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**COMMISSION STAFF WORKING PAPER**

**EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT**

*Accompanying the document*

**REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**

**on establishing a Partnership Instrument for cooperation with third countries**

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## **1. PROBLEM DEFINITION**

The fundamental challenge the proposed Partnership Instrument addresses is a consequence of globalisation: the texture of the world economy is changing, power is shifting, prosperity is diffusing; new players increasingly shape the international agenda. The G-20 is one symbol of this change: the perception that a new international order is slowly replacing the former power structure is very much grounded in reality, even if the pace of the change may sometimes be overstated.

In particular

\*The emergence of new powers such as India and China, or South Africa and Brazil, has changed the international order as these countries are playing an increasingly important role in international economy and trade, in multilateral fora (UN, G-20) and in addressing challenges of global concern. Whilst development and poverty alleviation remain key concerns, these countries are progressively leaving behind the status of developing nations.

\*The EU has developed broad based binding agreements with key partners and emerging economies to address bilateral issues and matters of global concern. The implementation of these agreements requires a toolbox, a dedicated financing instrument so that the EU has the means to promoting its interests worldwide, and to deal with global issues wherever the need arises.

\*The current Instrument for Cooperation with Industrialised (ICI) countries has a limited geographical scope; it covers only 17 countries and high income territories; whereas the Development Cooperation Instrument (DCI) covers countries such as India, China, South Africa and Brazil but only for official development assistance expenditure.

\*Relations and economic ties between the EU and Russia have evolved considerably underlining the importance of Russia as a strategic partner far beyond development cooperation. The need for financial assistance has declined. Russia aspires to a relation of equals and has become a donor itself. The proposed Partnership Instrument would become the main instrument for cooperation with Russia.

## **2. ANALYSIS OF SUBSIDIARITY**

The EU has numerous international agreements with partner countries all over the world, not matched by individual Member States, which gives to all of them influence in virtually all fields of international relations. With 27 Member States acting within common policies and strategies, the EU has a critical weight to respond to global challenges. The EU is also in a unique position to promote EU norms and standards, and turn them into global standards through international cooperation.

## **3. OBJECTIVES OF EU INITIATIVE**

The EU currently does not possess an instrument that would allow it to co-operate with new emerging and emerged powers on issues related to advancing core EU interest and on common challenges of global concern (such as climate change for instance).

For the moment, such cooperation is possible under the Instrument for Cooperation with Industrialised Countries (ICI) which is however limited to 17 highly industrialised or high-income countries (e.g. United States, Japan, Korea, Gulf states).

Cooperation with countries such as China, India and Brazil falls under the Development Cooperation Instrument (DCI) meaning that this cooperation is confined to actions that relate directly to poverty alleviation/eradication in the beneficiary countries.

The proposed Partnership Instrument is designed to overcome this limitation of the EU's ability to engage internationally in the most effective way. It would fill the gap described above and allow us in particular to pursue agendas beyond development cooperation with new powers, but also enable us to defend the core EU agenda globally with any other partner country if the need arises.

It will pursue the following specific objectives:

- (a) implementing the international dimension of the "Europe 2020" strategy by supporting EU bilateral, regional and inter-regional cooperation partnership strategies, by promoting policy dialogues and by developing collective approaches and responses to challenges of global concern;
- (b) improving market access and developing trade, investment and business opportunities for European companies, in particular SMEs, by means of economic partnerships and business and regulatory cooperation;
- (c) enhancing widespread understanding and visibility of the Union and its role on the world scene by means of public diplomacy, education/academic cooperation and outreach activities to promote Union's values and interests.

#### **4. POLICY OPTIONS**

In principle, there are four available policy options: discontinue ICI; status-quo; amend DCI to allow for expenditure that is not ODA; a new instrument building on ICI/ICI+.

After careful evaluation, neither discontinuing ICI nor maintaining the status-quo are deemed to be politically viable solutions. Limiting ourselves exclusively to expenditure linked to poverty alleviation, or maintaining this sole focus for co-operation with emerging powers would artificially limit the EU's diplomatic agenda and neglect core EU interests.

The option of amending the Development Co-operation Instrument to allow for expenditure not related to official development assistance would have the advantage of geographical coherence (one instrument per country), but the difficulties of managing an instrument with two very different objectives are considered a serious handicap.

#### **5. ASSESSMENT OF IMPACTS**

**ECONOMIC:**

The implementation of a new Partnership Instrument would provide the EU with another window of opportunity to promote its enterprises (SMEs in particular) and products. It would

create the financial possibility to support EU business in third countries, providing incentives for EU competitiveness and innovation in a way that should remain complementary to the actions financed under the Competitiveness and SME programme and under Horizon 2020 (research and innovation), support EU international trade and investment which, in turn, could lead to the facilitation of foreign investment into the EU. Numerous areas of cooperation could be pursued including climate change, environment, approximation of technical regulations and standardisation, corporate social responsibility, intellectual property rights, protection of personal data, best practises in economic, trade and financial matters. Thus, the EU's economic security could be strengthened and new jobs created which, ultimately, would contribute to economic growth. The new Instrument could foster well developed forms of economic cooperation between the EU and partner countries. In this context, it would allow the EU to ensure that environmental, sustainable energy, social, employment and other welfare values are adequately considered in policy programme design and implementation.

#### SOCIAL:

By harmonising the EU and EU Member States' financing instruments and by supporting joint activities with other bilateral and multilateral donors, the new Instrument could have an important impact on the social fabric of emerging countries. It could provide support to the reform of welfare systems, national employment policies, national training and skills' development policies, education and research programmes and the strengthening of national safety "nets". Its contribution to extra "green" jobs creation, income- per-capita increases and effective social cohesion and poverty alleviation strategies at national level will be relevant. In this respect it would contribute to successful implementation of the international social agenda promoted by the UN International Labour Organisation and G8/G20.

#### ENVIRONMENT:

EU partnerships through the new Instrument will aim at encouraging and supporting growth and long-term environmental sustainability. In this respect, the new Instrument is expected to play a key role in providing support for both EU and partner countries' environmental and climate change-related actions and policy dialogues. The Instrument could support a low-carbon business model by providing incentives to the European private sector. Building on the successful results of the COP-16 United Nations Conference on Climate Change in Cancún, it could be used to help EU business to develop effective and least-cost policies to achieve environmentally friendly goals in the partner countries. It will also help partner countries' economies to reap the full environmental, ecological and energy-efficient benefits of innovation. The Instrument could allow cooperation to better understand the economic and social costs of biodiversity loss and ecosystem degradation in countries of global significance.

## 6. COMPARISON OF OPTIONS

Proceeding by elimination, it was judged that extending the scope of the Development Cooperation Instrument to cover non-developmental actions creates the risk of tension between different objectives, and could lead to significant delays in decision-making and implementation. It was preferred to recommend the creation of a single, new and global instrument focused on defending core EU interests and addressing challenges of global concern whose scope of activities would be clearly defined. Therefore, the recommendation is to propose a new instrument building on ICI/ICI+.

## 7. MONITORING AND EVALUATION

Budget: EUR 1.0 billion over the period 2014-2020 (equal to 1/70, or 1.4% approximately, of overall envelope foreseen for expenditure under the external relations heading).

The Partnership Instrument shall be an enabling Regulation establishing the essential elements and the basis for the EU intervention. The exact actions are defined through annual action programmes detailing the activities to be carried out by the EU, including the operational objectives and the expected results. Operational indicators are fixed at that moment, taking into account the particularities of the action in question.

Progress towards the three specific objectives (see above under 3) will be monitored through the following core impact indicators:

- (1) Influence of EU policies on policy formulation in key strategic partner countries covered by this instrument.
- (2) EU share in world trade as well as in trade with countries targeted by actions under this instrument.
- (3) Perception of EU in key strategic partner countries covered by this instrument.

Typical indicators to measure the impact of the Partnership Instrument's activities will be the number of participant enterprises, the extent, relevance and sophistication of support activities, the degree of cooperation within the European business network and division of labour, entrepreneurial user satisfaction and achievement of economic targets, i.e. the measurable impact on job creation, turnover, foreign direct investment of EU enterprises and overall EU exports to target markets. Indicators to measure the impact of these activities, both qualitative and quantitative, will be related to the trends in knowledge exchange, the number of reciprocal academic exchanges, the number of participants in programmes, scholarships and joint research and academic projects. The results will also be measured by the frequency and quality of media coverage, the local demand for EU sponsored activities, the participation rate at EU events.