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NOTE

From:	Presidency
To:	Permanent Representatives Committee
No. prev. doc.:	ST 10148/18 + ADD 1
Subject:	Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL establishing the Neighbourhood, Development and International Cooperation Instrument - Progress report

I. INTRODUCTION

1. On 14 June 2018, the Commission put forward a proposal for a Neighbourhood, Development and International Cooperation Instrument (NDICI) under Heading 6 ("Neighbourhood and the World") of the Multiannual Financial Framework (MFF) 2021-2027¹.

¹ 10148/18 + ADD 1.

2. The Commission proposes that the future NDICI Regulation embrace and replace a number of currently existing external financing instruments², also implying the budgetisation of the European Development Fund (EDF). The proposal further includes a flexibility cushion for emerging priorities and challenges, and develops a new external investment architecture based on the "policy first" principle. The proposed financial envelope for the implementation of the NDICI for the period 2021-2027 is set at EUR 89 200 million in current prices.
3. The Ad Hoc Working Party NDICI (AHWP MFF NDICI) was established under the Bulgarian Presidency, with the responsibility to assist COREPER on the work related to the proposal for the Regulation establishing the Neighbourhood, Development and International Cooperation Instrument under Heading 6 of the MFF 2021-2027. Its mandate was endorsed by COREPER on 13 June 2018.
4. The discussions of the AHWP MFF NDICI are taking place in close coordination with the horizontal negotiations carried out by the Ad Hoc Working Party - Multiannual Financial Framework (AHWP MFF).
5. With the present progress report, the Presidency wishes to inform COREPER on the state of play of the discussions (section II below).

II. STATE OF PLAY IN THE COUNCIL

6. Under the Austrian Presidency during the second semester of 2018, the AHWP MFF NDICI met 20 times.

² The Common Implementing Regulation (CIR), the European Neighbourhood Instrument (ENI), the Development Cooperation Instrument (DCI), the Partnership Instrument for cooperation with third countries (PI), the Instrument contributing to Stability and Peace (IcSP), the Decision on the External Lending Mandate (ELM), the European Fund for Sustainable Development (EFSD), the Guarantee Fund for External Guarantees and the European Instrument for Democracy and Human Rights (EIDHR).

7. The AHWP MFF NDICI carried out an in-depth examination of the legislative proposal on the NDICI in a first round of discussions which was completed on 15 October. Delegations presented their initial reactions, proposed amendments and had the opportunity to ask for clarifications. The Commission services provided detailed presentations of the NDICI legislative proposal, as well as additional information in both oral and written form (*Technical Fiches*) at delegations' request.
8. To complement the first round of discussions, the Austrian Presidency organised informal exchanges with representatives of the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD). In addition, on 24 October, the Austrian Presidency hosted an informal exchange with NGOs and civil society representatives.
9. The Austrian Presidency presented compromise proposals for the operational part of the NDICI legislative proposal on 13 November³, and for its Annexes on 10 December⁴ – excluding provisions related to the EFSD+. Member States' comments and specific text amendments received during the first round of discussions were incorporated into the Presidency compromise proposals, wherever possible and appropriate, and in a balanced and coherent manner. The recitals will be examined at a later stage. However, footnotes were introduced into the compromise proposal to suggest specific amendments to the recitals.
10. Some provisions of the draft NDICI Regulation have been "*bracketed*" in the Presidency compromise text proposals in light of their horizontal nature or their identification as possible elements of the future draft Negotiating Box in relation to the MFF 2021-2027⁵. This "*bracketing*" does not prevent the AHWP MFF NDICI from discussing all provisions, although such discussions may not lead to any conclusions at the level of the AHWP MFF NDICI regarding the "*bracketed*" text. These provisions will remain "*bracketed*" at this stage, pending the outcome of the negotiations at the horizontal level carried out by the AHWP MFF.

³ WK 8211/2018 REV2, WK 8536/2018 REV 2, WK 8946/2018 REV 2.

⁴ WK 11222/2018 REV 1.

⁵ ST 14759/18.

11. Since 15 November, the AHWP MFF NDICI has engaged in the examination of the Presidency compromise proposals. This work will be continued under the next Presidency.
12. There is support among delegations for a broad global geographic scope of the instrument. However, delegations underline the need for a clear ring-fencing of the Neighbourhood and Sub-Saharan Africa envelopes. Some delegations call for reverting to a separate European Neighbourhood Instrument (ENI). In addition, a number of delegations are opposed to the inclusion of the European Development Fund (EDF) into the budget. These issues require further examination.
13. Some delegations express concerns regarding the setting up of the EFSD+ and the External Action Guarantee, in particular the governance structure, the programming process as well as the proposed role of the EIB and other external partners. The Presidency has invited the Commission to conduct bilateral talks with the EIB in order to present a joint compromise on these contentious issues to the AHWP MFF NDICI.
14. The AHWP MFF NDICI also had first exchanges regarding the issue of financing of the external aspects of migration through the NDICI. Some delegations have called for a clarification of activities to be financed under the migration spending target. This question will require further examination in close coordination with the AHWP MFF.
15. Delegations underline the need to mainstream the issues related to the implementation of the Sustainable Development Goals (SDGs), the eradication of poverty, climate change, gender equality, human rights of women and girls, children's rights and youth. Further discussions on respective targets will be necessary. The compliance with the Official Development Assistance (ODA) requirements and setting targets in that regard are also an important issue for delegations.
16. All delegations emphasise the need to ensure appropriate Member States' involvement in programming and implementation of the NDICI. Delegations feel that the provisions which confer powers to the Commission to adopt delegated acts in the NDICI should be examined on a case-by-case basis, in order to verify whether the conditions set forth by Article 290 TFEU are fulfilled (in particular: non-essential elements) and whether the use of delegated acts would provide real added value, especially in terms of flexibility and responsiveness.

17. Some delegations support more concrete language with regard to the possibility of suspending multiannual indicative programmes. This issue needs further discussion.

III. CONCLUSION

18. COREPER is invited to take note of the state of play of the discussions on the Neighbourhood, Development and International Cooperation Instrument (NDICI) legislative proposal, and to request the AHWP MFF NDICI to continue its work.
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