



ΕΛΛΗΝΙΚΗ
ΔΗΜΟΚΡΑΤΙΑ

ΠΑΝΕΠΙΣΤΗΜΙΟ
ΜΑΚΕΔΟΝΙΑΣ

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Δημοσιονομική Διακυβέρνηση της ΕΕ
και Έλεγχος

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Financing the External Actions of the EU

Παρασκευή-Ελευθερία Φτακλάκη
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Τμήμα Διεθνών και Ευρωπαϊκών Σπουδών Πανεπιστήμιο Μακεδονίας Θεσσαλονίκη, 2019

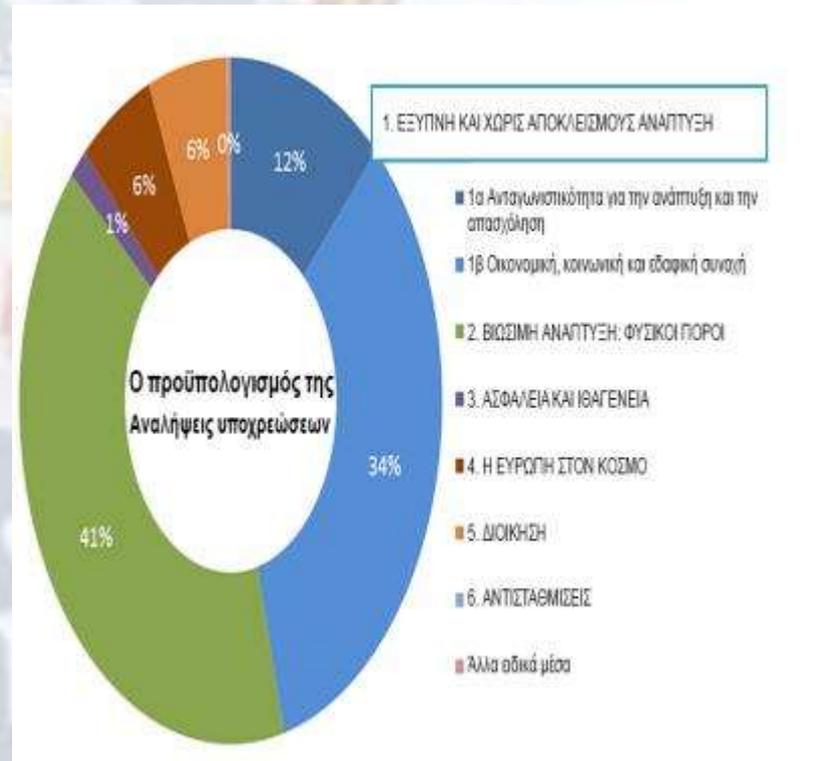


Το παρόν αποτελεί πακέτο σημειώσεων το οποίο συντάχθηκε κατόπιν βιβλιογραφικής έρευνας από την κ. Ελευθερία Παρασκευή-Φτακλάκη, Υποψ. Διδάκτορα του Παν/μιου Αιγαίου, σε συνεργασία με την Έδρα Jean Monnet «Δημοσιονομική Διακυβέρνηση της Ε.Ε. και Έλεγχος».

EU BUDGET 2014-2020 CHAPTER «Global Europe»

Η ΕΥΡΩΠΗ ΣΤΟΝ ΚΟΣΜΟ ... ΣΕ ΕΥΡΩ

Που πάνε τα χρήματα;



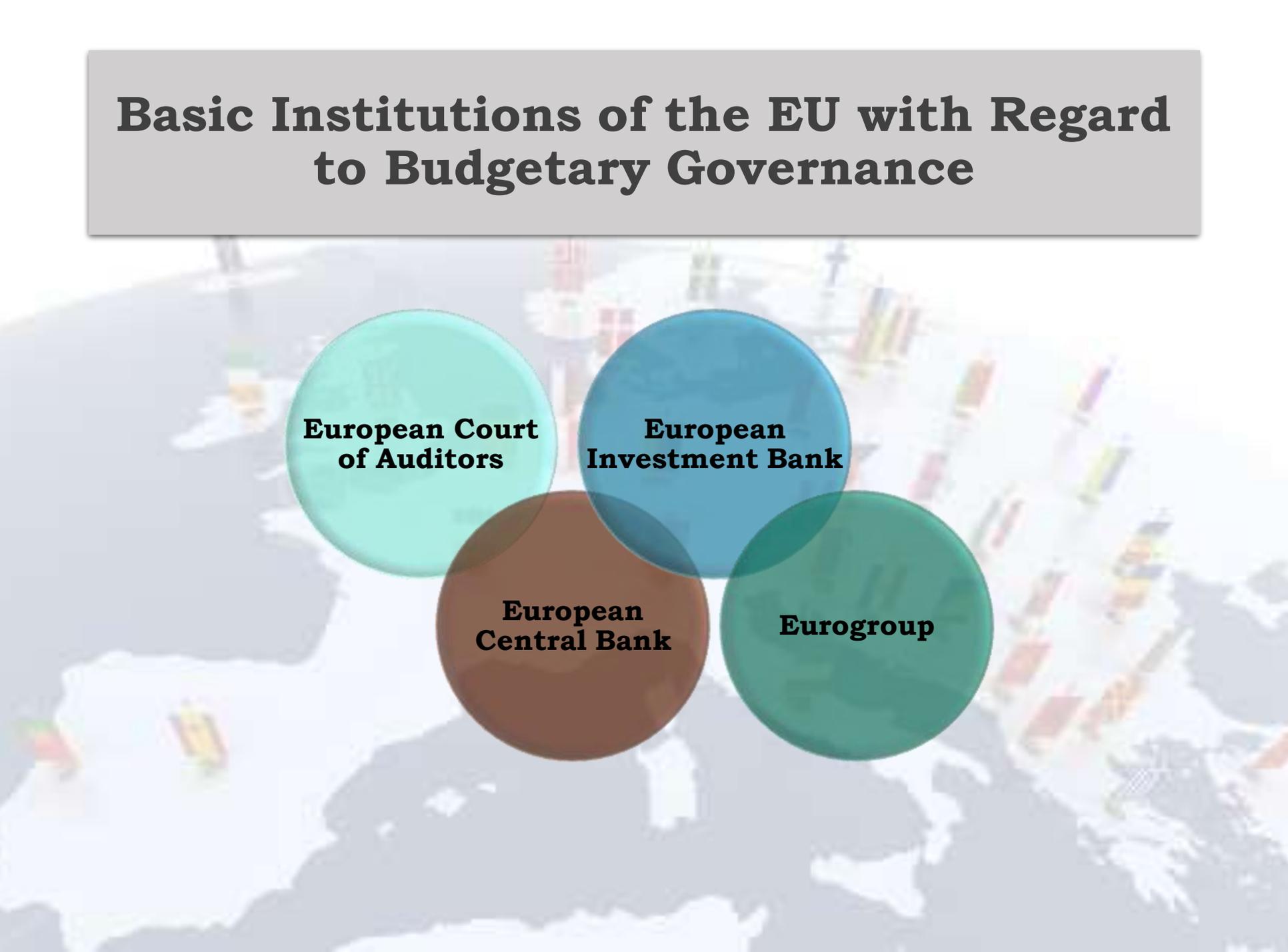
THE EU'S BUDGET : TAKING ACTION...

The EU Budget provides support to a wide variety of policies implemented by the EU and thus, it has **contributed significantly to the establishment of the EU's power and influence in the international scenery.**

Almost 80 % of the EU Budget is financed in essence by “national contributions” (such as the VAT percentage or the GNI percentage), although incorporated in the EU's “own resources” system.

The Commission is responsible for the management and the execution of the EU Budget, and the relevant policies which have been approved by the European Parliament and the Council.

Basic Institutions of the EU with Regard to Budgetary Governance



**European Court
of Auditors**

**European
Investment Bank**

**European
Central Bank**

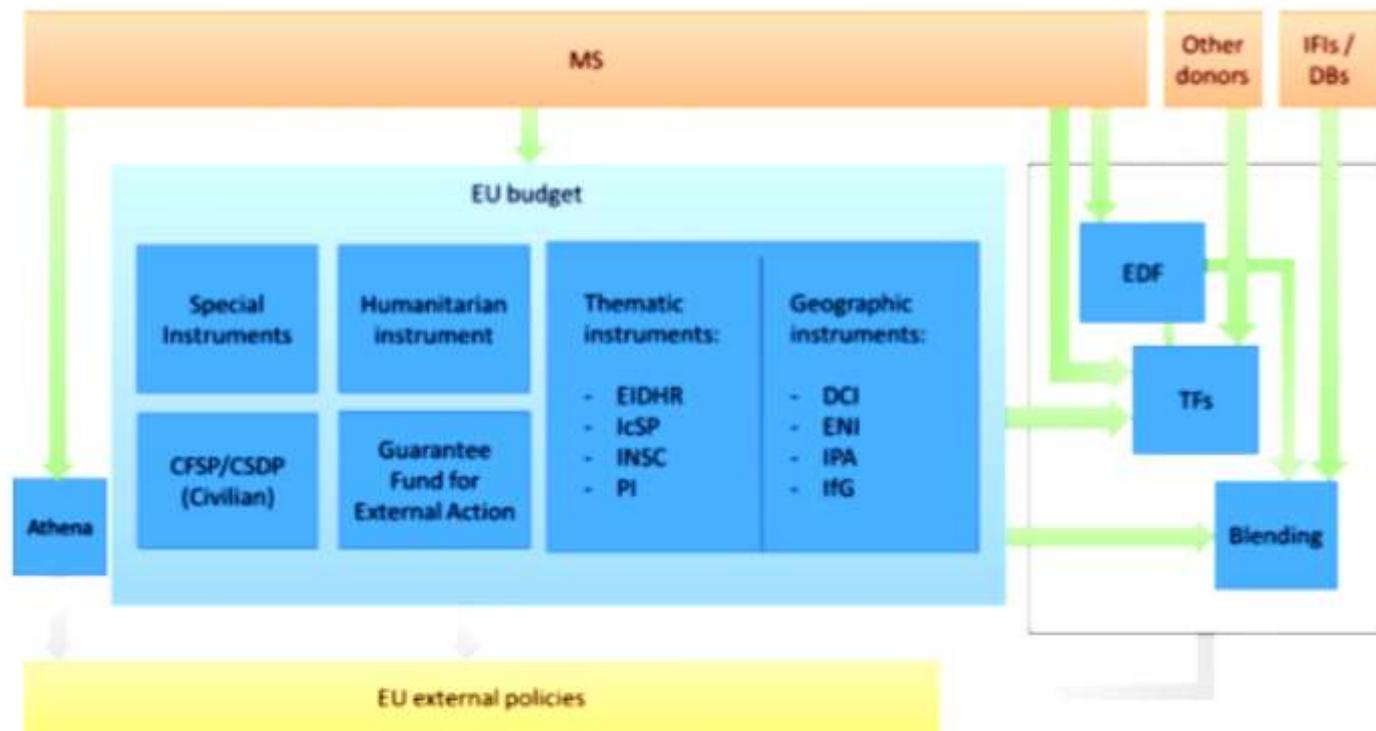
Eurogroup

EU BUDGET 2014-2020 AND «GLOBAL EUROPE»

- The financial instrument of the EU are the basis for funding the EU's external actions. The relevant Category (No 4) of the EU Multiannual Financial Framework (MFF) 2014-2020 entails the main means of financing. (see below).
-
- These account for almost 6,1% of the committed appropriations for the period 2014-2020.

The Architecture for financing EU External Policies

Figure 7: The architecture for financing EU external policies



Source: author based on desk research

TABLE OF THE GLOBAL EUROPE HEADING FOR THE MFF 2014-2020

Financing instruments in heading 4 of the MFF 2014-2020 ("Global Europe")	Commitment appropriations (In EUR million)
Geographic Instruments	
- Development Cooperation Instrument (DCI) (including the thematic programmes Global Public Goods and Challenges and Civil Society Organisations and Local Authorities as well as the Pan-African Instrument)	19 661.64
- European Neighbourhood Instrument (ENI)	15 432.63
- Instrument for Pre-Accession Assistance (IPA)	11 698.67
- Instrument for Greenland (IfG)	217.8
Thematic Instruments	
- European Instrument for Democracy and Human Rights (EIDHR)	1 332.75
- Instrument contributing to Stability and Peace (IcSP)	
- Partnership Instrument (PI)	2 338.72
- Instrument for Nuclear Safety Cooperation (INSC)	954.76
	225.32
Humanitarian Aid Instrument	7 100
Common Foreign and Security Policy (CFSP)/Common Security and Defence Policy (CSDP) (civilian)	2 338.72
Lending covered by the Guarantee Fund for external actions	1 193.07
- EIB external lending mandate	
- Macro-Financial Assistance (MFA)	
- Euratom loans	
Special Instruments relevant for financing external policies inside the EU budget, but outside the MFF	
Emergency Aid Reserve	280
Flexibility Reserve	471

Source: Regulations and websites of the different instruments.

Financial tools for «GLOBAL EUROPE» (2014-2020)

4 tools of geographical reference

**Development
Cooperation
Instrument
(DCI)**

Total Budget
(2014 – 2020)
€19.6 billion

**European
Neighborhood
Instrument
(ENI)**

Budget: €15.4
billion (2014 –
2020)

**Instrument for
Pre-Accession
Assistance
(IPA)**

Budget: €
11.7 billion
(2014-2020):

**Instrument for
Greenland
(IfG)**

Budget:
€217,8 M
(2014 – 2020)

The newly
established
**Pan-African
Programme** to
support the
strategic
partnership
between the EU
and Africa. Budget:
€845 million (2014
– 2020)

Financial tools for «GLOBAL EUROPE» (2014-2020)

4 Tools of thematic reference

**European
Instrument for
Democracy and
Human Rights
(EIDHR)**

1,3 bn for the
period 2014-2020)

**Instrument
contributing to
Stability and
Peace (IcSP)**

€2,34 bn for the
period 2014-2020.

**Instrument for
Nuclear Safety
Cooperation
(INSC).**

€225,32 M is
foreseen for the
period 2014-2020.

**Partnership
Instrument (PI)).**

€954,77 M is
foreseen for the
period 2014-2020

New Financial Tools: EU EXTERNAL TRUST FUNDS

The legal basis for the creation of TFs is set out in article 187 of the FR,¹⁷ and article 259 of the Rules of Application (RAP).¹⁸ Article 42 of the financial regulation applicable to the 11th EDF also mentions trust funds.¹⁹

Since 2013, the EC has the possibility to create and manage trust funds (TFs) in the area of external action.

The EC and founding partners sign the Constitutive Agreement defining the objectives of the TF and its governance setup

**EU EXTERNAL
TRUST FUNDS**

Overview of the existing EUTFs Name Constitutive Agreement Constitutive

Name	Constitutive Agreement	Constitutive parties	Target countries	General objective	Current Amount (in EUR million) ²⁶
Békou Trust Fund ²⁶	15 July 2014	EC, France, Germany and the Netherlands	Central African Republic (CAR)	Contribute to the stabilisation and reconstruction of CAR	136
EU Regional Trust Fund in Response to the Syrian Crisis (Madad) ²⁷	15 December 2014	EC and Italy	Syria, Lebanon, Jordan, Turkey, Iraq, Egypt or any country in the wider region, including the Western Balkans	Respond to the needs of refugees from Syria in neighbouring countries, as well as the needs of the hosting communities, as regards resilience and recovery	741
Emergency Trust Fund for Africa ²⁸	12 November 2015	EC and Spain	Countries of the Sahel region, Lake Chad area, Horn of Africa, and North Africa (23 countries)	Address the root causes of destabilisation, displacement and irregular migration, by promoting economic and equal opportunities, security and development	2.400
EU Trust Fund for Peace in Colombia ²⁹	12 December 2016	The first donors MS	Colombia	Help to support the implementation of the peace agreement in the early recovery and stabilisation post conflict	Objective is to reach 95

Source: author based on publicly available information and data provided by the EC

THE FACILITY FOR REFUGEES IN TURKEY

- ❖ The specificity of the Facility for Refugees in Turkey (the Facility) is that it does not implement projects. It collects the funding and decides of the orientation of the policy.
- ❖ The Facility for Refugees in Turkey has been established as part of a wider framework to address the migration crisis.
- ❖ The EU and Turkey have agreed a certain number of issues in the framework of the EU-Turkey Action Plan, including the Facility.
- ❖ The legal basis of the Facility is the Commission Decision of November 2015 on the coordination of the Union and of the Member States through a coordination mechanism – **The Refugee Facility for Turkey**
- ❖ The Facility is not a funding mechanism, but a coordination mechanism that allows for the mobilisation of funds.
- ❖ The Facility can channel funding through the following instruments: ENI, DCI, IPA, IcSP, and the Humanitarian and Civil Protection ECHO.
- ❖ The Facility has been established to manage an initial 7. A further 9



BLENDING OF GRANTS AND LOANS UNDER THE EU'S EXTERNAL POLICIES

Blending facilities combine grants with other public or private resources (such as loans, risk capital or equity). The main objective of blending is to mobilise additional funding to meet investment needs.

To this end, blending addresses sub-optimal investment situations, in which projects do not raise sufficient funds from market sources

Figure 4: Geographical coverage of EU blending facilities



Source: EC website, http://ec.europa.eu/europeaid/policies/innovative-financial-instruments-blending_en

Procedure for the «GLOBAL EUROPE» Financial Tools

Each of these instruments also has a **specific regulation adopted by the EP and the Council**. Other instruments include, in particular, the EU humanitarian aid instrument.

The EP and the Council set the framework within which implementation is (directly or indirectly) managed by the EC and subject to parliamentary oversight and budgetary control. Implementation tools and modalities for these instruments also include tools and mechanisms discussed below (TFs, blending, etc.).

The “Global Europe” heading of the MFF also contains lending covered by the **Guarantee Fund for external actions** (EIB external lending, Macro-Financial Assistance and Euratom loans)

FOREIGN POLICY INSTRUMENTS (FPI)

were set up to take over responsibility for operational expenditure.

Today, under the authority of HR Mogherini, and working very closely with the EEAS and EU delegations, the **FPI** is tasked with:

Implementing the Common Foreign and Security Policy (CFSP) budget;

Implementing crisis response and prevention measures financed under the Instrument contributing to Stability and Peace (IcSP);

Implementing the Partnership Instrument (PI), designed to promote the Union's strategic interests worldwide

Implementing co-operation with industrialised countries (ICI);

Implementing electoral observation missions under the European Instrument for Democracy and Human Rights;

Preparing and implementing sanction proposals;

Implementing at EU level the Kimberley Process certification scheme;

Working to prevent the trade in goods that could be used for capital punishment or torture.

The budget for the wide range of FPI-managed **activities amounts to EUR 733 million in 2014.**

What we do

The core task of the Service for Foreign Policy Instruments (FPI) is to run a number of EU foreign policy actions. The FPI manages operations including their financing. The FPI is a service of the European Commission which works alongside the European External Action Service (EEAS).

Specifically, the FPI is responsible for the execution of operations in the following areas:

- [Common Foreign and Security Policy \(CFSP\)](#);
- [The Instrument contributing to Stability and Peace \(IcSP\)](#);
- [The Partnership Instrument](#) and
- [Election Observation Missions \(EOMs\)](#).

The FPI is also responsible for managing some foreign policy regulatory instruments:

- [CFSP sanctions](#);
- [Kimberley Process certification scheme \(for rough diamonds\)](#); and
- [Prevention of trade in goods that could be used for capital punishment or torture](#)

Key messages:

FPI is **about action**: It works to implement the EU's foreign policy from a financial and operational point of view

FPI is **helping on the ground**: Its operations and missions show that the EU is engaged 'in the real world', assisting other countries cope with crises and maintain peace, security, law and order

FPI **protects EU interests and values**: It implements EU sanctions and helps control harmful trade in so called 'conflict diamonds' (Kimberley Process) and materials linked to torture

The FPI is under the direct authority of the European Union's High Representative for Foreign Affairs and Security Policy and Vice President of the European Commission, [Federica Mogherini](#), and works very closely with the EEAS and EU Delegations on a daily basis.

Relationships & links

[EU Development cooperation](#)

[EU Humanitarian aid](#)

[EU Enlargement](#)

[EU Trade relations](#)

[EU Delegations](#)

[Aid Transparency](#)

Service for foreign policy instruments (FPI)

Common Foreign and Security Policy (CFSP)/ Common Security and Defence Policy (CSDP)

- ✓ is intergovernmental and only partly reflected in the budget.
- ✓ Due to the exclusion of legislative acts from the CFSP, the EP has no formal power to adopt CFSP decisions.
- ✓ The EP has influence on the CFSP mainly through budgetary powers, including the right to amend the CFSP budget.
- ✓ **The EU budget finances administrative and operational expenditure.**
- ✓ However, military or defence expenditure cannot be financed by the EU budget (Art. 41 TEU).
- ✓ **Accordingly, expenditures from the EU budget (EUR 327.3 million in commitments for 2016) do not cover all CFSP/CSDP measures.**
- ✓ Measures paid from the EU budget include, in particular, civilian missions, EU Special Representatives and measures supporting non-proliferation and disarmament

The Athena financing mechanism

provides the funding of expenditure with military or defence implications.

-This mechanism was established in 2004 and is not part of the EU budget.

-Member States (MS) contribute to the annual Athena budget based on their gross national income (except Denmark).

-A Special Committee composed of MS representatives sets the financial rules for this mechanism.

-In addition, CSDP missions can also be supported by MS funds, participating third countries and other international organisations.

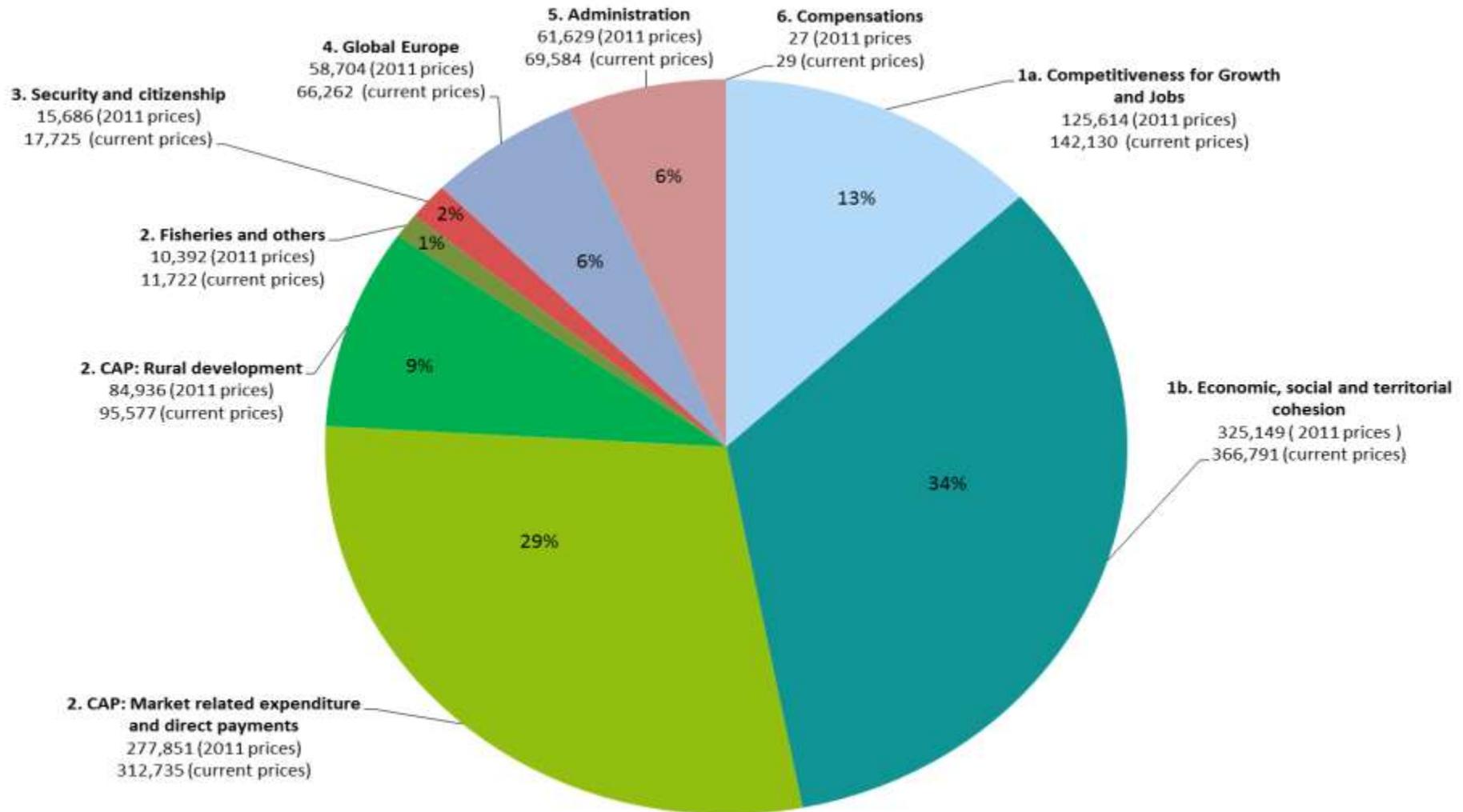
(CFSP)/ (CSDP)

- ✓The EU's toolbox for external funding is now more diversified and this is opening up new possibilities
- ✓New elements such as blending facilities, TFs and the proposed EFSD can offer added value in different regards
- ✓Some of these innovations, such as TFs, have improved the EU's ability to react more swiftly and flexibly to urgent challenges. T
- ✓As a single entry point for potential investors, the EFSD has the potential to generate added value by reducing the complexity of the EU's instruments for investment support. In the future, the EFSD could gradually increase its scope to cover more investment-related EU instruments and region

IN CONCLUSION....

MFF 2014-2020

Commitment appropriations - EUR million



EU IN NUMBERS.... 2014-2020

- ✓ The European Commission proposes to **increase** the external action budget to **€123 billion** for the period 2021-2027.
- ✓ Up from €94.5 billion in the period 2014-2020, this represents an increase of 30%.
- ✓ At the same time, it is proposing to significantly **simplify** its structure and make it much more **flexible** and **effective** to address today's global challenges.
- ✓ The Commission proposes to reduce the number of instruments, which would allow a clearer focus on political objectives and engagements with partners, in line with the EU's values and priorities.

EU IN NUMBERS... 2021-2028

	2014-2020 (EU28+EDF)	7*2020 EU27+EDF	2014-2020 (EU27+EDF)	2021-2027
Neighbourhood and the World	94.521	101.181	94.521	123.002
15. External Action	83.709	85.646	83.709	105.219
Neighbourhood, Development and International Cooperation Instrument	70.428	74.067	70.428	89.500
Humanitarian Aid	9.702	7.494	9.702	11.000
Common Foreign and Security Policy (CFSP)	2.066	2.393	2.066	3.000
Overseas Countries and Territories (including Greenland)	582	599	582	500
Other	790	946	790	1.070
Decentralised agencies	141	147	141	149
16. Pre-accession assistance	12.799	12.177	12.799	14.500
Pre-Accession Assistance	12.799	12.177	12.799	14.500
Margin	- 1.987	3.358	- 1.987	3.283

EU IN NUMBERS.... 2021-2028