Toward the New Multiannual Financial Framework: Fuel for the EU Global Strategy and Development Cooperation?

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Abstract

The current negotiations on the new EU Multiannual Financial Framework (MFF) for the years 2021–2027 represent a significant test for the EU Global Strategy (EUGS). The new MFF presents as a new single "Neighbourhood, Development and International Cooperation Instrument" (NDICI) – Heading 6 – an ambitious budget for EU external action, which would merge a large number of standalone EU external financing instruments into one. The proposed architecture of the new MFF would support the ambition of the EUGS, while how development cooperation will be framed in the MFF will represent a test for the concrete implementation of the EUGS.

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Introduction

The EU has made some progress in implementing the EU Global Strategy (EUGS)[1] since its unveiling in June 2016. Yet, when it comes to the EU Multiannual Financial Framework (MFF),[2] improvements are not easily quantifiable since the new MFF (2021–2027) is still under negotiation among EU institutions and member states. However, some preliminary considerations can be drawn on the basis of the current negotiations, the proposed architecture for the next MFF and its possible innovations in the field of development cooperation.

The new MFF architecture

The MFF negotiation is underpinned by a shared desire of the EU institutions to move beyond "business as usual" and secure an ambitious new budget that befits Europe's future: the proposal for the 2021–2027 MFF amounts to an increase of 5% (€52.3 billion) compared in real terms with the "virtual" current MFF (EU 27).[3] Yet, the EUGS provides limited information on MFF: it refers to the future EU budget MFF just a couple of times. In a key part, it clearly echoes the call for a new budgetary structure: "Across the Commission, flexibility will be built into our financial instruments, allowing for the use of uncommitted funds in any given year to be carried on to subsequent years to respond to crises […]. In parallel, the time has come to consider reducing the number of instruments to enhance our coherence and flexibility, while raising the overall amount dedicated to development".[4] The EUGS therefore highlights two key issues related to the future MFF architecture: more flexibility, especially the use of uncommitted funds, and a reduction of the number of instruments.

Flexibility refers to the ability of the EU to reallocate funds across headings or programmes in response to unforeseen challenges. Presently, flexibility is allowed mainly through margin reallocations and the midterm revision. The current MFF (2014–20) has had, however, a huge flexibility challenge: designed to respond to the financial and economic crisis, it has appeared unprepared to face unanticipated crises in the EU's neighbourhood, quickly exhausting available funding under the relevant headings. This has created a number of challenges, usually addressed through ad hoc instruments, such as the trust fund, that are based on emergency concerns and are not planned for in a long term vision.

In the proposed MFF, flexibility will probably be expanded in two ways: by reducing the number of headings under which programmes operate and increasing the possibility of reallocating funds.

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[1] European External Action Service (EEAS), *Shared Vision, Common Action: A Stronger Europe. A Global Strategy for the European Union's Foreign and Security Policy,* Brussels, 24 June 2016, https://europa.eu/globalstrategy/sites/globalstrategy/files/regions/files/eugs_review_web_0.pdf.

[2] The MFF is the EU's instrument detailing "ceiling" expenditures (i.e., the maximum amounts that the EU can spend each year), the "headings" (i.e., policy areas) and "programmes" (i.e., policy instruments) under which expenditures should occur, and the rules relating to the re-allocation of expenditures across years and headings.

[3] European Commission, *EU Budget for the Future*, 2 May 2018, https://publications.europa.eu/en/web/general-publications/eu_budget_for_the_future

[4] EEAS, *cit.*, p. 30.

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However, flexibility also involves several trade offs, such as among long- and short-term needs and objectives, or between facilitating management and preserving/strengthening accountability.[5]

Regarding the reduction of the number of instruments, the new MFF presents as a new single heading "Neighbourhood, Development and International Cooperation Instrument" (NDICI) – Heading 6 – an ambitious budget for EU external action which will merge a large number of stand alone EU external financing instruments into one. Reducing the number of instruments, this single programme would strengthen the EU's ability to act abroad coherently, in line with what is demanded by the EUGS. This position seems consolidated in the negotiation, but it is still not certain that the ambitious scope of Heading 6 will remain untouched through to the end of the negotiations.

Development: A litmus test for the EU external action

When the EUGS mentions the MFF, it refers explicitly to two areas of intervention: defence and development. Concerning defence, the EUGS announced that "EU funding for defence research and technology, reflected first in the midterm review of the Multiannual Financial Framework, and then in a fully fledged programme in the next budget cycle, will prove instrumental in developing the defence capabilities Europe needs".[6] Strengthening European security and defence cooperation is one of the EUGS's central aims and an area where significant progress has been made in the past two years.[7]

When it comes to development, the EUGS states: "Development policy will become more flexible and aligned with our strategic priorities. We reaffirm our collective commitment to achieve the 0.7% ODA/GNI[8] target in line with DAC principles.[9] Development funds must be stable, but lengthy programming cycles limit the timely use of EU support, and can reduce our visibility and impact".[10]
In practise, the 0.7% target is an ambitious goal – EU collective ODA represented 0.50% in 2017 – while stability of funds mainly means long term programming minimizing emergency approaches to development. When the EUGS calls for development policies that are "flexible and aligned with our strategic priorities", it mainly refers to strengthening their connections with other fields, such as migration and security.

The security–development nexus, however, remains arguably one of the most controversial issues in policy debates. In fact, the implementation of EU external action can easily create a grey zone and ambiguities between the two fields. This controversial issue is already present in the EU Emergency

[5] Clare Castillejo et al., *The European Union's Next Multiannual Financial Framework: Prospects and Challenges for EU Development Cooperation*, ETTG, 2018, https://ettg.eu/2018/03/16/the-european-unions-next-multiannual-financial-framework-prospects-and-challenges-for-eu-development-cooperation/
[6] EEAS, *cit*., p. 29.
[7] Nicole Koenig, "Security and Defence: A Glass Half Full", in *EUGS Watch*, July 2018, https://www.iai.it/en/pubblicazioni/security-and-defence-glass-half-full
[8] Overseas Development Assistance/Gross National Income.
[9] The Development Co-operation Directorate sets international principles and standards for development co-operation, and monitors how donors deliver on their commitments. (DAC of the) OECD, http://www.oecd.org/dac/
[10] EEAS, *cit*., p. 30.

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Trust Fund for Africa,[11] that has confirmed the shift towards the securitization of migration and a focus on European short term interests without paying close attention to African needs, long term challenges related to poverty eradication, human rights or political dialogue.[12]

The new Heading 6 has the opportunity to avoid ad hoc instruments such as the trust funds, due to the acquired internal flexibility. Similarly, also the European Development Fund (EDF) should be integrated into the regular EU budget. The EDF has a clear advantage in terms of flexibility with a significant reserve, but also some limitations. Incorporating an extra budgetary fund into the budget could be a step forward in terms of simplification, political control (e.g., for the European Parliament) and programming. These resources could be less flexible, but become more democratically accountable.

Conclusion

Clearly, the MFF is not an easy test for EUGS implementation due to its complexity and to the need to balance domestic and foreign objectives. However, the EUGS has been internalized by the MFF debate, and it represents the document that will have, along with the Agenda 2030, the greatest impact on how the EU shapes external action policies under the new budget ceiling. Overall, it seems that the new MFF architecture can support the ambition of the EUGS. Additionally, the dedicated resources to external actions are slightly increased, notwithstanding the current budgetary difficulties related to Brexit. How development cooperation will be framed in the MFF will represent a test for the concrete implementation of the EUGS. The coming months will show whether this level of commitment can be maintained in the final MFF.

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[11] European Commission, *A European Union Emergency Trust Fund for Africa*, 12 November 2015, http://europa.eu/rapid/press-release_MEMO-15-6056_en.htm

[12] James Mackie, Matthias Deneckere and Greta Galeazzi, "Matching Means to Priorities", in *ECDPM Challenges Papers*, No. 8 (January 2017), p. 2, http://ecdpm.org/?p=25611; Elise Kervyn and Raphael Shilhav, "An Emergency for Whom? The EU Emergency Trust Fund for Africa – Migratory Routes and Development Aid in Africa", in *Oxfam Briefing Notes*, November 2017, http://hdl.handle.net/10546/620380

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