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Towards NDICI-Global Europe 2.0: Reforms for a new era of EU partnerships

PAPER

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In light of shifting geopolitical dynamics and evolving internal priorities, this paper argues for external financing architecture reform that goes beyond regulatory adjustments to address strategic, institutional and implementation challenges at the heart of EU external action.

While the current NDICI framework made important strides in streamlining instruments, it now risks being overstretched by competing demands. Without stronger strategic steering and institutional coherence, a more consolidated architecture could dilute the EU's ability to act with purpose and impact.

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Acronyms

CODEV-PI	Council working party on development cooperation and international partnerships
DG ECHO	Directorate General for Civil Protection and Humanitarian Aid Operations
DG GROW	Directorate General for Internal Market, Industry, Entrepreneurship and SMEs
DG INTPA	Directorate General for International Partnerships
DG TRADE	Directorate General for Trade and Economic Security
EC	European Commission
ECAs	Export credit agencies
EEAS	European External Action Service
EFIs	External financing instruments
EFSD+	European Fund for Sustainable Development +
EIB	European investment bank
ENEST	Enlargement & Eastern Neighbourhood
EP	European Parliament

EPA	Economic Partnership Agreement
EU	European Union
EUD	EU Delegation
FPI	Foreign Policy Instruments
GG	Global Gateway
HQ	Headquarters
HUMA	Humanitarian aid instrument
IPA	Instrument for pre-accession
LDCs	Least developed countries
MENA	Middle East & North Africa
MFF	Multiannual Financial Framework
MICs	Middle-income countries
MS	Member states
MTE	Midterm evaluation
MTR	Midterm review
NEAR	Neighbourhood & Enlargement
NDICI	Neighbourhood, Development and International Cooperation Instrument
ODA	Official development assistance
PBLs	Policy-Based Loans
RELEX-HQ	Council working party on foreign relations (horizontal questions)
RRP	Rapid response pillar
TEI	Team Europe Initiative
VDL	Ursula Von der Leyen

1. Introduction

The EU will soon launch negotiations of its next long-term budget – the Multiannual Financial Framework (MFF) – for the period 2028-2034, with the European Commission expected to table its formal proposal in July 2025. This will not merely be a budgetary negotiation, but a strategic moment for the EU to redefine itself as a credible and capable global actor in an increasingly contested world. The next MFF is also a crucial opportunity to recalibrate the EU's external financing instruments to be more policy-driven, coherent and fit for purpose (Jones et al. 2024).

The next MFF will be negotiated in a profoundly different context than when the current framework was adopted, at the height of the COVID-19 pandemic. At that time, the EU was responding to an unprecedented global crisis that exposed both internal vulnerabilities and external dependencies. The response led to transformative steps, including the adoption of a far-reaching recovery plan (NextGenerationEU) financed through collective borrowing, and efforts to make external action more strategic and coherent. Since then, however, the international landscape has become significantly more unstable and fragmented.

The war in Ukraine, conflicts and escalating tensions in the Middle East, deepening global power rivalries, the growing assertiveness of China and other emerging actors are reshaping the global order. On top of this, strategic competition is intensifying, protectionist tendencies are on the rise, and global trade is increasingly fragmented. The return of Donald Trump to the US presidency has added a new layer of disruption and unpredictability to the transatlantic partnership, including on trade and defence cooperation. These shifts have profound implications for how the EU engages globally and finances its external action. They underscore the need for a more strategic and politically responsive external financing architecture that can advance the EU's core interests while sustaining credible international partnerships.

At the same time, the war in Ukraine and the enlargement agenda are reshaping political priorities and raising difficult trade-offs. The war has reignited existential debates about Europe's security, defence and sovereignty, placing these issues at the heart of the EU's external financing debate. The EU is committing unprecedented resources to Ukraine's military support, recovery and reconstruction, while also preparing to open accession negotiations with several candidate countries. These priorities are likely to absorb a significant share of the external budget in the next MFF and may lead to increased pressure on global cooperation and development spending. The challenge will be to ensure that these urgent imperatives are addressed without sidelining the EU's global ambitions, particularly its commitment to inclusive partnerships and sustainable development.

The upcoming MFF negotiations will unfold against the backdrop of a clear shift in EU political priorities. There is now a much stronger emphasis on European security and defence and on the EU's ambition to strengthen its economic competitiveness and strategic autonomy. These priorities are expected to play a defining role in shaping the direction and design of the next MFF as a whole, including the external action heading. In parallel, there is growing political momentum within the European Commission and among several member states for a more streamlined and simplified EU financial architecture. Discussions increasingly focus on reducing overlaps across instruments and budgetary headings, and on the need for broader, more integrated tools that can operate across internal and external priorities. This reflects a wider recognition that in today's interconnected world, global action cannot be separated from the EU's internal resilience and long-term strategic interests.

The creation of NDICI–Global Europe during the current MFF, streamlining multiple instruments into a single, unified framework, significantly rationalised the external financing landscape. Yet, the demands on EU external action have only increased. As the EU faces multiple simultaneous challenges, there is growing debate about whether the existing setup is sufficient.

A key question is: should the NDICI-Global Europe simply be adapted to better align with the EU's evolving foreign policy priorities, or should a new instrument be designed altogether? Some voices advocate for expanding or fundamentally rethinking the NDICI-Global Europe in the next MFF, potentially within a more consolidated external financing instrument that better reflects the EU's evolving strategic posture. This would also raise important questions about the preservation of development objectives, the institutional setup, and the appropriate balance between policy priorities.

This paper contributes to the ongoing debate on the future of EU external financing by examining the strategic choices and trade-offs that lie ahead in the design of the NDICI 2.0. It argues that the next instrument must go beyond regulatory adjustments to address deeper structural and political issues, ensuring that EU financing is not only more streamlined and coherent, but also better aligned with the EU's foreign policy priorities and global responsibilities.

While the regulation establishing the future instrument will be central in defining the objectives, principles, structure and implementation modalities of EU external action, it cannot, in itself, be a panacea for the broader political and operational challenges the EU faces. A narrow focus on the regulation risks overlooking the wider ecosystem that shapes the effectiveness of external financing. This paper therefore adopts a systemic approach, recognising that several interconnected elements must be considered together.

We identify four building blocks, each closely linked like pieces of a puzzle, that are critical to the design and functioning of the future instrument: (1) the overarching strategic framework and steering of the instrument; (2) the regulation itself; (3) the programming and implementation processes; and (4) the institutional setup and governance arrangements. Analysing these four dimensions together offers a more comprehensive and realistic basis for strengthening the EU's external financing architecture through NDICI 2.0.

Figure 1: Building blocks for NDICI 2.0

In this paper, we look specifically at the overall strategic framework (section 2), the institutional setup and governance mechanisms (section 3), the programming and implementation (section 4), and the development finance and investments framework (section 5).

2. Clarifying the strategic framework

A financing instrument does not define EU external action policy, but it should embody its strategic priorities and provide a structured framework for delivering on them. When the Neighbourhood, Development and International Cooperation instrument - Global Europe (NDICI-Global Europe) was adopted in 2021, it aimed precisely to bring greater coherence and flexibility to the EU's external action while serving a range of policy objectives. Yet, since its adoption, the instrument has been pulled in different directions, increasingly charged with delivering on evolving and sometimes competing EU objectives.

The launch of the Global Gateway (GG) in late 2021, just months after the NDICI-Global Europe entered into force, has further complicated the strategic landscape. The GG introduced a new framing for the EU's international partnerships, centred on large-scale connectivity and infrastructure investments. As a result, alignment gaps have widened: NDICI-Global Europe struggles to integrate GG's ambitions with broader development objectives such as governance, human development, or the multidimensional drivers of fragility. The emphasis on economic interests and high-visibility infrastructure projects leaves limited space and insufficient instruments for addressing structural and political challenges in partner countries. In short, there is a **mismatch between strategy and instrument**.

This tension is particularly evident in efforts to implement the Global Gateway. The initiative prioritises high-visibility infrastructure projects and increased private sector mobilisation. Yet the NDICI-Global Europe framework, while flexible in principle, has struggled to integrate such objectives effectively, especially in fragile contexts where governance, local ownership and conflict sensitivity remain crucial (Hauck and Desmidt 2025). For instance, Global Gateway investments in Africa focus on renewable energy and transport corridors, but often overlook localised priorities such as strengthening institutions, improving service delivery, or addressing the multidimensional drivers of fragility, particularly in conflict-affected regions such as the Central Sahel.

Furthermore, the **ambition to mobilise the European private sector has not been matched by a corresponding strengthening of the EU's financial architecture**. The Global Gateway seeks to mobilise the European private sector at scale. But the NDICI leans heavily on traditional development finance instruments, without a dedicated and fit-for-purpose mechanism to crowd in private capital in a way that supports both European and partner-country priorities.

Compounding this strategic incoherence is the **absence of an updated overarching policy framework for EU development cooperation**. The 2017 New European Consensus on Development remains the EU's most recent comprehensive vision for development policy, yet it does not reflect the context in which EU external action is now operating. While the Consensus foresaw a mid-term review to assess its implementation and continued relevance, no such review has been carried out to date. The absence of such a stocktaking exercise limits the EU's ability to update and align its strategic development vision with evolving geopolitical and policy priorities.

Key policy themes such as economic security and defence have become central to EU external action discourse but are not fully anchored in the NDICI's policy foundations. This growing misalignment between the EU's external financing instruments and its evolving priorities undermines the coherence and credibility of its international partnerships.

It is important to bear in mind that the EU's overall policy framework for international and development cooperation extends well beyond the Global Gateway strategy. The EU's engagement with partner countries around the world, be they developing countries, emerging and advanced economies or neighbouring countries, is driven by a range of EU policies, principles and commitments that the Global Gateway does not fully capture. While the GG prioritises large-scale investments based on shared interests (e.g., infrastructure and trade), it fails to credibly integrate other essential priorities, including fragility, governance and human development, into a cohesive strategy.

Box 1: Key lessons from the mid-term evaluation of the external financing instruments (2014-2020 and 2021-2027)

The NDICI-Global Europe and the new EFI architecture in 2021 brought the following key shifts:

1) **Policy first:** strategic guidance by EU (geopolitical) policy priorities;
2) **Geographisation:** strong emphasis on bilateral/regional cooperation;
3) **Partnerships:** strengthening alliances and inclusive partnerships;
4) **Interlinked responses:** integrated approach;
5) **European joint initiatives:** promotion of 'working better together' approach;

6) **Leverage:** use of a full range of external policies and forms of aid, including innovative financing.

The mid-term evaluation found that the new EFI architecture better enabled the EU to respond to its wider mandate and enhanced its potential impact and leverage as a development actor, global player and geopolitical actor. It found that the NDICI-Global Europe is broadly fit for purpose, but still in the early stages of implementation. Improvements are needed not just to increase its effectiveness, but to make it a more adaptable instrument capable of responding continuously and flexibly to a rapidly changing global environment. The evaluation also showed that the changes at the EU level take time and require a long-term approach.

In particular, the evaluation identified important lessons and findings:
<u>Key Findings:</u>
• The EU faces a trilemma in balancing partner country priorities, EU values and its own interests in decision-making.
• The shift to a more investment-based cooperation model (mixing grants, loans and guarantees) aligns with global funding needs but remains challenging in practice.
• Funding flexibility at the partner-country level is insufficient to respond effectively to fragility and crises, leading to calls for fewer earmarks and greater adaptability.
• The EU's stronger focus on its own interests and values could reduce its role as a trusted development partner.
• Migration and forced displacement have gained prominence in EU external action.
• EU geostrategic interests and internal priorities (e.g., securing critical raw materials, migration management) now play a bigger role.
• There is reduced scope for strategic engagement with key stakeholders, including civil society and local authorities.
• Progress remains limited in areas such as the use of incentives, conditionalities, performance-based schemes and mobilising private capital.
• The application of geographisation has led to gaps in coverage and unintended consequences.

Lessons learned:

• Transitioning to the new approach requires more time, effort, and creativity than initially expected.

• In challenging contexts, ambitions must be realistic, particularly in fragile settings.

• A more flexible and responsive funding approach is needed to better address both urgent and protracted crises and long-term drivers of fragility.

• The EU must carefully balance assertiveness in defending its interests and values with maintaining trust as a development partner.

• The shift toward investment-based cooperation requires better mechanisms to support the transition from grants to investment facilitation.

Source: MacKellar et al. 2024a, MacKellar et al. 2024b

2.1. Addressing tensions between objectives and adopting integrated approaches

One of the main challenges highlighted by the Evaluation of External Financing Instruments (EFI) is the difficulty of reconciling the instrument's multiple, and at times contradictory, objectives. While the NDICI-Global Europe was intended to implement a comprehensive approach to development cooperation, covering human development, governance, peace, etc., it is now also expected to deliver on the EU's economic and geopolitical ambitions. The result is a **growing disconnect between stated political priorities, programming choices and actual implementation**.

As mentioned above, the introduction of the Global Gateway has reinforced tensions between the NDICI-Global Europe's development cooperation and neighbourhood policy foundation and the EU's increasingly interest-driven geopolitical and geo-economic agenda. While the instrument must still adhere to development cooperation objectives, development effectiveness principles and a stringent 93% target of ODA spending, it is also expected to support broader foreign policy goals. Economic diplomacy, including investment promotion, security and migration control, can sometimes conflict with core development principles such as country ownership, poverty reduction and sustainability. For instance, migration-focused initiatives in North Africa often prioritise stemming irregular migration to Europe but fail to address root causes such as unemployment, weak governance and climate vulnerability. This partly reflects a structural division: while migration funding follows a route-based logic, the root causes of irregular migration are meant to be addressed at country-level programming under the Multiannual Indicative Programmes (MIPs). Weak coordination between the two risks undermining coherence and long-term impact.

Moreover, European assistance to Ukraine in the context of the Russian war remains a crucial factor to consider. Uncertainty persists regarding the extent to which the EU and its member states will be able to commit resources in the upcoming MFF, and whether this will be under a separate funding mechanism. A shift in attention and resources toward the Eastern front is likely to impact the EU's funding for international partnerships (Sabourin 2024).

A more integrated approach is key to effectively implementing the NDICI-Global Europe. Aligning funding with the EU's political, security, trade and migration priorities allows for more strategic use of resources and a tailored balance of EU objectives and partner country needs (Sabourin A. & Jones, A. 2023).

The definition of spending targets in the regulation (such as on ODA, human development, migration) **as well as mainstreaming of cross-cutting priorities** (such as climate change, gender equality or digital transformation) is a way to highlight a number of key EU priorities. While this supports coherence, it risks overloading the instrument's regulation with competing targets and complicating effective implementation and monitoring. (Sabourin, A. & Jones, A., 2023). Therefore, it is crucial to **strike a balance between addressing a (too?) broad array of priorities and maintaining a focused, flexible and manageable approach to implementation**. These tensions are particularly salient in fragile or politically sensitive contexts, where trade-offs between EU-driven initiatives and local priorities must be managed carefully (Hauck & Desmidt, 2024).

Box 2: Strengthening the triple nexus and the integrated approach to fragility

The extent to which the NDICI-Global Europe has facilitated the implementation of the humanitarian-development-peace (HDP) nexus remains limited and was hindered by differences in programming cycles, organisational structures, mandates and operating procedures between DG INTPA, DG ECHO, the EEAS and FPI (Land and Hauck 2022). Overcoming these institutional silos, fostering collaboration and a common approach are essential for a more integrated and effective EU external action, as the number of multi-dimensional crises across the world requires linking humanitarian assistance, peacebuilding and development.

The negotiations of the NDICI 2.0 should be an opportunity to take stock and learn lessons from NDICI-funded programmes (as well as member states' funding instruments) which have enabled the operationalisation of a triple nexus or an integrated approach. It will be particularly crucial that the next version of the instrument provides sufficient flexibility to address the non-linear and rapidly evolving needs of protracted crises as well as synergies with other external instruments (such as the European Peace Facility, missions under the Common Foreign and Security Policy).

While a potential merger of instruments may offer opportunities to streamline processes, it will not in itself resolve the structural and operational barriers to implementing the HDP nexus. Without deliberate efforts to align mandates, improve joint planning and build shared incentives across institutions, these challenges will persist regardless of the instrument's architecture.

The EU has increasingly emphasised the **need to align its internal and external policies, including through its financial instruments.** This approach seeks to identify and strengthen synergies between the EU's domestic agenda – such as the Competitiveness Compass, migration management, security and defence and the Green Deal – and its external action. By advancing its internal objectives the EU positions itself as a global leader capable of shaping global norms, influencing policies in partner countries and presenting itself as a model of sustainable development. Yet, a key concern is that the EU's development assistance serves EU interests rather than partner countries' needs. Pressuring countries to adopt EU-driven initiatives, such as the Carbon Border Adjustment Mechanism (CBAM), without considering their specific challenges, could undermine country ownership and reinforce the perception that EU climate leadership can come at the expense of partnership, especially when adaptation needs are not adequately prioritised (Byers & Medinilla, 2024)

Despite broad agreement among EU institutions and MS on key priorities—defence and security, climate action, migration governance, digital transformation, and economic competitiveness—implementation remains fragmented. MS continue to prioritise bilateral cooperation in areas such as economic diplomacy and infrastructure financing, often prioritising national interests and actors over a fully coordinated EU approach. This extends beyond economic diplomacy to other key issues like migration, where (some) MS want EU funding to be used to support their national priorities and domestic interests (such as border control and readmission agreements). While the Global Gateway aims to position Europe as a global actor, **MS trade, investment and migration agendas frequently take precedence over a unified EU strategy**. Without clearer alignment, there is a risk that NDICI-Global Europe funding becomes a tool for fragmented national objectives rather than a driver of shared European interests. The NDICI 2.0 must clarify how economic diplomacy, migration, and other external action priorities fit into a coherent EU foreign policy, ensuring that GG and Team Europe Initiatives (TEIs) reinforce strategic European interests rather than being shaped by individual MS agendas.

2.2. The trilemma: interests, values, partnerships

The EU faces a fundamental strategic challenge, often referred to as the 'trilemma': reconciling its own interests (e.g., migration control, strategic autonomy, economic competitiveness) with its values (e.g., human rights, governance, democracy) and the priorities and needs of partner countries. This balancing act will shape the future of NDICI-Global Europe. The EU is for instance currently facing internal challenges in balancing economic stability and international competitiveness with its global climate responsibilities.

A critical question moving forward is how the NDICI 2.0 can better **accommodate in a balanced manner the focus on EU interests and on development priorities**. While the EFIs mid-term evaluation found the instrument fit for both middle-income countries and countries affected by fragility, there are concerns regarding the waning attention and funding for least developed countries (LDCs), human development and reducing inequalities (MFF Hub 2025).

Additionally, should the instrument prioritise Africa, given its historic focus, or shift towards the EU's immediate neighbourhood, particularly in light of the ongoing war in Ukraine? Addressing these questions will be crucial in determining the strategic direction of the instrument. To address this trilemma, the upcoming negotiations for NDICI-Global Europe need greater clarity, fewer objectives and prioritisation.

For the first years of implementation of the NDICI-Global Europe and GG, the EU has focused a lot on coordinating the EU family better. Now would be the time to focus on the relationship with the partner countries. Renewing partnerships has been a key challenge of the new policy framework of the EU in terms of international and development cooperation. The driving idea has been to make them more inclusive and to **establish mutually-beneficial partnerships in order to move away from the donor/recipient relationship**. However, defining mutual interests remains a challenge, raising questions about whose interests are put on the table first, and how development goals are integrated into the Global Gateway logic and modus operandi – for some partners, it is unclear how effectively this has worked in practice. Things take time to change, and our research shows that this evolution has not completely landed at the partner country level yet (Sabourin et al. 2023).

Broadening the partnerships has also meant expanding the scope and modes of cooperation. For instance, in Mauritania, the EU has managed to extend its partnership beyond development cooperation, focusing on mutually beneficial collaboration in areas such as economic diversification, regional stability and sustainable development. Under the Global Gateway framework, Team Europe supports Mauritania's green transition, blue economy, digitalisation, migration management, security and human development, with key initiatives in green hydrogen, fisheries, digital infrastructure and vocational training (DG INTPA n.a.). With Kenya, the EU has broadened the partnership in a significant manner, moving away from a development cooperation centred relationship. The broader partnership also includes an Economic Partnership Agreement (EPA), granting Kenya duty-free and quota-free access to the EU market for all its exports, while Kenya will gradually reduce tariffs on EU imports.

Rebalancing interests, values and partnerships will also be key for the EU's global credibility and reputation. The EU stands at a crucial moment where maintaining global leadership is essential for addressing global challenges and safeguarding its strategic interests. The VDL II Commission has the opportunity in the upcoming MFF negotiations to reinforce its commitments by offering equitable, value-driven partnerships focused on mutual benefits and shared responsibility.

2.3. Aligning strategy and structure for future EU external financing

As the EU redefines its role in an increasingly unstable geopolitical landscape, there is a pressing need for a more coherent and strategically aligned external financing framework. The NDICI-Global Europe, which brought together previous foreign policy, development and neighbourhood policy financing instruments, marked a step towards greater integration and streamlining. Recent discussions on the future MFF indicate that further reform is being considered, including a potential merger (see box 2 below), to align the funding architecture more closely with evolving EU strategic priorities, while also improving flexibility, impact and coherence across instruments.

In its Communication on “The road to the next multiannual financial framework” (European Commission, 2025a), the Commission highlighted the need to revamp external financing to align with the EU’s strategic priorities. One of the key motivations underpinning this ambition is the pursuit of greater flexibility—both in terms of financial allocations and programming modalities. Greater flexibility is needed to respond to crises, performance differentials of partner countries and EU strategic shifts. The mid-term evaluation of the EFIs and NDICI-Global Europe in particular found that in the context of multiple and protracted crises, the existing flexibilities were overstretched and that the almost depleted flexibility cushion for emerging challenges and priorities has left geographic programmes with less money available for other, long-term actions, typically in conflict-affected and fragile contexts (particularly in sub-Saharan Africa).

The **ability to adapt and respond quickly to a rapidly changing and unstable geopolitical environment** is essential. This raises the question of whether better coordination or even full integration of external financing instruments (including humanitarian aid and pre-accession instruments) would improve efficiency and impact.

Box 3: Reflections on the EFI merger proposal

Looking ahead to the next Multiannual Financial Framework, a further consolidation of EU external financing instruments is expected to be a central feature of the Commission's proposal. This would likely involve the merging of NDICI–Global Europe, the Instrument for Pre-Accession Assistance (IPA), and the humanitarian aid instrument (HUMA) into a single framework. The new instrument may be presented under a different name: potentially the **Global Europe Fund**, reflecting both a streamlined architecture and an ambition to strengthen the EU's external action toolbox in a rapidly evolving global context.

External action already underwent a major consolidation in the last MFF, but this time the scope of the reform cuts across the whole MFF. The rationale is part of a broader effort to streamline and simplify the overall MFF architecture, in line with similar reforms proposed under internal headings (e.g. national plans, competitiveness fund) where most impactful changes are foreseen and where political resistance from the member states is more pronounced.

For the Commission, such a merged instrument for external action would aim to simplify the funding architecture, improve coherence and offer greater flexibility to respond to evolving geopolitical dynamics. The proposed merged instrument would be structured around large geographic blocks (Africa, Mediterranean, Asia, Latin America…), taking the current geographisation logic even further.

However, integrating instruments with distinct policy objectives and legal foundations – such as IPA, designed to support accession countries, and humanitarian aid, grounded in humanitarian principles – creates inherent tensions. These must be anticipated and addressed upfront. Furthermore, there is a risk of dilution of specific mandates and approaches of the instruments. It also raises questions about political oversight, spread across multiple DGs and Commissioners, as well as the Council and Parliament. As it stands, it remains unclear who would provide the overarching strategic steer for a broader merged instrument, or how institutional coherence would be maintained. Ultimately, it remains to be seen how such a broader merged instrument could bring further simplifications from an institutional perspective.

Many of the limitations of the current NDICI-Global Europe, notably unclear strategic priorities, multiple earmarking constraints, uneven governance and overlapping coordination mechanisms, cannot be solved by a structural merger alone. Without strengthening the political and institutional framework underpinning EU external action first, further consolidation risks exacerbating the centralisation of decision-making by the Commission, reducing transparency and sidelining cross-cutting objectives such as gender, climate and human rights.

Form must follow substance. The merger debate must be grounded in a broader vision of what EU external action should achieve, and how it should be governed. This requires a well-integrated strategic and institutional framework to guide decisions, ensure legitimacy and align programming with both EU priorities and partner countries' needs and priorities.

Ultimately, these discussions highlight an overarching question: What should be the primary purpose of the successor to the NDICI-Global Europe? The question is not whether the instrument should prioritise foreign policy or development objectives, but how to operationalise their interdependence. Poverty reduction contributes to stability, mitigates conflict drivers, and addresses structural factors behind irregular migration — all of which align with the EU's geopolitical interests. The NDICI 2.0 should therefore be designed to reflect and leverage these synergies within a coherent strategic framework.

Box 4: Recommendations on the strategic framework of the instrument

1. Clarify and simplify objectives

- NDICI 2.0 should provide a clear strategic framework that aligns Global Gateway investments with development goals, while avoiding overlaps and contradictions. It must connect GG priorities to broader challenges — like fragility, governance, and human development — without framing all NDICI objectives through the GG lens.
- To avoid overextension and contradictions, the NDICI 2.0 must focus on fewer, better-prioritised objectives. This becomes even more critical in the context of a potential merged external instrument—combining NDICI-Global Europe, IPA and HUMA—which would bring a wider array of mandates and policy goals under one umbrella.

2. Resolve tensions between objectives

- NDICI 2.0 must align potentially conflicting goals—such as development, economic interests, migration, and security—through flexible mechanisms that respect development cooperation principles. These tensions already exist and could intensify under a merged instrument combining pre-accession and humanitarian objectives with distinct legal bases and principles.

- Develop integrated approaches to prevent the dilution of mainstreamed priorities (e.g., climate change, gender equality, human development, democracy and human rights) and ensure effective monitoring of multiple objectives.
- NDICI 2.0 must also ensure that Global Gateway and Team Europe Initiatives (TEIs) advance collective European strategic interests, rather than reflecting the fragmented agendas of individual member states.

3. Prioritise strategy over structure

- Design external financing reform around a coherent strategic and institutional framework, prioritising clarity of purpose over structural simplification.
- The merger debate must be grounded in a broader vision of what EU external action should achieve, and how it should be governed. Structural reform alone will not address existing challenges such as fragmented governance, overlapping priorities and limited political oversight.
- Strategic clarity, transparent coordination and institutional coherence must underpin any future consolidation of EU external financing instruments.

3. Adapting the institutional setup and governance mechanisms for the new instrument

The NDICI-Global Europe's structure has evolved faster than the EU's internal institutional setup, creating misalignment between the instrument's objectives and governance framework. While it sought to streamline EU external action, institutional path dependencies have limited its impact. As the EU moves towards the NDICI 2.0, adapting its institutional structures and ways of working is essential for achieving the future instrument's goals.

3.1. Strategic governance and internal coordination

A core challenge for NDICI 2.0 is the distribution of strategic guidance across multiple EU entities. The European Commission external relations services (RELEX family: DG INTPA, DG ENEST, DG MENA[1], FPI and the EEAS), member states (through Council working groups and comitology) and the European Parliament (EP) all contribute to governance, leading to coordination challenges and role ambiguities.

The **fragmentation within the Commission, where different DGs oversee distinct NDICI-Global Europe components**, has hindered coherence and efficiency. For instance, FPI manages all actions under the NDICI-Global Europe crises response and foreign policy needs envelopes of the rapid response pillar (RRP), as well as the Peace, Stability and Conflict Prevention thematic programme, while DG INTPA, DG ENEST and DG MENA manage geographic programmes, other thematic programmes and the resilience component of the RRP. Geographically, FPI leads on high-income countries, DG ENEST and DG MENA focus on the Neighbourhood East and South, and DG INTPA covers other regions. These differing mandates create inconsistencies across countries in the same region, making it difficult to work on transnational issues that affect countries across the income or regional spectrum, and have led to increased internal transaction costs. The governance of NDICI 2.0 thus requires clear alignment across these entities to ensure coherent decision-making, strategic steering and operational effectiveness, especially if the scope of the instrument expands further through a merger of external financing instruments.

NDICI 2.0 requires a **more coherent governance structure with clearer responsibilities between the Commission, member states and the European Parliament**. A streamlined oversight process would enhance coordination, reduce fragmentation and improve decision-making efficiency, ensuring NDICI 2.0 meets its objectives. This is a necessity if the future instrument brings together the mandates of development, pre-accession and humanitarian assistance.

3.2. Overlapping governance structures and their hindering impact

The governance of EU external action at the Council level remains complex and fragmented, with multiple bodies – including CODEV-PI (and its NDICI-Global Europe sub-group), RELEX-HQ, and the European Fund for Sustainable

[1] In early 2025, DG NEAR split into two DGs: DG MENA for the Middle East and North Africa, and DG ENEST for the Enlargement and the Eastern Neighbourhood.

Development+ (EFSD+) strategic and operational boards – overseeing various aspects of EU external engagement and of the NDICI-Global Europe. While each serves distinct functions, overlaps create inefficiencies, delays and confusion and impedes the EU's ability to respond swiftly to global challenges.

For example, CODEV-PI focuses on development, RELEX-HQ steers the Global Gateway and the strategic board of the EFSD+ provides financial oversight over the EFSD+, often with overlapping objectives. This **duplication leads to slow decision-making and reduced strategic coherence**, undermining the EU's ability to act effectively.

Furthermore, within the Commission, the EFSD+ is managed separately by different DGs, leading to different approaches and processes that complicate engagement for DFIs and PDBs. A future centralised secretariat, bringing together key external DGs and representatives from other line DGs, such as DG TRADE, DG GROW, ECAs, and the European private sector, could improve coordination and synergies across EFSD+ instruments.

The NDICI 2.0 should **consolidate governance structures to improve efficiency, transparency and effectiveness**. A more cohesive and integrated governance framework would enable faster decision-making, more flexible and responsive mechanisms and a unified approach to complex global challenges.

3.3. Team Europe and the need for coordination across actors

Team Europe (TE) has improved MS engagement through a flexible and politically visible framework. However, participation remains uneven and TEIs are not fully embedded in EU programming, limiting their long-term impact (Jones & Sergejeff 2022). Particular challenges remain with developing and implementing Team Europe initiatives in fragile settings, where coordination needs are higher, due to the challenges with integrating programmes and activities across the humanitarian-development-peace (HDP) nexus, difficulties with access and security and operational challenges (Desmidt et al. 2024)

Furthermore, although joint programming is the default approach, it has faced challenges due to limited buy-in from MS and even some EU institutions and EU delegations (EUDs). Many MS prefer to manage development cooperation through their own agencies rather than fully joining EU-led efforts. In contrast, **Team Europe has shown that a more flexible, interest-driven approach can increase MS engagement, but without clearer institutional integration, it risks being just a political label rather than a structured coordination mechanism**.

The NDICI 2.0 should embed Team Europe principles into its implementation, ensuring that country-level programming consistently includes TEIs rather than relying on voluntary MS participation. Joint programming should be strengthened, not only as a formal requirement but as a practical tool that integrates MS and EU efforts from the start.

Similarly, the GG aims to position the EU as a global investor but suffers from fragmented and voluntary MS contributions, undermining coherence. A significant issue has been the lack of clarity for European and international partners on how to "plug into" the Global Gateway, with widespread frustration about the absence of a clear, coordinated entry point for engagement. **Without better integration into NDICI 2.0, GG risks remaining a collection of ad hoc initiatives rather than a strategic tool.**

To move beyond ad hoc, case-by-case collaboration, the NDICI 2.0 must embed TEIs and GG projects within a structured European framework, balancing political flexibility with operational efficiency. A merged instrument will require even more integration at HQ and country level to ensure coherence across all pillars of EU external action. While regulations can enable coordination, real progress depends on institutional integration at HQ level and country-level programming alignment. Without this integration, there is a risk that these frameworks will not be embedded as coherent and sustainable components of EU external action.

3.4. Institutional capacities: Addressing gaps in implementation

The NDICI-Global Europe transition required new coordination mechanisms and mindsets, yet institutional adaptation was insufficient.

The NDICI-Global Europe introduced a shift towards a more integrated approach to external action, which includes not only development but also economic diplomacy, trade and broader geopolitical considerations. This shift requires **EU institutions to adapt their structures, resources and ways of working to reflect these new priorities**.

EUDs in particular play a crucial role in the instrument's implementation, but their current capacities are inadequate, especially as their mandate expands beyond development to economic diplomacy, trade and geopolitical engagement. They will need to evolve to become key players in the implementation of the NDICI 2.0, with a stronger focus on engaging in broader political dialogue, facilitating investments and supporting EU foreign policy priorities on the ground.

The mid-term evaluation stressed the need for more human resources in EUDs to engage in policy shaping and geopolitical work, as well as facilitating EFSD+ investments. Plans to consolidate aid management into 18 regional hubs could further weaken their effectiveness (Moens and Barigazzi 2024, Vasques 2025, Chadwick 2025). Downsizing EUDs could leave them even less equipped to act as local anchors.

For the NDICI 2.0 to succeed, the EU must overhaul its institutional structures, governance frameworks and coordination mechanisms. Streamlined oversight, clearer roles within Team Europe and stronger EUD capacities are all essential. The EU must also better integrate internal and external priorities, leveraging a coherent toolbox in its external engagements. Addressing gaps in division of labour, expertise and institutional learning will be critical to making the NDICI 2.0 fit for purpose and ensuring the EU's global influence remains effective and strategic.

Box 5: Recommendations on the institutional set-up

1. Streamline strategic oversight and internal coordination

- Establish a more coherent and politically anchored governance structure with clear roles across the Commission, Council and European Parliament. Clarify roles and responsibilities to reduce fragmentation and improve coherence.
- If external instruments are merged, this becomes even more pressing: broader scope must be matched with stronger political steering and a clear institutional setup to ensure coherence across diverse policy objectives.

2. Simplify and streamline overlapping governance structures

- Reduce duplication and inefficiencies across Council working groups, Commission services and EFSD+ governance bodies.
- Clarify mandates and improve coordination mechanisms to accelerate decision-making and enhance the EU's ability to respond to global challenges.

3. Integrate Team Europe and Global Gateway into NDICI 2.0 implementation

- Embed Team Europe Initiatives and Global Gateway projects more systematically into NDICI 2.0 programming at both HQ and country level.

- Move beyond voluntary or ad hoc participation by ensuring greater alignment between EU institutions, member states and implementing partners from the start of the programming process, especially in complex or fragile contexts.

4. Reinforce institutional capacities at all levels, especially in EU Delegations

- The evolving external context and a potential merger of instruments call for a reassessment of capacities and the division of labour, particularly at country level.
- Strengthen EU Delegations with adequate resources and expertise to take on expanded roles in economic diplomacy, investment facilitation and political engagement.

4. Towards more efficient programing and implementation mechanisms

The implementation of the NDICI-Global Europe has presented strategic and technical challenges that require attention. These challenges include engaging partner countries – including governments and non-state actors – ensuring an integrated approach to external action and adapting the toolbox to evolving priorities. This section examines key concerns and their implications for the NDICI 2.0.

4.1. Re-engineering partnerships for mutual benefits and accountability

A core challenge is fostering meaningful engagement with partner countries while ensuring accountability in the process of allocation and use of funds. Beyond the regulatory frameworks that govern these financial flows between the EU and its partners, there is a pressing need to rethink the nature of partnerships with third countries. Traditional donor-recipient dynamics are increasingly outdated, necessitating a shift towards balanced, mutually beneficial and inclusive partnerships that go beyond financial transactions.

The definition and identification of mutual benefits is a condition to build a strong basis towards more equal partnerships. This requires **co-designing cooperation**

priorities and GG flagship projects to promote ownership and sustainability. Forthcoming ECDPM research on partner countries' perceptions of the EU's international cooperation agenda (including the GG) shows that this is lacking and that the EU is seen as pushing its initiatives before consulting its partners. Meaningful dialogues must therefore be prioritised, fostering a more inclusive approach that ensures the concerns and priorities of all stakeholders are considered. Despite the EU's commitments to consult with partners, consultations with stakeholders in partner countries have been limited (EC 2024). For instance, the programming of NDICI–Global Europe in countries such as Kenya and Cameroon has largely been driven by EU priorities, often with minimal input from civil society or even national governments. This top-down approach raises concerns about the inclusiveness of the approach. The EU's increasing geopolitical focus may come at further expense of genuine and meaningful dialogue with partner countries (Sabourin et al. 2023).

It is indeed key to foster a shift from traditional donor-recipient dynamics towards co-creation models that allow partner countries and non-state actors to have an honest and meaningful dialogue with the EU as well as a role in shaping priorities and projects. It is necessary to also **develop clearer accountability mechanisms (including with local civil society) to ensure transparent allocation and use of funds while promoting ownership and shared responsibility in partner countries**.

Currently, no strategic document guides partnerships at the country level beyond development cooperation. While Multiannual Indicative Programmes (MIPs) identify priorities and allocate funds, they are not leveraged as political tools to shape broader relationships. **Reinventing MIPs to foster political, economic and societal linkages could strengthen partnerships and align EU external action priorities with partners' needs**. Beyond the MIPs, the EU – particularly the EEAS – had already proposed developing joint framework documents with partner countries to outline shared interests and areas of cooperation beyond development cooperation. These documents aimed to take a more political and strategic approach to the overall relationship between the EU, its member states and their partners. They should allow for a common strategic approach to better align development cooperation with political priorities like trade, climate, and security.

4.2. Towards a stronger regional approach to programming

The 2024 midterm review (MTR) brings a number of lessons that could indicate certain shifts in the future programming process (Van Damme 2025). One of them is the shift from country to regional programmes (EC 2024), for more flexibility and to ease the requirements of country programming.

This has raised a key question whether the NDICI 2.0 should be programmed mainly at the country or regional level, and how much emphasis each should receive.

Regionalising programming would require an adaptation of strategies, priorities and financial modalities to avoid overlooking country-specific needs. For now, financial mechanisms like budget support, delegated cooperation, technical assistance, grants, loans and external guarantees are used within country strategies. A regional programming approach would require redefining these modalities. In the case of EFSD+ programming of guarantees, the use of regional envelopes has, in some instances, created tensions and imbalances. Indeed, the identification and funding of operations at this level have fostered a dichotomy and competition between countries, favouring those with the institutional capacity to propose bankable projects, while leaving behind weaker or more fragile countries that struggle to meet the same criteria.

Switching from country-level to regional programming would also require EUDs to adopt a more policy-driven rather than programme-driven approach, notably by reinforcing their political sections.

This shift also has significant implications for partnerships with third countries. A shift towards the geographisation of decision-making process and funding allocation has also implied major adjustments for partner countries (Sabourin et al. 2023; Jones et al. 2021).

A central question is how to ensure that this approach remains mutually beneficial. **One option could be a differentiated model**: adopting a country-specific approach with strategic partners aligned with EU interests and priorities, while relying on regional and global funding instruments for more flexible engagement elsewhere. In fragile settings, this would entail greater coordination needs and costs, potentially contradicting the shared commitment to 'stay engaged'.

The NDICI-Global Europe already allows for some differentiation, as demonstrated by the integration of the European Neighbourhood Policy. This flexibility would become even more essential in the context of a merged and broader external instrument, which would need to accommodate a wider range of priorities, geographic contexts and partnership models. Ensuring that funding instruments –

grants, loans, budget support – are suited to both regional and national contexts will be crucial for effective implementation.

Ultimately, **striking the right balance between country-specific and regional approaches** is essential. While country-level programming allows for tailored interventions, regional programming offers the flexibility to address cross-border challenges such as climate change, migration and security. The choice between these approaches should be guided by the nature of the challenges in each region and the EU's overarching strategic objectives. In that discussion, the importance of the EU staying well-informed at the local level and maintaining a deep understanding of partner countries' challenges and developments should also be considered.

4.3. Strengthening the toolbox to adapt to the EU's new approach?

Changing the approach for external action and international partnerships impacts the implementation of funds. **The EU's toolbox, particularly under the NDICI-Global Europe, has evolved to rely more on a variety of financial modalities**.

Delegated cooperation, initially used selectively, has gained relevance over time. The end of co-management has opened opportunities for EU member states' development agencies to play a larger role in implementing EU funds, leveraging their expertise and networks (Sabourin et al. 2023). This approach aims to improve coordination among EU institutions and national development agencies, ensuring coherence and avoiding duplication of efforts in partner countries. However, effective implementation of delegated cooperation requires good coordination between the EU and its member states in both strategic and operational terms, and a harmonisation of administrative procedures. Increased use of delegated cooperation could also enhance Team Europe's political visibility and impact, ensuring the EU's efforts are more visible and coherent in partner countries. However, its success depends on proper coordination and addressing administrative challenges.

The performance-based approach and the financing mechanism not linked to costs are widely used in the Neighbourhood and enlargement countries under IPA III (Capacity4Dev 2024). Both approaches address global development challenges through innovative, flexible and results-oriented strategies. Expanding these financing mechanisms in other geographic areas could reinforce the shift towards a more results-driven model.

However, while linking funding to measurable results can improve accountability and efficiency, it may also lead to a focus on short-term outcomes rather than long-term sustainable development. Indeed, a performance-based approach improves accountability and efficiency by tying funding to measurable results, ensuring resources are used effectively. It supports transparency and better project management but may focus too much on easily measurable goals, neglecting broader development objectives. Weaker institutional capacity in some countries may also limit its effectiveness, making it better suited for middle-income countries. On the other hand, financing not tied to costs offers more flexibility, especially in fragile contexts, but can lead to inefficiency and misallocation without clear financial benchmarks. Balancing both approaches is crucial for sustainable and effective development funding.

Policy-Based Loans (PBLs), also known as results-based loans for the EIB, are increasingly used in both least developed and middle-income countries. PBLs are similar to budget support programmes but are more focused, targeting specific policy reforms and actions, while budget support provides broader, long-term assistance aligned with a country's overall development strategy. The key benefit of PBLs is that they offer both financial and technical support to help accelerate reforms initiated by the country's government.

Finally, development cooperation programmes are increasingly tied to diverse conditionalities. While incentive-based approaches and budget support conditionalities have not always led to transformational change (MacKellar et al. 2024b), they are being reintroduced in new areas like climate and migration. For example, the NDICI-Global Europe includes readmission cooperation as a principle and sets a 10% spending target for migration, using flexible, incentive-based approaches that could adjust funding based on migration policies (Rietig and Walter-Franke 2023; ECRE 2021). These mechanisms can align partner countries' policies with EU priorities, but they also raise concerns about their impact on the partnership, sovereignty, fairness and the risk of focusing on short-term compliance rather than long-term reforms (ECRE 2020). Balancing effectiveness with equity remains a key challenge in using these conditionalities.

Box 6: Recommendations on the implementation of the instrument

1. **Redefine cooperation modalities to enable more equitable and mutually beneficial partnerships**

- Shift from donor-recipient dynamics to co-creation models that give partner countries and non-state actors a real voice in setting priorities and shaping projects.
- Establish clearer accountability mechanisms, including with local civil society, to ensure transparency, ownership and shared responsibility.
- Strengthen inclusive dialogue with all stakeholders to better align EU external action with partner country needs.

2. **Optimise the programming process by balancing country and regional approaches**
    - While reinforcing the geographised approach of NDICI-Global Europe, increase flexibility to respond to crises and emerging global issues.
    - Use MIPs more strategically to foster broader political, economic and societal ties beyond development cooperation. Encourage joint EU–member state analyses and shared framework documents for country engagement.
    - If regional programming is expanded, adapt financial modalities (grants, loans, budget support) accordingly and ensure country-specific needs remain central.
    - Establish a clear framework to align regional priorities with national demands, particularly for transnational challenges like climate change, migration and security.

3. **Strengthen performance-based and flexible financing mechanisms**
    - Expand the use of performance-based financing while ensuring that results measurement supports impact over short-term gains.
    - Build the capacity of partner institutions at all levels to manage such funding effectively.
    - Maintain transparency and accountability for non-cost-based financing, while preserving flexibility—especially in fragile settings and when working with local actors.

5. The future of development, finance, investments and private sector

The EU's growing emphasis on promoting its economic interests and global competitiveness prompts strategic reflection on the adequacy of its financial instruments to support a more interest-driven external policy. The EFSD+, embedded in the NDICI–Global Europe, was designed under different global conditions. Given shifting priorities, does European climate and development finance remain fit for purpose (Bilal & Karaki 2024)? This section highlights the critical challenges that must be addressed to ensure that the NDICI 2.0 strategically integrates the EFSD+ to effectively advance the EU's climate, development, economic and geopolitical objectives.

5.1. Setting clear strategic objectives

The EFSD+ serves development cooperation objectives and is a key instrument to foster Team Europe Initiatives and help achieve the objectives of the Global Gateway strategy and its flagship projects. In addition to development cooperation objectives, the EFSD+ is also expected to help deliver European external investments in line with the EU's economic and geopolitical interests. Yet, there are cases where these objectives can be conflicting or at least imply trade-offs.

While the Global Gateway targets a high leveraging effect (EUR 300 billion, of which the EFSD+ alone is expected to deliver over EUR 135 billion), the NDICI-Global Europe aims to foster investments where impact – not leveraging – is the key measure. These two objectives cannot be addressed all at once: mobilising investments is easier and can be done at scale where markets are fairly developed, which is rarely the case in fragile and least developed countries. Beyond the tradeoffs, **there is a limited common understanding of what strategic objectives the EU should pursue primarily when mobilising private capital**. Is the objective to drive the green transition and help meet the Paris Agreement targets? Or is it to develop key markets—such as the digital sector—that can enable broader economic transformation? Or is the focus on fostering climate adaptation and strengthening social sectors like health and education, where domestic resources remain insufficient? The EU must therefore clarify private capital mobilisation priorities. With a likely constrained future MFF budget, prioritisation is critical.

Last but not least, the EFSD+ follows an intermediated and programmatic approach, meaning that it operates through DFIs/PDBs that are supposed to support projects that reflect the priorities laid out by the NDICI-Global Europe regulation and Global Gateway. Yet, in practice there is some leeway to pursue investment operations that are often misaligned from TEIs and Global Gateway flagship projects. The EU now aims to **shift from a programmatic to a policy-driven approach, requiring stronger investment alignment with EU**

priorities and a potential rethink of financing instruments and the Commission's role in steering investments.

5.2. Implementing policy-driven instruments and approaches

Under the current framework, the focus is on guarantees (EUR 40 billion) which are best placed to mobilise private investments at scale in particular in middle-income countries, while blending – better suited for challenging contexts (e.g. LDCs, countries affected by fragility and conflict, or social sectors) – lacks a dedicated budget. The question is therefore whether the EU and its Member States wish to keep such a balance – which would make sense if the policy objective is to mobilise investments at scale, particularly in middle-income countries, and do less and/or with different modalities (beyond the EFSD+ guarantees guarantees) in LDCs and fragile countries. This balance needs reassessment as it will also have consequences on the budget: blending, because of their grant component, consumes more resources than unfunded guarantees, although the latter "lock" resources for a while. In addition, to reflect the 360-degrees approach promoted by the European Commission, it may be relevant to **consider additional instruments going beyond guarantees and blending**, including policy-based lending, debt-for-climate swaps, and/or performance and outcome-based financing, as discussed above.

A geopolitical approach to climate and development finance is also needed. Currently, guarantees are often used to support broad project pipelines rather than targeted strategic initiatives. A more project-specific guarantee system, aligned with EU priorities, could facilitate financing of large key strategic projects, which otherwise may not be financed at the needed scale and speed.

A future EFSD+ setup should **better integrate non-ODA funding to complete and work in synergy with ODA-based types of initiatives**, ensuring coherence between EU strategic objectives and development cooperation. Last but not least, better coordination between the instruments of the EFSD+ successor will be required to facilitate the development of a coherent and attractive integrated offer, that promotes European interests whilst supporting partner countries' priorities, as in a mutually beneficial way.

5.3. Fostering European competitiveness and the EU's economic interests

The political guidelines of the Von der Leyen Commission II introduced the concept of economic foreign policy, further specified and endorsed through the Draghi report. EU economic foreign policy aims to more strongly integrate the EU's economic competitiveness and strategic autonomy objectives into its foreign engagement. In that regard, the Global Gateway is increasingly being presented as a way to strengthen EU competitiveness and to support European private sector investment, as highlighted by Commissioner Sikela (European Commission 2025b).

Yet, **the capacity of the EFSD+ to deliver on these additional objectives is severely limited by the fact that it engages local, not European, private actors, and is implemented by DFIs, whose mandates focus on engaging the local and not the European private sector**. This challenge is compounded by persistent questions around the incentives for European companies to engage in Global Gateway initiatives, not just in terms of financing structures, but also regarding compliance burdens, risk exposure, and the lack of compelling business cases that clearly demonstrate the commercial advantages of participating in such projects.

Integrating export credit agencies (ECAs) into the European financial architecture could address these gaps. ECAs, focused on supporting European businesses abroad, could complement DFIs and PDBs as part of the so-called enhanced coordination between DFIs and ECAs. By integrating ECAs into development finance, the EU would enhance its ability to support EU-based companies while simultaneously contributing to development goals, and provide an integrated offer reflecting its 360 degrees approach (Bilal and Klasen 2025). Options include: revising aid rules, by increasing the share of non-ODA-based funding to directly support European investors in partner countries; and establishing an EU guarantee fund for ECAs to provide incentives for them to provide better financing for European firms. Such a fund could be hosted under InvestEU, building on the experience of the Ukraine export facility; or under the successor of the EFSD+ (which could be desirable in order to foster synergies between public support to development cooperation and to European economic interests).

Box 7: Recommendations on the future of trade, finance, investments and private sector

1. Start by defining the EU's strategic climate, development, economic and geostrategic objectives for the EFSD+, based on the desired impacts and changes. A clear prioritisation should follow to manage trade-offs.

2. The EFSD+ instruments should be rethought to ensure they can effectively deliver on EU strategic objectives. This includes: i) reassessing the balance between guarantees and blending; ii) exploring additional instruments such as project-based guarantees, policy-based loans, or debt-for-climate swaps; and iii) introducing non-ODA instruments to better engage the European private sector in Global Gateway. Greater focus is needed on strengthening synergies within EFSD+ tools and with traditional aid modalities like budget support.

3. Create a guarantee fund dedicated to ECAs to provide a more comprehensive (geographical scope) and/or better (cheaper interest rates) offer to European businesses, and support more effectively their internationalisation process.

6. Conclusion

The EU's EFIs are key to building strong international partnerships. Yet, in the face of changing strategic priorities, it has become increasingly difficult for EFIs to reconcile the EU's interests, its values and the priorities of partner countries all at once. In a way, the EU's instruments have not quite kept pace with the rapidly shifting global landscape.

The next MFF thus presents a critical opportunity to recalibrate the EU's EFIs – and particularly the NDICI–Global Europe – to ensure they are fit for purpose. The mid-term evaluation's findings showed that there is no need for a radical change in the NDICI-Global Europe. Yet, before the concrete text of the regulation is drafted, there are a number of elements that need to be worked out.

First and foremost, **an instrument does not do the policy.** The strategic framework and steering of the instrument will thus have to be clarified. Particularly key will be reducing the number of objectives and overlapping priorities and providing a clear strategic framework that explicitly aligns the Global Gateway's large-scale investments with development cooperation goals. This may also point to a broader need for an updated strategic framework for EU external action, perhaps even the development of a new Global Strategy, to ensure coherence across instruments and initiatives.

Secondly, there needs to be a **reflection on the EU's institutional set-up and governance of the instrument to promote more policy-driven approaches**. Inter-service coordination within EU institutions has been lagging behind since the NDICI-Global Europe was set up. Yet, with greater integration of internal and external policies comes a need to adapt ways of working and of collaborating across Commission DGs and Council Working Groups.

Thirdly, **an instrument is only as good as its implementation framework**. As an overarching principle, the new instrument must contribute to fostering mutually beneficial equal partnerships. This will require a redefinition of the modalities of work with partners to ensure greater co-creation, ownership and shared responsibility. This paper provided some pointers regarding the optimisation of the programming process, including in terms of balancing country and regional approaches, flexibility, a more strategic use of MIPs, strengthening performance-based and flexible financing mechanisms and fostering integrated approaches at country level.

Finally, a major area for improvement for the NDICI 2.0 will concern **development finance, investments and the private sector**. European priorities and interests have changed drastically since the NDICI-Global Europe was set up – not least with the emergence of the Global Gateway – and the EU currently does not have the right instruments to deliver on these. Significant energy will thus have to be spent on defining the EU strategic sustainable development, economic and geostrategic objectives the EFSD+ should focus on as well as rethinking the EFSD+ instruments to ensure that they are fit to deliver on the EU strategic objectives.

Ultimately, these various aspects will ensure that EU external financing is not only more strategic and impactful but also aligned with partner countries' own priorities and ambitions. More than ever, Europe needs a toolbox that enables it to exercise leverage as a global player and geopolitical actor. While the instrument alone will not achieve this objective, if reformed in the right way, it can help the EU remain politically relevant, strategically coherent and operationally effective while not forgetting its commitment to sustainable development and mutually beneficial partnerships.

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