the baseline, option 1 would provide a maximum capacity to adjust to new priorities, emerging crises and humanitarian needs as its prioritisation would be based on annual decision-making. The independent study underpinning the mid-term evaluation noted that even though the current instruments increased responsiveness to crises, the flexibility of the regulatory framework has been stretched to the limit and certain financial resources depleted[89]. One finding from the mid-term evaluation was that multi-year programming does not always facilitate alignment to rapidly shifting policy context on both partner countries and EU side. In addition, a large majority of respondents to the Open Public Consultation also considered that the EU external financing is not sufficiently flexible to respond in a timely manner to crises at EU's borders and beyond. These would plead in favour of a fully flexible instrument under option 1.

However, skipping programming would hamper long-term strategic planning both for the EU and for its partners. In this respect, option 1 would downgrade the baseline as regards predictability. As mentioned in chapter 2, respondents of the Open Public Consultation are of the opinion that flexibility should complement predictability.

[88] Categorisation as follows: significant upgrade (++), upgrade (+), downgrade (-), significant downgrade (--)

[89] Evaluation of the European Union's external financing instruments (2014-2020 and 2021-2027); Independent study in support of the evaluation Volume I, Synthesis report, Publications Office of the European Union, p. 65

When compared to the baseline, options 2 and 3 would be neutral in terms of predictability, with programmable components under each geographic pillar and under the global pillar, allowing to establish long-term partnerships and address longer-term challenges. When it comes to flexibility and adaptability, options 2 and 3 represent an improvement as the non-programmable part within each geographic region and the global pillar would leave more room to react to crisis situations through humanitarian aid, macro-financial assistance and rapid response. Option 2 is more flexible than option 3 because all Ukraine related funds are placed over and above the MFF.

Increase responsiveness by simplifying the architecture of the instruments - Specific objective 2

<u>Baseline</u>

The set-up of NDICI-Global Europe merged 11 previous instruments, thus radically simplifying the financing framework and improving the coherence of the EU's external action. However, IPA III stayed separate as a dedicated instrument to support accession processes, unforeseen needs called for the introduction of new facilities, and humanitarian aid remained aside.

<u>How do the options compare?</u>

All three options would further simplify the financing architecture by bringing funding for enlargement, neighbourhood, international partnerships, humanitarian aid and macro-financial assistance under one roof. As compared to the baseline, this would result into greater responsiveness of EU funding as well as more coherence between regions.

Options 2 and 3 would compare better to the baseline as their dual short and medium/long-term focus would facilitate coherence between different tools and would significantly facilitate the humanitarian-development-peace nexus as medium-term policy tools (programmable funds) and crisis policy tools (non-programmable funds) would be combined for each region for synergetic effect.

Regarding the budgetary architecture for Ukraine, option 2 foresees a single dedicated funding stream through which the Union could address flexibly the interlinkages between Ukraine's accession path and post-war reconstruction. In the current uncertain context, isolating Ukraine's funding would further allow to limit potential impacts on the overall pre-accession assistance envelope, thereby improving support predictability for other enlargement partners.

Advance policy coherence and the EU's strategic interests by creating and updating tools - Specific objective 3

<u>Baseline</u>

NDICI-Global Europe provides an enabling framework to pursue coherence between internal and external policies and includes a wide array of tools while allowing the development of mutually beneficial partnerships. With EFSD+, the current instrument already promotes the use of the EU funds for leverage and catalytic effect. Spending targets for climate and migration improve coherence with internal policies, along with the commitment to contribute to the MFF target for biodiversity.

How do the options compare?

All three options would increase coherence compared to the baseline. This is because all three options pool NDICI-Global Europe, IPA III, Facilities, and funding for humanitarian aid under one instrument. In addition, updated tools (such as macro-financial assistance and policy-based financial assistance to partner countries) extend the toolbox to build mutually beneficial packages. Updated toolbox would include a wide array of tools, including guarantees and loans as well as support to the EU companies, matching short-term opportunities that arise, which would lead to better leverage and catalytic effect.

Options 2 and 3 would compare better to the baseline when assessing them against the yardstick of policy coherence and strategic interests. Given that options 2 and 3 include both medium-term and crisis tools, the greater predictability offered to partners would be beneficial to implement longer-term reforms. It would also favour the EU private sector and facilitate engagement with the latter, allowing for the best possible use of the updated toolbox. In turn, this would boost both the EU's competitiveness and partner countries' sustainable development.

The independent study supporting the mid-term evaluation noted in its conclusions the need to improve coherence and synergies between development and accession objectives, broader foreign policy objectives and advancement of EU interests and values[90]. From the internal-external policy coherence point of view, all three options represent an improvement from the baseline, as they would include equivalent coherence provisions with the Competitiveness Fund and other relevant internal funds while ensuring better alignment. Options 2 and 3 would however fare better. Indeed, while option 1 would allow for more flexibility and adaptability and increased coherence between different tools within the same region or between regions within the instrument, it would lack a long-term strategic planning which is essential for aligning internal and external policies.

In particular, options 2 and 3 would support more ambitious climate action in EU partner countries to address the risk of carbon leakage, and thereby foster the competitiveness of EU businesses. They would help establish new markets for EU cleantech companies and support the EU's own green industrialisation agenda and policy initiatives such as the new Clean Industrial Deal. Options 2 and 3 would also allow to mainstream EU priorities in the EU budget action, including a more coherent implementation of the Do No Significant Harm principle, with a strengthened focus of resilience by design[91]. Options 2 and 3 with the inclusion of a longer-term approach would, through the strengthening of candidate countries' capacity to address climate challenges, support an enlarged EU in meeting its own climate targets.

[90] Evaluation of the European Union's external financing instruments (2014-2020 and 2021-2027); Independent study in support of the evaluation Volume I, Synthesis report, Publications Office of the European Union, p. 61

[91] The Do No Significant Harm principle is considered in more detail in a separate, horizontal impact assessment on performance.

The independent study to the mid-term evaluation noted that the implementation of the geographisation principle promoted by NDICI-Global Europe had contributed to better coherence of EU external financing with EU policy priorities at country level[92]. Given that the Commission Communication on the road to the next multiannual financial framework noted the need to better align EU policy objectives with spending priorities to strengthen the impact of EU action, options 2 and 3 would better realise such objectives. They would further implement the policy first approach, with an appropriate balance between short term responses and long-term strategic planning.

Efficiency

The baseline offers a high degree of certainty for outcomes through multiannual country programming and a high number of spending targets. A degree of flexibility is ensured through the cushion and the rapid response pillar, as well as regional programmes. However, the rigidness of multiannual programming at country level and spending targets hamper the instrument's agility. In addition, sub-optimal interplay between policies may lead to further rigidities and thus inefficiencies. As regards targets, the independent study for the mid-term evaluation noted that while they reflect certain EU priorities, they complexify programming. Feedback from the Open Public Consultation in the setting of the mid-term evaluation also pointed to the limitations of targets as a policy monitoring tool[93].

Option 1 provides opportunity for swift reprioritisation which, at the outset, indicates efficiency gains in the use of funds. However, option 1's potential costs related to reduced (policy) predictability, annual reallocation of resources, as well as increased complexity of decision-making and its associated administrative costs are likely to outweigh the expected benefits. Furthermore, as option 1 provides no or only limited multiannual investment for partner countries, it may simply make the EU's offer less interesting to partner countries. All things considered, the overall balance is likely to be negative, indicating that option 1 may not provide significant added value compared to the baseline, even though it considerably increases the flexibility of the external financing architecture.

The benefits of options 2 and 3 related to predictable and stable partnerships, improved humanitarian-development-peace nexus, strengthened coherence and interplay between external and internal policies, increased catalytic effect through updated tools as well as regional flexibility in responding to economic foreign policy opportunities and crises offer a better frame to manage the costs and benefits ratio of the EU's external action. Options 2 and 3 may thus provide added value when compared to the baseline.

Regarding the budgetary architecture for Ukraine, option 2 provides the possibility to put forward a comprehensive and coherent support framework for the country and to avoid creating separate funding streams with overlapping objectives, with potential efficiency gains.

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[92] Idem., p. 12
[93] Evaluation of the European Union's external financing instruments (2014-2020 and 2021-2027); Independent study in support of the evaluation Volume I, Synthesis report, Publications Office of the European Union, p. 17

Capacity to deliver on external action priorities

In terms of capacity to deliver the key policy objectives, options 2 and 3 appear as the best options when compared to the baseline:

- For enlargement partners, options 2 and 3 provide predictability concerning pre-accession support while equipping the Union with the flexibility to react to new challenges and priorities. Option 1 would not provide enough medium- and long-term perspective to credibly accompany candidates and potential candidates on their accession paths towards membership.
- The predictability provided by options 2 and 3 would also be key for other closer neighbours and strategic partners with whom the EU aims at building strategic relations based on an integrated offer. The potential of making full use of the EU toolbox to support reforms, stability and prosperity would be substantially limited under the extreme flexibility foreseen in option 1.
- Given that Global Gateway is an offer taking a comprehensive approach tailored to partners' needs, creating an enabling environment for sustainable and quality investments, which promotes high social, environmental and governance standards, options 2 and 3 are better suited to achieve its objectives. In addition, with the flexibility added to programmable funding, options 2 and 3 would allow to build more integrated investment packages to support greater sustainable resilience, while strengthening partnerships that are important for Europe's own strategic autonomy and its green and digital transitions.
- For very fragile countries, option 1 would suitably provide crisis tools complemented by humanitarian assistance to cover immediate needs. However, this option would lose sight of the medium to long-term objectives for an integrated and country-adapted approach, based on knowledge of the local contexts and a long-term vision for resilience-building and supporting institution building when conditions allow. Going beyond the provision of basic needs and laying the groundwork for greater stability and resilience would be hampered by the absence of a multiannual perspective. This integrated approach would benefit from the model under options 2 and 3 to yield better outcomes, given the capacity of programmable funds to engage beyond humanitarian aid and crisis response. In the same vein, pursuing engagement in extremely fragile countries - including those with open conflicts, or complex settings, where partnering with the country's *de facto* authorities is not possible – requires flexible EU financing that addresses all drivers of fragility.
- While issues related to migration and forced displacement are not limited to fragile countries, a comprehensive approach to migration also requires stronger engagement with countries of origin and transit. The next instrument will have to further support comprehensive partnerships, which would need to be underpinned by a balanced financing model in options 2 and 3.
- Regarding multilateral engagement, notably in support of global funds, options 2 and 3 appear as the best options to balance flexibility and predictability (including for partners), thus fostering a higher return on investment while pushing for an effective reform agenda within the United Nations and other multilateral *fora.*

Comparison table

	Specific objectives[94]	Baseline	Option 1	Option 2	Option 3
Effectiveness			**A fully flexible instrument**	**Instrument balancing flexibility and predictability – Ukraine covered over and above MFF ceilings**	**Instrument balancing flexibility and predictability – Ukraine partially covered by the instrument inside MFF ceilings**
SO1	**Strike the right balance between programmable and non-programmable**				
SO1.1	*Ensure predictability by establishing mutually beneficial medium- to long-term partnerships with partner countries*	Good level of predictability for partner countries through country and regional Multiannual Indicative Programmes	No predictability for partner countries as priorities would be decided annually, without multiannual planning. It is likely that a majority of countries would not receive any funding, to the detriment of medium to long-term partnerships. Under this option, also the Team Europe approach would be considerably weakened, with less predictability leading to a more difficult coordination of EU and Member States' cooperation. (--)	Partial predictability for partner countries with minimum amounts in country envelopes. Regional programming would also bring financial predictability. In case of positive developments in a country, the EU would be ready to step in via regional envelopes. When it comes to the Team Europe approach, this option would allow for meaningful coordination.	Partial predictability for partner countries with minimum amounts in country envelopes. Regional programming would also bring financial predictability. In case of positive developments in a country, the EU would be ready to step in via regional envelopes. When it comes to the Team Europe approach, this option would allow for meaningful coordination.

[94] Specific objectives constitute the yardstick when options are compared to the baseline.

				(neutral)	(neutral)
SO1.2	*Ensure capacity to adjust to new priorities, emerging crises and humanitarian needs*	Limited capacity to adjust to new priorities. Possible mainly via the mobilisation of the cushion and mid-term review of programmable allocations.	Maximum capacity to adjust to new priorities and emerging crises and humanitarian needs ensured through annual prioritisation. (++)	Partial capacity to adjust to new priorities, emerging crises and humanitarian needs ensured through the non-programmable components and the cushion as well as the indicative allocations of funds for each pillar that will allow for flexibility in case of unforeseen needs. Placing of Ukraine-related support above MFF ceilings is an important flexibility feature. (+)	Partial capacity to adjust to new priorities, emerging crises and humanitarian needs ensured through the non-programmable components and the cushion as well as the indicative allocations of funds for each pillar that will allow for flexibility in case of unforeseen needs. (neutral)
SO2	**Simplification of instruments**				
SO2.1	*Ensure integrated approach through allocations indicatively allocated for regions and a global envelope under one instrument*	Limited integrated approach as funding scattered between 3 instruments	The merged instrument would allow a coherent approach worldwide. (+)	The merged instrument would allow a coherent approach worldwide. The interplay between the short-term and medium-term components of each region would increase coherence between tools under each region. (++)	The merged instrument would allow a coherent approach worldwide. The interplay between the short-term and medium-term components of each region would increase coherence between tools under each region. (++)
SO2.2	*Improve humanitarian-development-peace policy nexus*	Nexus approach under all pillars, and in particular through the "resilience" component of the rapid	Nexus approach would be strengthened by the integration of humanitarian, development and security	Nexus approach would be strengthened by the integration of humanitarian, development and security	Nexus approach would be strengthened by the integration of humanitarian, development and security

		response pillar. Coherence with humanitarian aid is ensured only through Article 5 in NDICI-Global Europe.	tools under the same instrument. (+)	tools under each of the different regional and global pillars of the instrument. (++)	tools under each of the different regional and global pillars of the instrument. (++)
SO2.3	*Improve interplay between enlargement and neighbourhood policies (e.g. in case of backsliding or policy changes in these countries)*	No interplay since enlargement and the neighbourhood have separate basic acts.	The merged instrument would allow an interplay. (++)	The merged instrument would allow an interplay. One separate funding stream above MFF ceilings for Ukraine would allow for a higher degree of responsiveness and flexibility within the country's envelope, also without affecting other enlargement partners or geographies. (++)	The merged instrument would allow an interplay. Distinguishing Ukraine pre-accession and reconstruction limits the funding's responsiveness to unforeseen developments affecting both pre-accession and reconstruction efforts, with possible negative spillover effects on funding for other partners. (+)
SO2.4	*Ensure that there is a specific leeway for funding the needs in Ukraine*	Support under NDICI-Global Europe is not sufficient to address this SO. Therefore, a dedicated instrument was created over and above MFF ceilings. This allowed the Union to address Ukraine's acute financing needs, while protecting the integrity and stability of the EU's overall financial planning.	All Ukraine-related support being over and above MFF ceilings would increase the EU's spending capacity. This would also ensure that programmable and non-programmable components from which other regions would benefit from remain stable and predictable, not subject to disruptions, thus protecting the integrity and stability of the EU's overall financial planning.	Ukraine-related support being above MFF ceilings would increase the EU's spending capacity. This would also ensure that programmable and non-programmable components from which other regions would benefit from stable and predictable funding, not subject to disruptions, thus protecting the integrity and stability of the EU's overall financial planning. A single, dedicated, funding stream for Ukraine above MFF ceilings	All Ukraine's reconstruction related support being above MFF ceilings would increase the EU's spending capacity, while providing predictable pre-accession support through the instrument. This would ensure that programmable and non-programmable components from other regions would benefit from stable and predictable funding, not subject to disruptions, thus protecting the integrity and

			(++)	would allow to put forward a comprehensive framework addressing pre-accession objectives, reconstruction objectives, as well as their interlinkages, in line with the Ukraine Facility approach. (++)	stability of the EU's overall financial planning. (+)
SO3	**Create and modify tools to advance policy coherence and the EU's strategic interests (e.g. competitiveness)**				
SO3.2	*Build customised, mutually beneficial packages with partner countries in all regions*	NDICI-Global Europe as an enabling framework allows mutually beneficial packages but lacks some tools such as direct loans.	Would encompass a comprehensive toolbox to build mutually beneficial packages. (++)	Strengthened interplay between policies would facilitate building mutually beneficial packages. (++)	Strengthened interplay between policies would facilitate building mutually beneficial packages. (++)
SO3.1	*Ensure coherence between external and internal policies including via Global Gateway*	The need for coherence is acknowledged in Article 5 of NDICI-Global Europe. In practice, coherence limited to the use of spending targets, with the exception of migration.	Enhanced coherence through equivalent coherence provisions with the Competitiveness Fund and other relevant internal funds while ensuring better alignment of implementation modalities. (+)	Enhanced coherence through equivalent coherence provisions with the Competitiveness Fund and other relevant internal funds while ensuring better alignment of implementation modalities. (+)	Enhanced coherence through equivalent coherence provisions with the Competitiveness Fund and other relevant internal funds while ensuring better alignment of implementation modalities. (+)
SO3.3	*Foster private sector's access to public and private funding through enhanced toolbox*	Catalytic effect is incorporated in NDICI-Global Europe via the use of guarantees	Would include a wide array of tools, including guarantees and loans, matching short-term opportunities that arise, which would lead to better	Would include a wide array of tools, including guarantees and loans, matching short-term opportunities that arise, which would lead to better	Would include a wide array of tools, including guarantees and loans, matching short-term opportunities that arise, which would lead to better

			leverage and catalytic effect. However, the associated lack of predictability would hamper the engagement with the private sector. (neutral)	leverage and catalytic effect. Associated predictability ensures investment horizon. (++)	leverage and catalytic effect. Associated predictability ensures investment horizon. (++)
Efficiency	*Outcomes*	Certainty for outcomes through multiannual country programming but the sub-optimal interplay between policies may lead to inefficiencies.	The lack of predictability and *ad hoc* nature of the engagement may lead to inefficiencies. Outcomes may suffer due to weak planning and leverage. (-)	Certainty for outcomes ensured through mutually beneficial packages, linking the internal and external tools. Programming at the regional level allows adaptations, hence greater efficiency. (++)	Certainty for outcomes ensured through mutually beneficial packages, linking the internal and external tools. Programming at the regional level allows adaptations, hence greater efficiency. (++)
Coherence	*Internal-external*	Internal-external coherence ensured in article 5 but working methods sometimes do not follow through. Spending targets for climate and migration improve coherence, along with the commitment to contribute to the MFF target for biodiversity.	Would allow quick adaptations according to annual changes in internal priorities but no spending targets or mainstreaming (e.g. climate, biodiversity, migration) could hamper achieving long-term objectives. EU's commitment to long-term multilateral goals would not be served in an optimal way. (+)	Enhanced coherence through cross-references with the Competitiveness Fund and other relevant internal funds while ensuring better alignment of implementation modalities. Updated toolbox serves the EU's strategic interests, e.g. competitiveness. (++)	Enhanced coherence through cross-references with the Competitiveness Fund and other relevant internal funds while ensuring better alignment of implementation modalities. Updated toolbox serves the EU's strategic interests, e.g. competitiveness. (++)

Economic, social and environmental sustainability	*All 17 SDGs*	Aligned with Agenda 2030 and its SDGs	Weak predictability hampers the objective-setting, monitoring and evaluation of SDGs but strong flexibility allows addressing crisis situations swiftly (+)	Regional predictability on policy themes under the programmable parts facilitates objective-setting, monitoring and evaluation of SDGs while flexibility to address crisis situations is guaranteed through non-programmable funds. (++)	Regional predictability on policy themes under the programmable parts facilitates objective-setting, monitoring and evaluation of SDGs while flexibility to address crisis situations is guaranteed through non-programmable funds. (++)

8. PREFERRED OPTION

Based on the analysis of impacts and comparison, option 2 emerges as the preferred choice to be retained for the proposal.

When assessing effectiveness, coherence and efficiency of the three options against the baseline, by using the specific objectives of the impact assessment as the yardstick of the comparison, options 2 and 3 stand out due to their flexibility-predictability equilibrium that best supports these objectives. It thus provides a step ahead in policy coherence and flexibility. While pressure is on the latter, the option 2 better reconciles different political objectives by retaining an important degree of predictability. In terms of expected impact, both options 2 and 3 are more likely than option 1 to support the promotion of EU strategic interests and the sustainable development of partner countries. Options 2 and 3 would also likely better address the interlinkages between the different SDGs, balancing the three dimensions of sustainable development (economic, social, and environmental).

Options 2 and 3 provide a simplification from the REFIT point of view. They consolidate the current funding architecture by integrating several instruments (NDICI-Global Europe, IPA III, Facilities), one funding source (humanitarian aid) and the legal basis for one additional tool, macro-financial assistance, under one umbrella organised by region, with a complementary global pillar. This streamlines the funding process, reducing financial and operational barriers that exist in standalone instruments. Simplification thus contributes to clearer processes and management of resources.

The inclusion of both medium to long-term support and crisis tools under one instrument also enables options 2 and 3 to adapt to changing circumstances while maintaining a focus on development goals, anticipating impacts of critical megatrends and mutually beneficial interests. This adaptability is crucial for addressing both planned and unexpected needs efficiently and in a future-proof way, which is a key aspect of regulatory fitness.

Compared to option 1, options 2 and 3 - with their dual structure of programmable and non-programmable funding - allow for both predictability in funding and flexibility to respond to unexpected developments (including crises). This contributes to an efficient allocation of resources and, when coupled with conducive working methods, will reduce administrative burdens by avoiding the need for constant adjustments of programmable frameworks. It should lead to reductions in complexity and administrative costs while also providing stakeholders with long-term planning.

Finally, options 2 and 3 enhance coherence between internal and external policies on one hand and between external policies on the other. The geographisation principle, including the use of regional envelopes facilitates alignment with the EU's strategic goals (e.g. via Global Gateway, Comprehensive Partnerships, Clean Trade and Investment Partnerships, other similar partnerships). This alignment also allows for more coordinated efforts in addressing social, economic, and environmental challenges, thus ensuring that policies are mutually reinforcing rather than working in silos or at unintended cross purposes. In this respect, options 2 and 3 have the capacity to better integrate policy objectives like competitiveness, economic security, resilient value chains, and environmental sustainability, given that these goals are strategically pursued together and that also the relevant internal funds include equivalent coherence clauses.

The enabling and coordinated approach supports the EU's strategic interests effectively, supporting long-term goals without fragmentation of regulations and modalities.

As compared to option 3, option 2 would ensure continuity with the Ukraine Facility's approach, address short-, medium- and long-term needs comprehensively, and cover the interlinkages between Ukraine's accession path and post-war reconstruction. Furthermore, option 2 would allow to strike a balance between providing credible support to Ukraine in an uncertain context while protecting the external instrument's ability to deliver on needs and priorities in other geographical areas.

To summarise, from a REFIT perspective, option 2 provides benefits by simplifying regulatory frameworks, enhancing the efficiency and adaptability of resource allocation and by fostering policy coherence, thereby supporting the EU's strategic interests, long-term goals and crisis response effectively and efficiently. In other words, in response to the problem definition, option 2 can best help to design an external financing instrument that effectively advances the EU's strategic interests while being responsive to fragility and crisis situations.

9. HOW WILL ACTUAL IMPACTS BE MONITORED AND EVALUATED?

This initiative will be monitored and evaluated through the performance framework for the post-2027 budget, which is examined in a separate impact assessment. The performance framework should provide for an implementation report during the implementation phase of the programme, as well as a retrospective evaluation to be carried out in accordance with Article 34(3) of Regulation (EU, Euratom) 2024/2509. The evaluation will be conducted in accordance with the Commission's Better Regulation Guidelines and will be based on indicators relevant to the objectives of the programme.

This impact assessment focusses on *the architecture* of the next external financing instrument, following the February 2025 Communication on the next MFF. The instrument itself will be enabling in nature, and is expected to cater for in an increasingly flexible manner various external action objectives that are listed in the annex of the future regulation. The specific objectives of the impact assessment will therefore not constitute the base for operational objectives and indicators. The indicators of the future instrument will focus on societal objectives as has been the case until now under NDICI-Global Europe and IPA III. These indicators are specified in the future Performance Regulation.

The future monitoring and evaluation arrangements, including the Performance Regulationwill partly build upon the existing Global Europe Performance Monitoring System and IPA III Results Framework and the lessons learnt. Experience in the framework of the implementation of the Ukraine, Western Balkans and Moldova Facilities, as well as of the Recovery and Resilience Facility[95], will be highly beneficial when it comes to both reform and investment performance measurement.

[95] Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility

ANNEX 1: PROCEDURAL INFORMATION

1. LEAD DG, DECIDE PLANNING/CWP REFERENCES

Lead services: DG for International Partnerships (INTPA) and DG Enlargement and Eastern Neighbourhood (ENEST)

DECIDE reference: There is no Decide planning reference.

2. ORGANISATION AND TIMING

The preparation of the impact assessment was supported by an Inter-Service Group (ISG) which met at the various stages of the process. The ISG was composed of the following services: AGRI, BUDG, CLIMA, CNECT, EEAS, ECFIN, ECHO, FPI, HOME, HR, JUST, JRC, LS, MARE, MENA, MOVE, SG, TRADE.

3. CONSULTATION OF THE RSB

This impact assessment was scrutinised by the Regulatory Scrutiny Board (RSB) in a hearing which took place on 4 June 2025, following an upstream meeting on 4 April 2025. The RSB provided an opinion without a qualification, referring to the specific approach related to the MFF process.

The table below summarises the main points of the opinion of the Regulatory Scrutiny Board (RSB), indicating how its recommendations have been integrated into the evaluation.

Recommendations in the RSB opinion	Integration of the RSB's recommendations into the evaluation report
The intervention logic is not consistent with the issues raised in the report. The scope of the report covers the implementation architecture rather than the policy substance.	The revised SWD explains more in detail the various components of the intervention logic. The intervention logic does not cover policy substance as such, given the broad and enabling nature of the external financing instruments, both in terms of scope (policy areas covered) and in terms of geographical remit (wide range of partner countries covered). The focus of the intervention logic is on the architecture. However, the chapter on problem definition includes sub-chapters on policy-specific challenges.

The report should analyse [...] notably which parts of [the current funding landscape] should be discontinued or reoriented. The intervention logic should be revised to better account for the issues facing external action funding. The revision of the intervention logic should better reflect the sub-objectives outlined under the specific objectives and the formulation of additional policy options should be adjusted to align with them, the specific and the general objective.	The intervention logic is influenced by and builds on the Political Guidelines for the 2024-2029 Commission and the February 2025 communication on the next MFF. The revised SWD further develops the connection between the general objective and the specific objectives, as well as the architecture of the options. The problem definition is supported by problem drivers. The specific objectives have been developed as a mirror image to the problem drivers, following the Better Regulation guidance. Considering that the balance between flexibility and predictability is the main choice to be made in view of the future external financing instrument, formulating additional policy options was not considered meaningful nor helpful. Additional options, and especially sub-options, would have led to more fragmented and scattered assessment, deviating policy makers' attention from the main issue. The reasoning related to the choice of options, and dimensions of flexibility and predictability, are however further illustrated in the revised SWD.
The evidence base of the problem description is not comprehensively developed and relies too heavily on conclusions from previous evaluations that are not sufficiently substantiated by robust evidence. The link between the problem definition, objectives and the options is neither clear nor complete.	The related mid-term evaluation was conducted at a very early stage of the implementation of the current instruments, with the first operational results related to the financial execution only available as of 2024. However, in the independent study underpinning this evaluation, evidence was based on surveys, hundreds of interviews, document reviews and case studies as well as targeted stakeholders' consultations and an open public consultation. To strengthen the evidence base, the revised SWD further details the results from the Open Public Consultation and points to the experience coming from the operational

	practise over the past years. The evidence base has also been strengthened by policy reviews, academic articles and stakeholders' policy documents.
The options offer limited choice to policy makers and are not aligned with and do not address all of the problems. The report does not assess whether the trade-offs between flexibility and predictability on the one hand, and complexity and simplicity of the funding landscape on the other hand, provide sufficient analytical dimensions to adequately identify options and fully assess their impacts. The full range of measures and policy options needed to tackle identified problems and achieve the objectives should be developed.	The options are limited to three, so as to inform the key decisions on the future instruments. Breaking them down into more detailed sub-options risked distracting the analysis from the fundamental policy choice without bringing any added value. The options are tested against the specific objectives of the impact assessment, guiding the policy maker on the balance between flexibility and predictability. The options chosen are not analysed through the prism of specific policies driving the EU external action. Also, the SWD does not attempt to measure the impact of EU contributions in specific policy areas. This would not be feasible in an MFF-related impact assessment, given that the external funding instrument is an enabling vehicle for the EU to support various policies.
The report does not analyse the unintended consequences that can result from the intervention, and in particular if they can be adverse and entail costs for various stakeholders	Annex 3 provides an indicative list of the preferred option's (option 2) possible costs and benefits. The annex builds on the problem definition and objective-setting of the impact assessment. The assessment of costs and benefits does not extend beyond this scope. It does not mean, however, that the preferred option would not have impacts beyond the objective-setting of the impact assessment as far as costs and benefits are concerned.
The report does not sufficiently describe the governance mechanisms	Governance mechanisms are not in the focus of the problem definition and the general objective of the impact assessment.
The report does not specify how the Global Europe instrument fits with wider objectives of other parts of the next MFF,	Policy coherence is addressed in the problem definition, problem drivers, specific objectives and in the assessment of economic, social and environmental impacts.

particularly on the link between internal and external policies	Specific objective 3 has been revised in SWD to further clarify the synergy with the Competitiveness Fund.
The report is unclear what monitoring and evaluations arrangements will be put in place to measure the achievement of objectives and EU budget impact	The new external financing instrument will be monitored and evaluated through the Performance Framework for the post-2027 budget, which is examined in a separate impact assessment. The impact assessment on external financing instrument focusses on architecture, following the February 2025 Communication on the next MFF. The instrument itself will be enabling in nature and is expected to cater for in an increasingly flexible manner various external action objectives that are listed in the annex of the regulation on the external financing instrument. The specific objectives of the impact assessment will therefore not constitute the base for operational objectives and indicators. The indicators of the future instrument will focus on societal objectives as has been the case until now under NDICI-Global Europe and IPA III. These indicators are specified in the new Performance Framework.

4. EVIDENCE, SOURCES AND QUALITY

The evidence for the impact assessment is based on three main sources:

- the **independent study** conducted for the mid-term evaluation of the 2021-2027 financing instruments. In this external study, evidence was gathered, among others, via surveys, interviews, document reviews and case studies as well as targeted stakeholder consultations at headquarters level and an open public consultation published on the Have Your Say website.

- the **open public consultation** (with an end date on 7 May 2025) on the next external financing instruments.

- The **final recommendations** of the European Citizens' Panel on a new European Budget fit for our ambitions

In the context of the independent study i) a review of documentation and analytical data was conducted, ii) close to 350 key stakeholders were interviewed, iii) in the OPC, 235 responses from 58 countries were received (incl. 43 separately uploaded contributions), iv) targeted consultations with different stakeholder groups were held and v) 67 written EUD contributions and 172 responses through two survey exercises were also received. This mix of qualitative and quantitative methods, using both primary and secondary sources, provided a comprehensive evidence base.

The independent study used a mixed-methods approach. It relied on a theory of change focussing on the transition from the previous EFIs to the current ones and four main evaluation questions: i) on responsiveness to EU and partner countries' policy priorities; ii) on efficiency and flexibility in programming and delivery (i.e., the processes by which the instruments are deployed); iii) on interlinkages and EU added value; and iv) on EU's leverage to achieve expected results. Multiple sources were systematically used to triangulate the information collected.

The results of the open public consultation for this impact assessment are explained in a separate synopsis report (see annex 2).

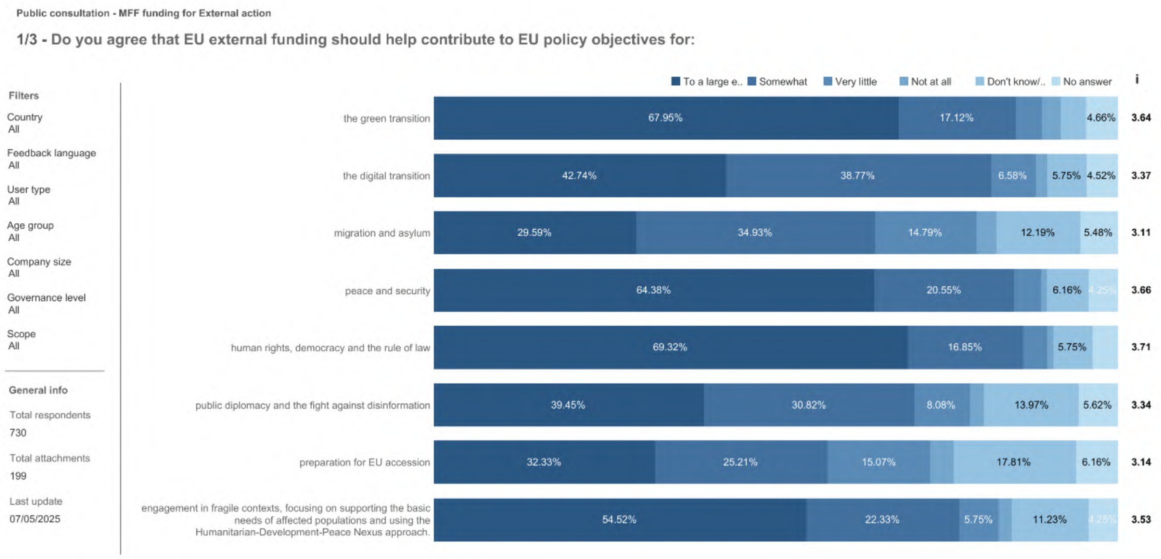
ANNEX 2: STAKEHOLDER CONSULTATION (SYNOPSIS REPORT)

1. Introduction

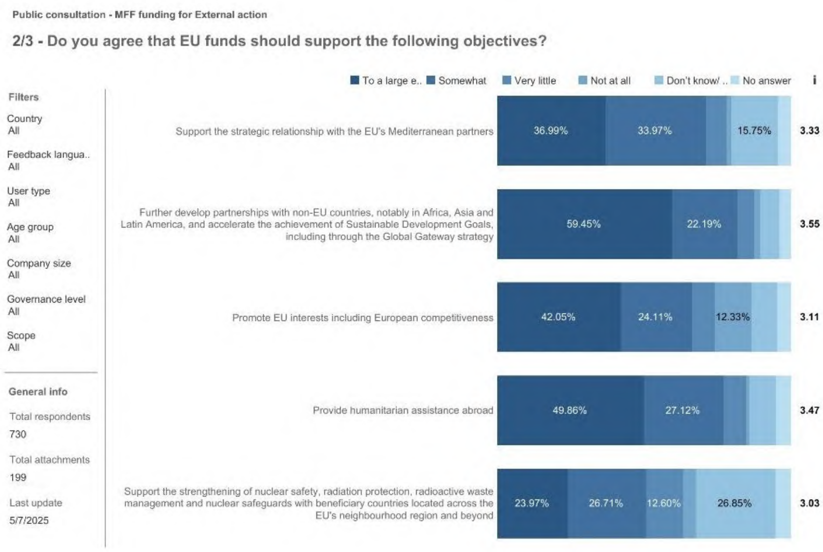
The Commission conducted an open public consultation to gather evidence for this impact assessment. The open public consultation was open from 12 February to 7 May 2025. The consultation received 730 responses from participants across 82 countries. Replies were submitted by a diverse range of stakeholders, including EU citizens, non-governmental organisations, public authorities, business associations and academic institutions. Overall, this synopsis report provides a broad overview of the feedback received, offering insights into how the EU can adapt its external action financing to pursue its strategic objectives while better meeting global challenges. It is worth noting that the survey has no claim to representativeness. The views presented in this synopsis report are not the views of the European Commission but of stakeholders that participated in this open public consultation.

2. Overview of closed-ended questions

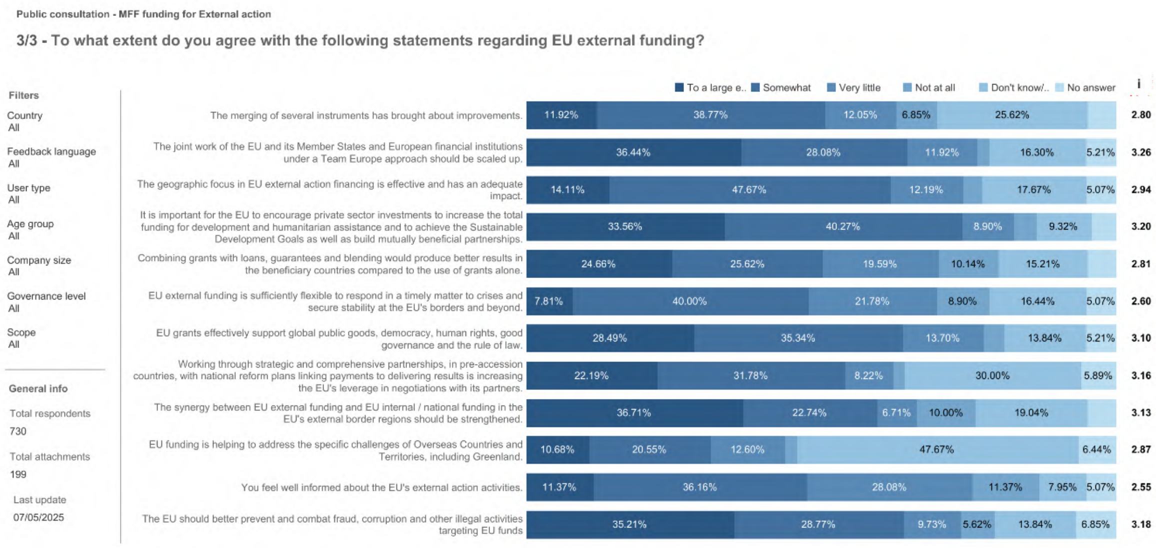
As shown in the following chart, 69.3% of respondents agreed to a large extent that EU external funding should help contribute to EU policy objectives for human rights, democracy, and the rule of law. Other areas that have received significant support are, in this order, the green transition, peace and security, and engagement in fragile contexts.



For the second question on the objectives of EU external funding, 59.4% of replies agreed to a large extent that EU funds should contribute to further developing partnerships with third countries, notably in Africa, Asia, and Latin America, as well as accelerating the achievement of the SDGs, including through the Global Gateway strategy. Providing humanitarian assistance abroad stands as the second preferred option, with half of respondents expressing that EU funds should contribute to this objective.



Moving to the third question, the statement to which most respondents agreed to a large extent tackles the need to strengthen the synergy between EU external funding and EU internal/national funding in the EU's external border regions. By adding the percentages of those who expressed their agreement (to a large extent and somewhat), the statement that gathered more support recognises the importance for the EU to encourage private sector investments to increase the total funding for development and humanitarian assistance.



3. Overview of open-ended questions

Replies to open-ended questions

Regarding the open questions where participants could add other priorities as well as further comments, there was a strong call for enhancing EU economic diplomacy by supporting European businesses in third markets and prioritising sustainable development models. Respondents also stressed conflict prevention, peacebuilding, and resilience in fragile contexts as essential components of EU external action, advocating for streamlined administrative processes, in particular for non-governmental organisations as well as promoting greater public awareness to ensure impactful and accountable international cooperation.

The respondents emphasised the importance of involving local communities, civil society organisations and small businesses as well as bottom-up approaches in EU-funded projects to ensure that initiatives align with the needs and expertise of partner countries at an appropriate level. Additionally, protecting and promoting human rights, gender equality, and democracy were highlighted as crucial measures to support governance and rule of law, particularly in politically challenging environments. Enhancing transparency of external funding mechanisms was also mentioned.

Respondents noted the need to enhance institutional capacity building, which would promote better governance and sustainable development. There was a call for enhancing the role of partner countries in EU-funded projects and improving infrastructure, particularly for sustainable transportation and water management.

Participants stressed the importance of preserving dedicated funding for civil society organisations, human rights, and democracy, and highlighted concerns over merging financing instruments, which could dilute their effectiveness. There was also a strong call for thematic funding that would address issues like inequalities and climate change while ensuring that guarantees and blending should not divert attention from priority issues, nor increase the indebtedness of partner countries. The replies urged that the increased EU investment in external action should be better communicated to further gain public support. The call for strengthened partnerships also extended to cultural and academic exchanges.

4. Overview of the issues raised in the position papers per theme

i. Contribution of external funding to support EU strategic interests

- Some respondents highlighted that a well-funded external action budget is a means for the EU to assert its global leadership. As regards the EU's strategic interests, others pointed out that proper financing of EU external action is also crucial to achieve a more secure and prosperous Europe. In some responses, the need to increase investment in conflict prevention and peacebuilding was particularly stressed as a strategic and economic necessity also for the EU.

- A few respondents recalled that while linking external action with EU competitivity is important, it should be done through mutually beneficial partnerships in areas such as critical raw materials. Also, the political interests of the EU should be properly calibrated with those of partner countries in a meaningful dialogue.

- Many respondents emphasised that external funding should not be driven solely by EU geopolitical strategies and interests but should also align with national development plans and local aspirations in third countries. Many also stressed the importance of supporting civil society organisations, even in countries that are not perceived as strategic for the EU.

ii. Simplification of external financing instruments

- Several respondents expressed concerns on a possible merge of various external financing instruments which in their view would blur the mandates and the distinctions of each instrument and force priorities to compete as well as reduce predictability. Many respondents thus urged to maintain dedicated instruments, including for pre-accession and Ukraine's reconstruction. The importance of preserving a separate instrument and budget line for humanitarian assistance as well as keeping international partnerships under a dedicated instruments was also highlighted. In this context, the risks related to the prioritisation of short-term objectives at the expense of long-term impacts were emphasised by many.

- Respondents also pointed the simplification that already took place under the current MFF and that, in the next MFF, only some targeted improvements would be more appropriate instead of a further merge.

- A widespread consideration was that merging humanitarian, development and peacebuilding interventions risks reducing predictability and undermining the EUs credibility as a reliable partner in fragile and conflict-affected settings.

- At the same time, certain respondents supported a simpler architecture for external action, with a policy-based budget, promoting a financial toolbox covering all funding solutions that European businesses need, from grants to equity to debt and advisory services.

- Many also pointed to the need for a more integrated approach in the EU external action. Respondents also recognised that there was a need to establish stronger links to connect humanitarian, development and peacebuilding operations in situations of emergency, conflicts, protracted crisis or fragility. This was seen as forming a basis for the EU engagement in these settings, in particular to uphold humanitarian-development-peace nexus.

- One respondent noted that if funding was merged via a further simplification, it would be essential to establish specific earmarking for humanitarian, development and pre-accession funding and provide for the principles under which reallocations can be made.

- Several respondents were of the opinion that funding for Ukraine should be kept separate and be additional to the EU's commitments as regards official development aid to the rest of the world.

iii. Flexibility and predictability of the funding of EU external action

- The need for increased flexibility to respond to emerging priorities and crises in partner countries was highlighted in many responses and position papers. Flexibility was also seen as important in aligning development efforts within the humanitarian-development-peace nexus and with development effectiveness mechanisms, ensuring that funding responds to the evolving needs of partner countries.

- Several respondents pointed to the need for both predictability and flexibility to ensure that funding reaches those most in need while maintaining the ability to respond to emerging crises. In the replies, it was also widely stressed that flexibility needed to complement rather than replace predictability.

- Many respondents said that predictable funding and long-term programming is essential to support sustainable development and related policy areas in partner countries. These respondents pointed out that predictability provides the stability needed for implementing partners to plan and execute programmes with a multi-sectoral coordination. Some replies further noted that predictability ensures long-term systemic reforms, notably to tackle underlying drivers of conflict and insecurity.

- A few respondents also underscored that investments with a longer perspective were needed to create resilient systems in critical areas such as health, social protection, nutrition and food systems.

- Predictable long-term funding was also seen as an investment to support the EU Preparedness strategy.

iv. Funding modalities

- Many respondents emphasised the need for a balanced approach and complementarity between funding modalities to maximise impact. The open architecture of the European Fund for Sustainable Development Plus needed to be improved, also to ensure that it meets the geostrategic needs for the EU.

- A respondent pointed to the need to engage deeper in frontier markets as their stability was seen of essence to the neighbourhood countries and Europe. In this regard, guarantee instruments that adequately cover the risks of development finance institutions are essential.

- Some respondents suggested involving Export Credit Agencies to encourage EU private sector involvement.

- One respondent suggested the possibility to use debt swaps in fragile and conflict-affected states.

- Some respondents called for simplified and more flexible funding schemes (including simplified calls for proposals), especially to encourage the involvement of local and regional governments and other grassroots and community-based actors.

v. Spending targets/ODA and earmarking

- Many respondents endorsed spending targets in varying degrees for official development aid (ODA), human development and education, inequalities, climate, biodiversity, gender, migration and for funding to be distributed via civil society organisations.

- While some suggested earmarking as a tool to secure funding for specific policy areas, a few respondents warned against its excessive use.

- Many contributors shared the view that 50% of the EU's bilateral official development aid should be allocated to least developed countries (LDCs) and fragile and conflict-affected states in the next MFF.

- Increasing the engagement with civil society organisations was a request made by many contributors, notably by supporting funding channels through them. Therefore, some participants suggested earmarking 15% of resources for civil society across the future instrument.

vi. Global Gateway

- Some participants identified the need to bring Global Gateway closer to EU companies, including SMEs, and increase their understanding of how companies can use the instrument. A respondent suggested establishing an EU Business Consortium Mechanism to promote Global Gateway investment projects, create European consortiums and competitive full-scale offerings under a Team Europe approach.

- Supporting fair competition for European industries globally, addressing trade-distorting policies was mentioned. In this regard, ensuring access to critical raw materials and technologies for electric vehicles and battery production was noted.

- The replies stressed the need to invest adequately in R&I and higher education, in line with Global Gateway priorities to strengthen European competitiveness. On the partnerships for R&I financed from other European funds, a respondent noted that these could be considered as Team Europe initiatives, implemented under Global Gateway, with the aim to support the green and digital transition in partner counties.

- Most contributions shared the view that the Global Gateway initiative should ensure that funding continues to be allocated to conflict-affected and fragile contexts. Some pointed out that Global Gateway strategy should ensure the continuity of the current commitment to human development.

- In the context of Global Gateway, there were respondents who thought it was critical to scale up grant mechanisms, resisting shifts towards loans, guarantees, and private sector-led investments.

- Some respondents pointed out that implementing Global Gateway would benefit from partnering with local and regional governments due to their capacity to localise global challenges, to raise citizens' awareness, and to create an enabling environment for investment. Moreover, fostering cooperation with local and regional governments would be a step towards implementing the Global Gateway's 360-degree approach.

- The continuation of the Team Europe approach in international cooperation was perceived by some respondents as crucial to maximise effectiveness because it contributes to the reduction of administrative burden.

vii. Fragility

- Some respondents wanted to see conflict prevention and peacebuilding as objectives in all external financing instruments of the EU. They pointed out that this would demonstrate both the commitment of the EU to these principles and its commitment to being a reliable partner in times of fragility and conflict.

- Some highlighted the need to meaningfully engage with civil society in the design and implementation of external action programming to ensure effectiveness in fragile contexts. Several voices raised the need to support civil society organisations through scaled-up "people first" partnership models which help meet the challenges encountered in fragile and conflict settings.

- Some replies noted that emergency bridge funds and adaptable programme frameworks were essential, especially in fragile contexts to act effectively, also enabling the civil society organisations to act.

- According to some contributions, it was necessary to recognise the unique role of local and regional governments in fragile contexts, maintaining, for instance, open channels of communication in a highly polarised political climate and contributing to community resilience.

5. Stakeholder differentiation

i. Trade unions

- Trade unions believe the EU should promote good democratic governance by enhancing the promotion of social dialogue. This would entail building inclusive stakeholder engagement with trade unions supporting capacity building efforts of social partners.

- They ask the EU to put social fairness and decent work and the core of the next MFF. As they see it, the current narrative of a necessary improved competitiveness of the economy and business development must be brought together with a social narrative. Moreover, the green and digital transitions must ensure that transformations are socially just.

- Trade unions consider that the next MFF must ensure adequately funded external action to meet the 0.7% of GNI target for ODA by 2030. They state that the use of EU ODA must remain focused on the reduction of poverty and inequalities, promotion of decent work and promoting SDGs in partner countries. They also want to see gender equality, environmental justice, human rights and democratic values mainstreamed.

ii. Businesses

- Companies that participated in the OPC acknowledge the importance of competitive European financing to support European companies' competitiveness in third markets. They defend that Global Gateway's instruments should support the EU's efforts to meet the challenges related to the current uncertain geopolitical landscape.

- Adding new innovative mechanisms to the toolbox is a request made by several companies. These mechanisms should amplify the scope of Global Gateway projects to allow for smaller volume projects with a high impact.

- Companies welcome the ambition of the EU to move towards a more focused, simpler and more impactful budget. Reducing the administrative burden and developing a more integrated European offer with better risk-sharing capabilities between all players are two ways to reach this objective.

- Some companies think that the next MFF should seek more coherence and a long-term vision so that projects generate lasting impacts. They ask Team Europe to fully reconsider the conditions, to accelerate and ease access to blending facilities for projects driven by European companies in order to create a more competitive and compelling Team Europe offer in terms of scale, flexibility and speed.

- Some companies also agree that the use of public-private partnerships should be further encouraged, with more technical assistance to support local authorities. They also ask to maintain a standalone framework programme for research, development and innovation, and put a focus on fostering innovation that has an industrial application.

iii. Development finance institutions

- Development finance institutions ask the EU to maintain different instruments for different mandates and objectives. As they see it, the future architecture should keep at least 3 separate instruments to address short-term/humanitarian needs, the longer-term development/investment agenda and the EU accession one. They believe that a single instrument will reduce the potential of EU's impact globally and may bring more bureaucracy.

- Reducing bureaucracy and harmonising procedures is another claim made by these institutions. For them, the continuation of a Team Europe approach in international cooperation is key to maximise effectiveness since this approach also contributes to the reduction of the administrative burden. Moreover, they believe that the EU should leverage the full potential of financial regulations, enabling reliance on Member States' systems and practices for budget implementation, allowing cross-recognition of audits and accounting practices, and simplifying contracting templates and conditions to ensure uniform application globally.

- Some contributors detect a need to build on implementing partners' track-record with private companies and institutional investors, as well as their local presence, to maximise impact and crowd in further external investments.

- A greater margin of flexibility should be built into all EU agreements with implementing partners, allowing for quick reactions to unexpected events and emergencies. This is especially relevant in fragile contexts, where a more integrated and flexible programming and financial decision-making across all available instruments must be ensured.

- Some development institutions express that EU political interest should not overshadow mutually agreed objectives with partner countries. Contributors welcome the European Commission's ambition for a simpler, more focused and responsive long-term budget that reflects its strategic priorities. However, it is essential that the next generation of instruments continues to reflect a rights-based approach, the promotion of rule of law, good governance and inclusive development, without contradicting partner countries' national development plans.

- A more streamlined and integrated approach to international cooperation and external action is critical, according to some contributions. The combination of grants for technical cooperation, blending and guarantees should continue to be used in a balanced manner, adequately with the local context and to the sector targeted.

iv. Multilateral organisations

- Multilateral organisations think the EU should continue to build on multilateral cooperation and the protection of human rights. In this sense, it is essential to protect the financial envelope for external action to remain prosperous, safe and economically competitive, recommitting to the 0.7% ODA target, in line with the EU's multilateral and global commitments.

- The next MFF can balance adaptability with structured, result-focused programmes supported by high-frequency monitoring and crisis cushions. Multilateral organisations affirm that localising the SDGs agenda, investing in conflict prevention, livelihoods and basic development is as important for Europe's security as defence spending and significantly less costly. The next MFF is also an opportunity to explore innovative and context-specific ways to remain engaged in support of local communities and through locally-led CSOs.

- To enhance the effectiveness of its external action, multilateral organisations propose the EU leveraging its partnerships with key stakeholders, including civil society, the private sector, international financial institutions and the UN system. With the private sector, the EU could consider developing more blended finance instruments to mobilise private capital for sustainable development.

- On migration, they ask the EU to maintain and prioritise funding dedicated to bridging the humanitarian-peace-development nexus and addressing forced displacement, ensuring adequate resources to support displaced individuals and the communities hosting them. Investing in climate diplomacy and in educational and training systems are also key messages.

v. Public authorities

- Local and regional governments (LRGs) ask to be considered as essential stakeholders to deliver the EU's value-based offer. Through decentralised cooperation, European LRGs have the capacity to localise global challenges and citizens' awareness. From their view, the EU needs to further elaborate and provide entry points on how LRGs can concretely be a part of the equation to ensure effective territorial development and policy coherence.

- In contexts where the dialogue is fragmented at the national level, LRGs remain in charge of humanitarian relief, emergency and disaster risk reduction. That is why they propose creating a dedicated programming for LRGs and their European partners to provide ongoing support to populations in urgent need.

- LRGs also consider essential to maintain distinct financial channels for urgent crises and ongoing geographical and thematic programmes.

- They would like the EU to ensure structured participation for LRGs by consistently establishing dedicated focal points in EU Delegations and developing innovative funding mechanisms which simplify current schemes to be more flexible and accessible to LRGs.

vi. NGOs

- If the EU wants to be a credible and reliable partner in the world, NGOs claim that the EU needs to deliver on its commitments by applying a principled and inclusive approach to its programming. A do-no-harm and human security approach that prioritises the dignity, rights and resilience of individuals and communities is also essential to ensure that EU-funded initiatives effectively address poverty and inequality.

- Funding support for Ukraine should be additional and kept separate from the EU external action heading, as it should not substitute support to other partners.

- According to NGOs, the EU must reject the use of ODA for restrictive migration policies and border management, in line with OECD DAC rules. Additionally, the EU should equally refrain from attaching migration management conditionalities to its international relations agreements and abide by the International Asylum and Human Rights conventions.

- On democracy and human rights, some NGOs consider relevant to embed democracy at the centre of Global Gateway and invest at least 20% of the geographic pillar and at least 50% of the thematic pillar to support democracy, human rights and civil society. They also propose creating a budget line for democratic openings abroad.

- Several NGOs point out that Global Gateway investments should include peacebuilding initiatives and prioritise human rights.

- On climate, the next MFF should pay particular attention to directing climate adaptation finance toward climate-vulnerable, conflict-affected countries because of the low share of adaptation finance they currently receive, and the particular challenges posed by the interplay between climate, conflict and fragility.

- NGOs would like the EU to strengthen safeguards for international cooperation through application of stricter "do no harm" criteria, social and human rights safeguards and mandatory environmental and climate impact assessment across all Team Europe Initiatives and Global Gateway programmes.

- NGOs ask to prioritise grant-based financing for biodiversity while leveraging Global Gateway to attract private investment in conservation and nature restoration. According to them, this will help scale impactful solutions for nature and communities while building the technical capacity to de-risk investment in biodiversity and nature-based solutions.

- When it comes to food security, NGOs propose providing earmarked funding for food and nutrition security, prioritising agroecological principles, nutrition outcome and gender equality in food systems.

ANNEX 3: WHO IS AFFECTED AND HOW?

1. PRACTICAL IMPLICATIONS OF THE INITIATIVE

The annual report on the implementation of the European Union's external action instruments[96] outlines the key aspects of the EU's financial support for international partnerships, humanitarian aid, foreign policy and enlargement. The accompanying staff working document, and the results annexes of the annual report give an overview of different categories of

[96] https://international-partnerships.ec.europa.eu/publications-library/2024-annual-report-implementation-european-unions-external-action-instruments-2023_en

beneficiaries[97], based on the indicators of the Global Europe Results Framework[98] as well as the IPA III results framework[99].

Notably, the report reflects the important support provided by the EU to address the global and regional consequences of Russia's war of aggression against Ukraine, to tackle various other global challenges, and to implement the Global Gateway strategy. The annual report also indicates how the external financing instruments support the EU's efforts to implement global commitments, notably the United Nations 2030 Agenda and Sustainable Development Goals and the Paris Agreement on Climate Change. It presents examples of EU-funded interventions in Europe and across the globe that illustrate the EU's continuing efforts to deliver results.

As the enabling nature and objectives of the preferred option (either 2 or 3) are comparable to those of NDICI-Global Europe and IPA III, the table provides an important indication of the possible beneficiaries under the new instrument. Considering the updated toolbox and given that the preferred option would allow extending cooperation to the Export Credit Agencies as well as direct support to the EU companies, the preferred option (either 2 or 3) is likely to involve more private sector actors, compared to the baseline.

2. SUMMARY OF COSTS AND BENEFITS

This annex provides an indicative list of the preferred option's possible costs and benefits. The annex builds on the problem definition and objective-setting of the impact assessment. This means that the focus is on the preferred option's capacity to advance the Union's strategic interests while addressing fragility and crisis situations, and associated costs and benefits. The assessment of costs and benefits does not extend beyond this scope. It does not mean, however, that the preferred option would not have impacts beyond the objective-setting of this impact assessment as far as costs and benefits are concerned.

This is a qualitative reading of costs and benefits, focussing on intangible factors. The list is not based on a quantitative analysis as such analysis would require monetisation of both direct costs and direct benefits. While the direct benefits are quantified to a certain degree , these benefits have not been monetised. Therefore, the current external financing instruments do not provide a stable evidence base for drawing hypotheses to be tested quantitatively in the context of the preferred option.

In addition, when assessing the costs and benefits of the preferred option, it must be taken into consideration that the EU support to a partner country can only be seen as a contributing factor towards any societal results achieved. For example, the key treaty objective to reduce and in

[97] See in particular the Staff Working document accompanying the annual report and its annex on results: https://op.europa.eu/en/publication-detail/-/publication/bfc002cc-bdca-11ef-91ed-01aa75ed71a1

[98] https://capacity4dev.europa.eu/resources/results-indicators/global-europe-results-framework_en

[99] https://commission.europa.eu/strategy-and-policy/eu-budget/performance-and-reporting/programme-performance-statements/instrument-pre-accession-assistance-ipa-iii-performance_en

the long-term eradicate poverty in partner countries provides a highly ambitious agenda. Many factors, both internal and external, affect the development of partner countries. An important number of official aid providers play an active role, together with an increasing number of private donors. In addition, it is for the partner countries' governments to adopt and implement the necessary reforms and policies that are the driving force behind achievements. Furthermore, the nature of the EU's external action, i.e. the high number of both objectives and beneficiary countries, hampers making quantitative aggregations and generalisations.

In light of the general objective of this impact assessment, which is ring-fenced to the EU's capacity to promote its strategic interests and address fragility and crisis situations, the preferred option's non-monetised costs and benefits are illustrated in the below table. For the sake of meaningful analysis, the costs and benefits are compared to the baseline.

I. Overview of costs and benefits – Preferred Option		**Baseline**
Description of costs	***Type of costs***	***Comparison to the baseline***
Geographisation under NDICI-GE entailed learning and therefore costs to the EU as it required a greater involvement of EU delegations. Increased geographisation (i.e. regional focus) and the integration of different tools, both programmable and non-programmable under the preferred option entails another, new change which requires further learning as well as possible organisational adjustments and may thus come with costs.	Administrative costs	0
If success of the preferred option is measured in part or in full through the yardstick of strategic interests and mutually beneficial packages that respond to country-level opportunities, this may risk leading to a perception that the EU is neglecting environmental and social concerns in the EU's partner countries unless such perception risk is mitigated through effective communication.	Political and reputational costs	-

Description of benefits	***Comparison to the baseline***
The use of indicative financial allocations for regions can lead to more effective use of resources, via flexible planning, thus potentially reducing complexity and even administrative costs.	++
Predictability inherent to the preferred option facilitates building an investment horizon, thus contributing to long-term partnerships and economic opportunities.	++
Preferred option provides the ability to attract private sector investment as the predictability-flexibility axis inherent to the instrument can make it easier to develop EFSD+ de-risking modalities and for companies and investors to plan ahead and invest in long-term projects. The EU's capacity to cover financial risk would result in a greater leverage effect and	+

subsequent positive economic impact in the EU's partner countries and the EU alike.	
The humanitarian-development-peace nexus would be improved	++
EU's expectation of reciprocity and promotion of its strategic interests – such as competitiveness and securing robust value chains for clean energy, clean tech and critical raw materials, would be served	++
Capacity to react to crises would be improved via increased flexibility	++
Regional approach would enable an efficient use of the comprehensive toolbox, including for the scaling up of the Global Gateway offer and engaging in the new Clean Trade and Investment Partnerships	++
EU companies would benefit from an updated and comprehensive toolbox	++
EU taxpayers would benefit from a possibly lower administrative costs under single instrument in a form of single support measure and technical assistance under a mutually beneficial package (that may incorporate various components from investments to migration management)	++
Increased ability to channel funds towards key political priorities in external action via increased flexibility	++
A more integrated and comprehensive approach and packages per country/region, enabling better correlation between the type of engagement in a specific country	++

3. RELEVANT SUSTAINABLE DEVELOPMENT GOALS

The economic, social and environmental impacts of the preferred option have been assessed at a high level of aggregation in chapter 6. This section of annex 3 provides further analysis at the level of relevant SDGs. The potential positive SDG impacts have been assessed in the light of the problem definition and objectives of this impact assessment. Considering the enabling nature of the preferred option, the positive SDG impact may however extend beyond the objective-setting of the impact assessment.

Positive SDG impacts of the preferred option 2

The preferred option would combine structural and crisis tools in the same regional envelopes under one instrument. In principle, this would allow for a better alignment of priorities and more synergic approach to partner countries' economic, social and environmental development, with strong potential for positive SDG impacts.

This alignment of priorities is closely associated with the humanitarian-development-peace nexus, which would be significantly facilitated under the preferred option as it could further the transition from short-term to long-term interventions, which is important in the context of protracted crises. This aspect is relevant for the achievement of several SDGs, including to ensure equitable access to water and sanitation (SDG 6) and to prevent epidemics and strengthen health systems (SDG 3). In addition, and through its synergic approach, the preferred option has the potential to step up progress on poverty reduction (SDG 1), sustainable food systems and access to food in vulnerable situations (SDG 2) while addressing multidimensional inequalities (SDG 10).

When aligned with Global Gateway, the predictability-flexibility axis inherent to the preferred option would provide certainty for companies – including through de-risking modalities. While such modalities already exist to a certain extent, predictability for companies could be further improved, for instance by allowing a wider use of equity, loans and guarantees. Considering the partner countries' calls for increased concessional financing, the EU's capacity and readiness to accept and take risk would result in a greater leverage effect and subsequent positive SDG impact in the EU's partner countries – especially if EU support continues to be delivered by respecting the highest environmental, social and governance standards with due attention to transparency. In this respect, the preferred option would have a positive impact on SDG 17 for its potential to mobilise additional financial resources for partner countries.

Global Gateway's unique 360-degree approach to develop an enabling ecosystem around investments, including skills and conducive regulatory environment, would significantly benefit from the multiannual planning safeguarded by the preferred option (especially when compared to option 1). In return, by leveraging the power of a Team Europe approach through Global Gateway, the preferred option could facilitate effective delivery of solutions to green, digital, transport, health, education and innovation challenges, thus contributing to partner countries' economic, social and environmental development through multiple SDGs, including strengthening resilience of supply chains by promoting inclusive and sustainable industrialisation (SDG 9) and decent work and economic growth in partner countries (SDG 8).

The predictability of the preferred option, when topped up with a revamped toolbox, would serve not only the partner countries' economic, social and environmental development but also the EU's expectation of reciprocity and promotion of its strategic interests, such as competitiveness and securing robust value chains for clean energy, clean tech and associated critical raw materials. The approach would contribute to the achievement of SDGs 7 (affordable and clean energy), 8 (decent work and economic growth), 9 (industry, innovation and infrastructure), and 13 (climate action) in the EU. This interplay between internal and external policies could be further strengthened if the external dimension, especially the diversification of value chains with partner countries, were reciprocally incorporated in the anticipated Competitiveness Fund and if the modalities and their related rules were harmonised in internal and external financing instruments.

When duly anchored with the rationale of Global Gateway to ensure local value added in the value chains, the preferred option and its multiannual perspective in the investments for sustainable and high-quality projects would come with benefits for local communities. In this regard, and when reinforced with mainstreaming of objectives at appropriate level, the preferred option could maintain a strong focus on human development, supporting achievement of gender equality and empowerment of all women and girls (SDG 5) as well as extending equal access to quality education (SDG 4). Mainstreaming would ensure certainty for SDG outcomes when a robust monitoring system is put in place with internationally comparable indicators.

The Team Europe approach is now an integral part of the EU external action, central to the EU's international partnerships, be it under Global Gateway, in fragile contexts or through multilateral engagement. Given the aim to further develop the Team Europe approach, the preferred option would improve policy coherence by allowing the EU and Member States to operate in a more joined-up fashion, especially by ensuring a better cooperation between public and private actors. If resources are deployed coherently and with the right amount of predictability, the preferred option would allow the EU and its Member States to increase the scale, impact and visibility of the EU external action, thus further contributing to SDG 17 on partnerships.

In principle, the preferred option enables supporting and contributing to all 17 Sustainable Development Goals. The future results framework should build on the Global Europe Results Framework (GERF) and continue to be aligned with the SDGs. This would allow to make progress towards a common approach to measuring and communicating the SDG results of the EU and its Member States.

Finally, the current reporting considers the transversal and interlinked nature of SDGs, as one single commitment is often connected to several SDGs. Therefore, it is mandatory to report on one single main SDG and, where applicable, up to nine other SDGs to which a project contributes significantly. With this system, the sum of financial flows related to the main SDG will always equal the total amount of financial flows, yet it is possible to report several SDGs for one project by using the 'significant' SDG field. As a result, a better understanding of the interlinkages between SDGs can be obtained. This practice should be continued.

4. IMPACTS OF THE PREFERRED OPTION ON HUMAN RIGHTS[100]

One of the Treaty-based general objectives of the EU' external action (Article 3(5) and Articles 8 and 21 TEU) is to support and promote democracy, the rule of law and respect for human rights. The preferred options would uphold this principle, through dialogue and cooperation with partner countries and regions. It aims to apply a human rights-based approach guided by the principles of 'leaving no one behind', equality and non-discrimination on any grounds. The rights-based approach encompasses all human rights, whether civil and political or economic, social and cultural in order to integrate human rights principles to all activities supported by the EU external action.

[100] Given that this impact assessment underpins an initiative with an external dimension, reference is made to human rights, instead of fundamental rights

ANNEX 4: ANALYTICAL METHODS

This impact assessment is qualitative, and it is based on multi-criteria analysis. The specific objectives of the impact assessment (chapter 4) constitute the criteria against which the baseline and three options have been assessed, while comparing the options to the baseline (chapter 7). Similarly, the specific objectives have been used as a yardstick when assessing the economic, social and environmental impacts of the options.

ANNEX 5: COMPETITIVENESS CHECK

Price and cost competitiveness	Positive	Negative	Not applicable/cannot say	Comments
Cost of input	x			The instrument contributes to diversified value chains (examples include clean tech, renewable energy, critical raw materials, through Global Gateway and Clean Trade and Investment Partnerships)
Cost of capital, access to risk capital	x			Cost of capital is reduced through guarantees, grants and blending, including by the inclusion of export credit agencies as implementing partners for EU guarantees. These make funding available for situations where funding is usually not accessible (challenging market conditions).
Cost of labour			x	Requirements in the future instrument would generally refer to existing standards that the EU companies would have to comply with in any case
Compliance costs			x	No additional compliance costs for EU companies
Cost of output			x	No impact on cost of output

Capacity to innovate	Positive	Negative	Not applicable/cannot say	Comments
Capacity to produce and bring R&D to the market	x			Future instrument enables supporting e.g. digital, health and energy innovations (e.g. vaccines development in Africa under NDICI-GE) while promoting European standards in global markets. This is however not the main objective of the instrument.
Capacity for product innovation	x			Future instrument may support the development of product innovation in partner countries, with potential benefits to the EU. This is however not the main objective of the instrument.
Capacity for process innovation	x			Future instrument may support the development of industrial processes in partner countries, with potential benefits to the EU. This is however not the main objective of the instrument.

International competitiveness	Positive	Negative	Not applicable/cannot say	
Market shares (single market)	x			Through access to inputs (like renewable energy and CRM) and better connectivity, the instrument will

				facilitate EU companies to be competitive in the single market
Market shares (external markets)	x			Presence in the external market through investments and improved regulatory environment may facilitate better market access for companies from EU MS. Global Gateway projects may be implemented by companies from EU MS.

SME competitiveness	**Positive**	**Negative**	**Not applicable / cannot say**	**Comments**
	x			The impact is potentially positive. While nothing impedes EU SMEs to participate in the EU interventions, the future instrument does not include specific provisions for SMEs. Presence in the external market through investments and improved regulatory environment may facilitate better market access for companies from EU MS. Global Gateway projects may be implemented by companies from EU MS.

As part of a new economic foreign policy, the future external financing instrument will play an important role in improving the EU's competitiveness and complement the interventions financed by the future Competitiveness Fund.

Global Gateway will continue to be further embedded in the next external financing instrument to boost sustainable development in the Union's partner countries while creating new opportunities for the EU's private sector, thus boosting the Union's competitiveness. Compared to traditional development cooperation, Global Gateway has two additional goals with a direct positive impact on the EU private sector (i) strengthening EU economic resilience by building strategic autonomy in key sectors and developing more resilient value chains between the EU and our partner countries (e.g. green hydrogen, CRM, semi-conductors, batteries); and (ii) enhancing the EU's geostrategic position by maintaining EU competitiveness in globally contested sectors/markets (e.g. digital, railway).

Under the new instrument, Global Gateway investment packages will be developed across the globe in key areas intertwining Europe's economic interests with those of its partners. This will be key to improve the EU's ability to diversify supply and value chains and reduce dependencies. It will allow EU's partners to develop their societies and economies, but also create opportunities for the EU Member States' private sector to invest and remain competitive, whilst ensuring the highest environmental and labour standards, as well as sound financial management.

The instrument will further support the economic convergence with the EU of candidate countries and potential candidates. Funding through the new instrument will accelerate their early and gradual integration into the Single market, thereby allowing companies to integrate in European value chains, and enhancing both investment and trade. As such, the enlargement process, to be supported through the new instrument, is an integral part of the Union's competitiveness agenda.

The impact on SMEs

The impact of the next external financing instrument on the EU's SMEs is potentially positive.

A discussion paper[101] provided by the European Entrepreneurs, the Digital SME Alliance, Liguris, MIM Solutions and Trade Promotion Europe for the Global Gateway Business Advisory Board in 2024 drew attention to both the pros and cons of the Global Gateway strategy regarding the involvement of EU SMEs. While the discussion paper considered that Global Gateway is helpful in encouraging SMEs to enter new markets as well as for creating partnerships, the paper pointed out the difficulties related to complexity of processes and access to information, SMEs' own resource constraints, competition with larger companies as well as lack of legal certainty and poor institutional environment in certain partner countries.

The updated toolbox of the preferred option tackles these challenges. This will be further supported by Global Gateway's 360-degree approach that will put an increased focus on improving the regulatory environment and skills in partner countries, which would in turn improve the operational environment for SMEs.

However, while nothing impedes EU SMEs to participate in the EU interventions, the future external financing instrument does not include provisions targeted specifically for or at EU SMEs. Considering the multiannual character and many policy objectives that the external financing instruments are expected to serve, the new instrument will be enabling in nature as far as SMES are concerned.

[101] https://www.european-entrepreneurs.org/wp-content/uploads/2024/04/GG-April-2024-Plenary_SME-paper_290424.pdf

ANNEX 6: EU ADDED VALUE

By building on the chapter 3 of the impact assessment, this annex provides additional information on the EU added value created through external financing instruments, policy by policy.

1. Enlargement: an investment in peace, security, stability and prosperity

The importance and added value of EU enlargement has been amply documented, and EU enlargement remains a “geostrategic imperative, an investment in peace, security, stability and prosperity”.

The EU’s support to candidate countries and potential candidates has generated an added value through its substantial financial resources, long-term commitment, convening power, and ability to pool and complement resources at large scale. Thanks to this support, countries that acceded the EU have experienced accelerated growth and significant changes in their societies and economies.

Today, this added value is relevant more than ever in light of the geopolitical challenges and the limited socio-economic convergence, fuelled also by the constraints in the administrative capacities of the candidate countries and potential candidates. In addition to alignment with the EU acquis, the EU should support the acceleration of the rate of the upwards convergence of enlargement partners from the current levels of between 30% and 50% of the EU average.

Gradual integration in the Single Market has become an important element in preparing enlargement partners ahead of the accession and this requires EU support. Enlargement partners will not meet the accession requirements without adequate dedicated pre-accession assistance. The new facilities for Ukraine and the Western Balkans, as well as the proposed facility for Moldova, which combine grants with loans linked to certain conditionalities, showcase the leverage stemming from the EU budget.

The EU needs to maintain the momentum of European integration, especially after the membership applications of Ukraine, Moldova and Georgia. The EU is best placed to have a holistic and integrated approach on incentivising reform efforts, which can bring candidate countries and potential candidates closer to the EU. This includes reforms for unlocking the potential of the Single Market, guaranteeing the integrity and security of the Schengen area, responding to crises and migration challenges, strengthening the fight against organised crime and corruption, fostering regional integration and resilience, transforming societies and economies, promoting environmental sustainability, supporting human-centric digital transitions and building administrative capacities of our partners for implementing the EU acquis. This will subsequently benefit the whole EU, its future growth even more so as an enlarged EU will gain more influence in today’s multi-polar world.

Action at Member States’ level cannot prepare an enlarged Union starting with its single market. None of the Member States, even those highly active in the region through their own agencies, would be able to mobilise the level of financing required for supporting the accession path, ensuring the scale of support, forging multi-level partnerships, unveiling the synergies and leveraging the whole EU toolbox as well as complementarities with internal/thematic policies.

2. **Neighbourhood East and South: differentiated and tailor-made support for a strengthened Neighbourhood**

Through the European Neighbourhood Policy, the EU combines financial, technical and human resources to engage in a mutually beneficial comprehensive cooperation with its partners based on common values and dialogue. This approach enables the EU to act with a stronger voice in regional matters. A strengthened Neighbourhood partnership is a strategic imperative for the EU's growth and influence.

The added value of the EU's support in the Neighbourhood stems from its scale, consistency, predictability and capacity to coordinate diverse policies allowing for a comprehensive approach, pooling greater resources and tapping into the whole EU toolbox. The EU can provide a coordinated and sustainable response of the neighbouring states to regional challenges like effective migration management, fight against organised and serious crime offline as well as online, terrorism and radicalisation as well as conflict prevention.

The added value of the EU in the Neighbourhood region derives from the established framework of the European Neighbourhood Policy (ENP). The EU has the necessary weight to support the efforts of the Neighbourhood partner countries, providing financial assistance and directly supporting reforms aiming at better governance towards sustainable growth. Moreover, both Neighbourhood regions are subject to regional spillovers. The EU can support addressing some common challenges, while at the same time offering differentiated a tailor-made support. Notwithstanding the crucial role of the Member States, in particular under the Team Europe approach, the goals of the ENP could not be achieved by Member States alone at bilateral level.

3. **Focus on Middle East, North Africa and the Gulf**

Thirty years after the launch of the Barcelona process, the Southern Neighbourhood continues to represent an essential partner for the EU, given its geographical, cultural and economic proximity to the EU. The EU's interest in a stable and prosperous Southern Neighbourhood remains at the top of the agenda and, for most of the countries in the region, the EU remains their most important partner, in particular in terms of trade and economic cooperation.

At the same time, the Gulf countries have a huge interest and leverage in the region, but the EU will need to put all its weight to strengthen their engagement. Our expertise, investment capacity and the possibility to develop closer relations are key factors of interest for the Gulf countries. The EU could build on them to develop mutually beneficial partnerships.

With the withdrawal of the US from the region, the EU has a window of opportunity to strengthen its role in the Middle East, North Africa and Gulf. Creating a bridge between the regions and finding common ground with partners to our mutual benefit will require making tailored offers that make use of the entire EU toolbox. These ‘packages’ will require a multifaceted and integrated approach that acknowledges the untapped opportunities for mutual economic gain and the interdependencies among the regional challenges.

4. International partnerships: a tailored approach based on shared interests to advance sustainable development

The EU and its Member States are the leading provider of Official Development Assistance globally, accounting for 42% of the total in 2023, or EUR 95.9 billion. Compared to Member States’ bilateral development cooperation, action at EU level brings the added value of size and leverage. In addition, by combining financial strength with that of Member States, development banks and development finance institutions in a Team Europe approach also reduces duplication and enhances coherence. The EU provides coordinated and tailor-made assistance on the ground, thanks to its economic power and diplomatic presence, as well as a wide array of tools.

The EU’s partnerships at country, regional or multilateral level are of key importance to foster cooperation in areas of common interest, contributing to sustainable development, security – including economic security – and resilience. In addition, multiannual programming allows the EU to set priorities and objectives for a long-term period to address the challenges based on partner countries and EU interests, while only a minority of donors and Member States are able to commit to medium and long-term funding. Flexibly adapting multiannual priorities will be equally important.

Building partnerships is particularly important to ensure that the EU supports ambitious climate, biodiversity, environmental, and disaster risk reduction actions globally. If partner countries fail to take effective climate mitigation and adaptation actions, and do not transition to more circular and resource efficient economies, this will affect both partner countries and the EU, including through repercussions on the EU’s own domestic energy and climate policies, food security, worsening climate conditions in Europe, and exacerbating conflict threats and displacement in partner countries with direct effects for the EU. In 2023 alone, natural disasters were estimated to have caused USD 280 billion in damages. The EU is highly vulnerable to these impacts – as Europe is warming at a faster rate than the global average. Efforts to limit climate change will help protect EU public and private investments and assets both in the EU and internationally, including infrastructure, assets, supply chains, and energy security. Supporting ambitious climate action in EU partner countries will help address the risk of carbon leakage and thereby ensuring the competitiveness of EU businesses. It will also help establish new markets for EU cleantech companies and support the EU’s own green industrialisation agenda and policy initiatives such as the new Clean Industrial Deal.

EU external financing instruments have a clear added value in implementing the external dimension of the EU migration policy. Only few Member States have bilateral cooperation funds that include migration cooperation, and EU funds are best placed to support the various aspects of the external migration policy, such as partnerships on anti-smuggling or legal migration that combine Member State and EU contributions. The EU external funding can be mobilised rapidly and for all aspects of migration management, including mutually beneficial Talent Partnerships with partner countries to stimulate labour mobility and skills development, as well as return, readmission and reintegration.

The EU is also better placed to intervene in complex contexts, as only few Member States have the capacity to operate a crisis response or peace-building facility comparable in scope. The EU should support affected populations in fragile states and conflict areas, adapt to their evolving settings and address the multi-faceted drivers of fragility, vulnerabilities and instability, including access to basic services, ensuring tailor-made Humanitarian-Development-Peace nexus approaches. It is also critical to maintain engagement in fragile contexts for crises prevention and respond quickly and assertively to both emerging and protracted crisis situations.

5. Humanitarian aid: the EU's commitment to address global humanitarian needs

Together with Member States, the EU is one of the leading humanitarian aid donors globally. Action at the EU level is needed to address, as much as possible, the gap between growing humanitarian needs and limited resources available, showing solidarity with people in need. As the EU supports humanitarian action in more than 110 countries, non-action would mean loss of human life and increased human suffering. Member States often look to the EU as a donor to provide assistance in crises where they are not able to intervene in a national capacity.

The EU's added value relies on the efficiency and effectiveness of operations, thanks to swift implementation through a broad network of over 200 humanitarian partners and close coordination with civil protection instruments, including for disaster prevention, adaptation and mitigation of the effects of climate change.

The volume and flexibility of mobilising financial resources, including drawing on budgetary reserves, are pivotal to ensure a prompt and relevant response to humanitarian crises. In addition, the EU has a strong humanitarian emergency response capacity, which helps filling operational gaps by deploying expertise (e.g. health expertise for Ebola or Mpox outbreaks) and providing common logistics services (e.g. Humanitarian Air Bridge). It also has pre-positioned stockpiles to humanitarian actors, for instance in support of Ukraine's demining process and winter preparedness and in support of people affected by conflicts in Middle East, where the EU helped humanitarian partners and the Member States to transport medicines, medical supplies, shelter, water and sanitation products, and educational items.

The EU's humanitarian presence in the field allows for granularity in the context analysis, supports and co-shapes the humanitarian response with partner organisations and other donors – notably Member States, even in the most politically complex contexts.

The EU has also established itself as a leader in humanitarian policy and advocacy, able to speak and negotiate in different United Nations and other multilateral fora and contexts, to ensure compliance with international humanitarian law and humanitarian principles, and reduce restrictions of humanitarian access, which continues to drive the increase of humanitarian needs and cost of humanitarian assistance.

It also plays a pioneering role in areas such as innovative financing, working also in partnership with Multilateral Development Banks and private sector to address humanitarian needs in protracted crisis and fragile contexts and to explore new ways of working and bring in new finance. It also helps deliver on the twin green and digital transitions in humanitarian assistance worldwide, for example through humanitarian action that takes into account risks and include preparedness measures to respond to possible future crises. EU action also aims at reducing the environmental footprint of humanitarian aid by mainstreaming environmental considerations across projects and programmes.

The EU acts as an emergency responder and in major crises, as well as in forgotten crises at global scale. Its position and response to a particular crisis often act as an incentive for other donors to respond. It plays an important coordinating role, covering the full range of humanitarian work from pledging conferences to advocacy.