BRIEFING

2021-2027 MFF

European Parliament

Financing EU external action in the new MFF, 2021-2027

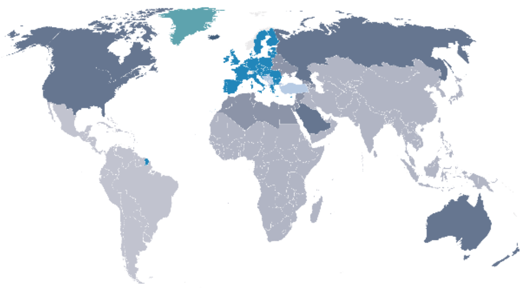
Heading 6 'Neighbourhood and the World'

SUMMARY

In May 2018, the European Commission published its proposals for the new multiannual financial framework (MFF), the EU's seven-year budget for the 2021-2027 period, followed by proposals for the MFF's individual sectoral programmes. In the proposals, financing external action is covered under Heading 6, 'Neighbourhood and the World', which replaces the current Heading 4, 'Global Europe'. Taking into account the evolving context both internationally and within the EU, as well as the conclusions of the current MFF's mid-term review, the Commission has proposed changes to the EU external action budget in order to make it simpler and more flexible, and to enable the EU to engage more strategically with its partner countries in the future.

The proposed Heading 6 comes with increased resources and important structural changes. It envisages merging the majority of the current stand-alone external financing instruments into a single one – the Neighbourhood, Development and International Cooperation Instrument (NDICI) – as well as integrating into it the biggest EU external financing fund – the European Development Fund – currently outside the budget. Another proposed novelty is to set up an off-budget instrument – the European Peace Facility – to fund security and defence-related actions. With these changes, the Commission strives to take into account, among other things, the need for the EU to align its actions with its new and renewed international commitments under the UN 2030 Sustainable Development Agenda, the Paris Climate Agreement, the new EU Global Strategy, the European Consensus on Development, the European Neighbourhood Policy, and to make EU added value, relevance and credibility more visible.

Negotiations on the 2021-2027 MFF are under way. The final decision is to be taken by the Council, acting by unanimity, with the European Parliament's consent. However, in view of current political realities and the financial implications of the UK's withdrawal from the EU, the adoption of a modern budget for the future remains a challenge that is not limited to Heading 6. Further developments are expected by the end of 2019.



In this Briefing

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Members' Research Service

PE 644.173 – November 2019

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Introduction

On 2 May 2018, the European Commission published its proposals for the EU's next long-term budget, for the 2021-2027 period, followed shortly thereafter by proposals for the new spending programmes. The MFF is subdivided into headings that cover broad policy areas and reflect the EU's political priorities. In the new MFF, external action would be financed under Heading 6, 'Neighbourhood and the World'.

The proposal for Heading 6 has been influenced by many factors, including increased migration and refugee flows, security threats, wider changes in the international and the regional context, and internal challenges, such as the UK's leaving the EU, which has implications for the financing and implementation of EU external action. Furthermore, the EU has adopted a new policy framework, stepping up its international commitments on development cooperation. As the UN 2030 Sustainable Development Agenda is a cornerstone of internal and external EU policy, the Commission has sought to mainstream the sustainable development goals (SDGs) in its proposal.

The EU is a leading provider of official development assistance (ODA) and the primary trading partner and foreign investor for a great many countries in the world. Its external action budget helps it to uphold fundamental values (democracy, human rights, peace, stability, solidarity, sustainable development and poverty reduction) and to implement its priorities in the world. The added value of its intervention in external action is based on its competences and expertise, its credibility as a peace player, its political and economic clout and the geographic range of its external cooperation.

As the 2016 EU Global Strategy puts it, the EU needs to assert its global role in 'an ever more connected, complex and contested world', and to implement its commitments stemming from the 2030 Sustainable Development Agenda, the Paris Climate Agreement, the EU Global Strategy for foreign and security policy, the European Consensus on Development, the EU Neighbourhood Policy and the EU-Africa Partnership, among others. To meet these objectives, the Commission has proposed a major reshaping of the external financing budget. A modernised Heading 6 with an increased budget of €123 billion (in current prices) aims to make EU external policies more visible and consistent, more flexible to unforeseen developments, and more coherent with EU internal policies, as internal and external actions appear increasingly intertwined (the migration crisis being an oft-cited example). Key features of the proposal include merging several existing instruments into a single broad one and integrating the off-budget European Development Fund. Another novelty is the creation of an off-budget European Peace Facility to finance military operations. Heading 6 comes with a strategic geographic focus on the Neighbourhood and Africa, and on cross-cutting priorities such as migration, peace and security, SDGs, climate change and gender equality.

EU external financing under the 2014-2020 MFF

The current MFF, for 2014-2020, negotiated in the context of the economic crisis, was the first to have lower resources overall compared to previous MFFs. Its total expenditure is set at €1 087 billion (in current prices), of which €66.2 billion can be spent under Heading 4 ('Global Europe') on external action, including humanitarian aid and development assistance. Heading 4 comprises most of the EU's external financing instruments (EFIs). However, the 11th European Development Fund (EDF), the biggest external financing instrument (€30.5 billion) managed by the Commission, is outside the EU budget and the MFF. Since the inception of the current MFF, new external action tools have been set up, leading to more complexity and fragmentation. Moreover, some smaller allocations for external activities are also available as part of the internal policies headings of the EU budget.

External financing is focused on four policy priorities: enlargement, neighbourhood, cooperation with strategic partners, and development cooperation. The main EFIs have a geographical and thematic format and are governed either by a dedicated regulation adopted by the Council and the European Parliament, or by a Council decision or specific provisions. The 2014-2020 MFF replaced the individual implementation rules of several EFIs with common rules under Regulation (EU) No 236/2014 (the Common Implementing Regulation (CIR)), which applies to the:

- Development Cooperation Instrument (DCI): the largest development fund (€19.7 billion) in the budget, with a geographical and a thematic format, and a focus on Latin America, Asia, Central Asia, the Gulf region and South Africa;
- European Neighbourhood Instrument (ENI): with a budget of €15.4 billion, a geographical format and a focus on 16 neighbouring countries, plus Russia for regional and cross-border cooperation;
- Instrument for Pre-Accession (IPA II): with a budget of €11.7 billion and a geographical format, it provides pre-accession assistance to the Western Balkans and Turkey;
- Instrument contributing to Stability and Peace (IcSP): with a budget of €2.3 billion, a thematic format and a focus on political stability and peace-building;
- Instrument for Democracy and Human Rights (EIDHR): with a budget of €1.3 billion, a thematic format and a focus on promotion of democracy and human rights;
- Partnership Instrument (PI): the novelty of the current MFF, with a budget of €955 million, a geographical format and a focus on industrialised countries.

Under Heading 4, there are several other instruments that have specific objectives and their own legal basis. For instance, the Humanitarian Aid Instrument has a budget of €6.6 billion for needs-based emergency response to natural disasters and man-made crises. The EU Aid Volunteers initiative, with an envelope of €147.94 million, aims to increase the EU's humanitarian aid capacity. The Common Foreign and Security Policy (CFSP) comes under Title V of the Treaty on European Union (TEU) and not Part V of the Treaty on the Functioning of the European Union (TFEU), which covers the other EU external policies. The CFSP budget of €2.3 billion is focused on preserving peace, preventing conflicts and enhancing international security, and covers administrative and operational expenditure. The Instrument for Nuclear Safety Cooperation (INSC), with a budget of €225 million, promotes a high level of nuclear safety outside the EU. The Instrument for Greenland, with a budget of €217.8 million, focuses on cooperation with Greenland. The EU Aid Programme for the Turkish Cypriot community, with a budget of €520 million for 2006-2018, aims to facilitate the reunification of Cyprus. It is not linked to the MFF, however, and has no end date.

The largest fund, currently outside the budget, is the European Development Fund (EDF), an intergovernmental fund with a budget of €30.5 billion, a geographical format and a focus on African, Caribbean and Pacific (ACP) countries and Overseas Countries and Territories. The EDF has its own implementation rules, similar to those of the other EFIs.

Special instruments that are relevant to the financing of external policies and are provided for by the EU budget but remain outside the MFF ceilings, include the Emergency Aid Reserve and the Flexibility Instrument.

Since the inception of the 2014-2020 MFF, the EU has also introduced some new elements. On the one hand, it has increasingly resorted to existing innovative financial instruments, such as the blending facilities, in order to meet investment needs in developing countries, and mobilise additional funds by combining grants with public and private resources. Eight regional facilities cover the entire geographical range of external cooperation.

On the other hand, four new trust funds (TFs) (see box) have been created, starting in 2014. TFs are joint initiatives funded by instruments from the EU budget and the EDF, Member States and other donors. Having a limited time span, they are intended to add value to existing actions and enable faster decision-making. Besides the TFs, the Facility for Refugees in Turkey was set up in 2016 within the wider framework established for addressing the migration crisis, as a unique coordination mechanism for the mobilisation of funds.

EU trust funds (EUTF)

Bêkou EUTF (2014) for the Central African Republic (€108 million);

Madad EUTF (2014) for the Syrian crisis (€542 million);

Emergency Trust Fund for Africa (2015) for stability and addressing root causes of irregular migration and displaced people in Africa (initial 1.8 billion);

Colombia EUTF (2016) in support of the implementation of the peace agreement.

Setting up a TF does not require the European Parliament's consent and is a challenge to budgetary oversight. In its 2018 negotiating position on the next MFF, the Parliament states that when setting up a trust fund is needed to meet specific objectives, full transparency, justification and accountability are to be ensured and its added value proven.

The EU's external investment architecture has also changed. Mid-way during the current MFF, an External Investment Plan was developed to boost investment in Africa and the Neighbourhood. The plan mobilises public and private finance through the European Fund for Sustainable Development (EFSD) to tackle the root causes of migration in these regions by supporting the 2030 Agenda. The EFSD comprises two regional investment platforms for blending and an EFSD guarantee, backed by an EFSD Guarantee Fund. The EFSD was set up to function as a single reference for financial institutions and public/private investors and to create added value by simplifying the EU framework for investment support. The Guarantee Fund for External Actions (GFEA) protects the EU from financial risks of loans and guarantees granted to (projects in) non-EU countries, and is linked to specific instruments: the external lending mandate (ELM) of the European Investment Bank (EIB), Euratom loans and Macrofinancial Assistance (MFA). It is managed financially by the EIB.

Mid-term review of the external financing instruments

Article 17 of the CIR required the Commission to present a mid-term review on several EU external financing instruments to the Parliament and the Council. Accordingly, the Commission published a coherence report (July 2017) laying out key insights from evaluations, as well as a mid-term review report on the EFIs (December 2017), based on a set of 10 evaluations.[1]

The coherence report finds that the lack of solid monitoring and evaluation systems has made assessment of the instruments difficult. It acknowledges that most instruments have had to face the challenge of incorporating unforeseen needs and pressing new priorities. Although emerging needs were largely addressed by the current MFF, they stretched the instruments to their limits. Internal resources and funds that had not initially been earmarked turned out to be insufficient to address new needs. Consequently, Heading 4 had to be increased in mid-term review, and special measures outside the regular programming decisions had to be used to accommodate those needs.

The mid-term review report concluded that the EFIs were 'fit for purpose' and did not need amending through legislative proposals or delegated acts. Yet, it saw a need for flexibility, simplification, coherence and performance. It recommended streamlining the implementation of instruments – complex and administratively burdensome in some cases – namely through more strategic and overarching programming. While noting that there was some coherence between the EFIs, the report found that more could be achieved by adjusting their number. Among other things, such a move would improve interactions between geographic and thematic instruments at the operational level. The report called for future instruments that consistently and coherently integrate the SDGs; make swift adjustments to a changing environment possible; deliver rapid results on the ground; and have sufficient financial, and other forms of, flexibility built in at different levels. Finally, the report admitted that measuring the long-term impact of the EFIs' implementation is difficult, but stressed that non-action or late action in external relations would be costly if instability and conflicts increase, with potential spill-over effects for the EU.

The impact assessment accompanying the proposals for the new EFIs confirms the above findings, and states that a fragmented approach has led to a complex set of instruments with limited flexibility. It highlights key messages from consulted stakeholders, such as the need for increasing flexibility (to shift funds across regions and aid modalities) without eroding predictability or long-term focus; increasing coherence among the EFIs and between external and internal policies; simplifying the administrative/financial procedures and structure; and better leveraging public and private funds for external aid.

The EPRS implementation assessment study on the EU EFIs and the post-2020 architecture highlights recurrent implementation weaknesses: limited political steering, disagreements with partner countries, and flexibility and capacity issues. The study stresses the importance of persisting with the development-oriented agenda and finding the right balance between short-term needs (i.e. security) and long-term strategic needs (i.e. development and a focus on EU values) beyond 2020. It also advocates closer monitoring and scrutiny of EU funds, and making sure that more flexibility does not mean reduced oversight from Parliament and less accountability to EU citizens.

Proposal for Heading 6 in the new MFF for 2021-2027

The above-mentioned assessments of the EFIs revealed that these needed simplification and more flexibility, and laid the ground for reform. The drafting of the 2021-2027 MFF was an opportune moment to address these needs and make EU funding for external action more strategic. Based on the assessments, the Commission has proposed a new framework with a stronger focus on EU added value, a streamlined budget, fewer administrative hurdles, and more flexibility and agility.

This reform reflects the global context in which work on the next MFF is taking place. The 2017 reflection paper on the future of EU finances points out that important contextual changes have occurred since 2014. The EU has to deal both with internal challenges (e.g. the UK's withdrawal) and external ones (migration, geopolitical shifts, instability in the neighbourhood and beyond, climate change), as well as having to cooperate with increasingly diverse partners. While the main objectives of external action remain the same, the EU is expected to have a bigger say on all of the above issues, which invites a rethink of the size and distribution of external action funds, of how EU finances align with new priorities and of how effective the different instruments are.

To address the contextual changes, the EU had already taken a number of steps, such as renewing its Neighbourhood policy in 2015; adopting in 2016 a Global Strategy that provides an overall vision for joined up, credible and responsive EU engagement in the world and spells out challenges likely to persist beyond 2020; and adopting the European Consensus on Development and renewing the EU-Africa Partnership and the European Consensus on Humanitarian Aid in 2017.

The Commission has proposed a €123 billion budget in current prices (currently €96.5 billion, with the EDF included) for Heading 6; this budget has a simplified structure and more flexibility, allowing the use and reallocation of unutilised funds on a multiannual basis. The bigger envelope indicates that external action is increasingly recognised as an important area of cooperation and EU added value.

The key step in restructuring the external action instruments consists of merging most of them in a single one – the Neighbourhood, Development and International Cooperation Instrument (NDICI). Another issue addressed in the proposal is the long-standing debate on the *budgetisation* of the EDF (i.e. its inclusion in the EU budget, long supported by the Parliament and the Commission), expected to strengthen the democratic scrutiny of its implementation, among other advantages. The proposal also includes a streamlined investment framework[2] for external action; with its increased capacity of up to €60 billion, it is intended to help leverage additional financing for sustainable development from the private sector. The outgoing High Representative/Vice-President (HR/VP) of the Commission, Federica Mogherini, described the proposal as an 'unprecedented investment in our global role' and 'a recognition of the added value of the EU work on foreign policy'. In addition, the HR/VP has proposed setting up a European Peace Facility outside the EU budget, to fund operational actions under the CFSP with military or defence implications that cannot be financed under the EU budget.

The changes are an attempt to accommodate future needs, while balancing the innovations they bring with the EU budget's key principles and limitations. The Commission's 2018 communication on the new MFF lists the weaknesses it has sought to address: the lack of flexibility that obstructs rapid reaction; divergent funding rules that impede access to funds; and funds being spread over many instruments. The accompanying spending review also highlights the complex architecture and procedures, the unsatisfactory level of flexibility for re-allocation of resources, and the lack of efficient monitoring systems for the current EFIs as issues that need to be addressed. The EPRS initial appraisal of the Commission's impact assessment outlines the overarching goal of the proposed reform: a lower administrative burden, fewer gaps and overlaps between instruments, more responsiveness to evolving needs, and focus on performance.

Proposed instruments for financing external action under the 2021-2027 MFF

Heading 6, as proposed, represents the Commission's attempt to build upon what has worked well, and to factor in anticipated challenges, i.e. to combine continuity with modernisation within the new instruments. It is framed in a way that reflects the need to focus on new strategic priorities – both geographical (the Neighbourhood and Africa) and thematic (security, migration, climate change and human rights), stemming from the above-mentioned strategic documents – and the ensuing EU commitments. Heading 6 has two main objectives: to cover the EU's external action in its neighbourhood and the rest of the world, and to provide assistance to countries preparing for EU accession. The new proposed instruments for EU external action under Heading 6 include:

- the Neighbourhood Development and International Cooperation Instrument (€89.2 billion);
- the Instrument for Pre-Accession Assistance (€14.5 billion);
- the Humanitarian Aid Instrument (€11 billion);
- the Common Foreign and Security Policy (€3 billion);
- Cooperation with Overseas Countries and Territories, including Greenland (€500 million); and
- the European Instrument for Nuclear Safety (€300 million).

In addition (and outside the EU budget), the HR/VP, supported by the Commission, has proposed creating a European Peace Facility with an envelope of €10.5 billion.

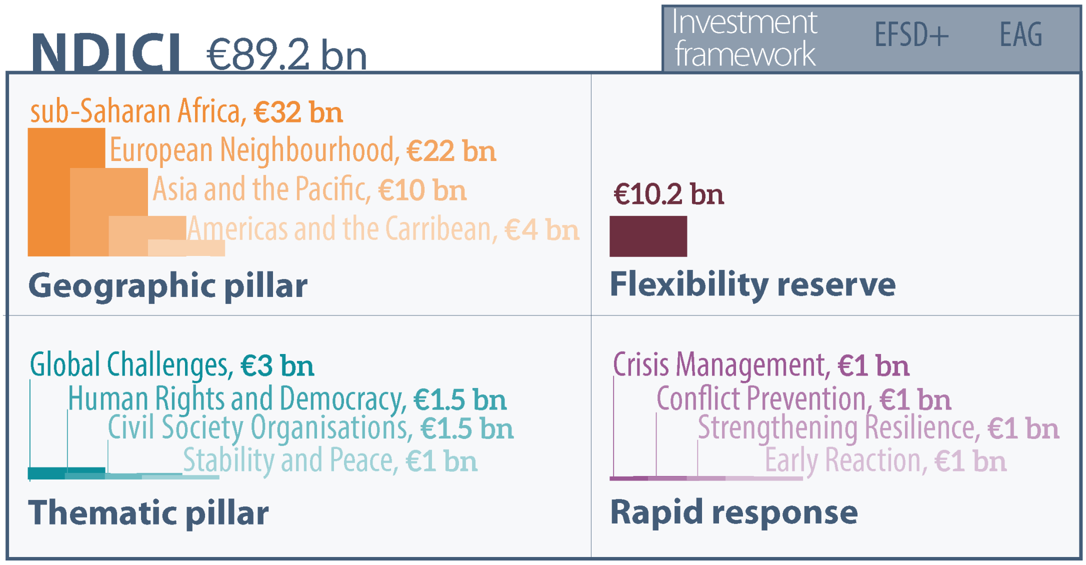
Under the proposed restructuring, the number of financing instruments would be streamlined, in order to simplify their operation and lessen the gaps and overlaps between them. Including the EDF in the budget is expected to increase the efficiency and effectiveness of EU development aid, strengthen the Parliament's democratic oversight and make such aid more predictable, among other things. Flexibility within and between programmes would be ensured through built-in reserves. The proposal envisages increasing the amount that can be transferred from one programme to another within the same heading from 10 % to 15 %, as well as making use of the full range of existing implementation modalities. In its external action, the EU can employ direct, indirect or shared management modes and delivery methods such as grants, procurement contracts, programme estimates, budget support, trust funds, technical assistance and information exchange (TAIEX) and twinning, guarantees, loans and other financial instruments. The restructuring also seeks to broaden the use of innovative financing mechanisms. Efficiency, EU added value and coherence with other EU policies are to be evaluated on the basis of a number of specific indicators.

Neighbourhood, Development and International Cooperation Instrument

The 2018 Commission proposal (COM(2018) 460 final) establishes a single broad financing instrument (NDICI) under Heading 6; this is one of the main novelties as regards financing external action. Its proposed total envelope is €89.2 billion (in current prices), or 72.5 % of all funds allocated to Heading 6. The NDICI is to absorb most of the current EFIs and programmes with a common legal basis and/or similar objectives. Instruments with a specific nature and objectives or a different legal basis are to remain stand-alone. Another novelty is the integration of the EDF into the NDICI. The advantages cited include increased democratic scrutiny by Parliament, stronger public legitimacy and political visibility of EU external aid, and a possibility to integrate the EDF's features of flexibility into the budget. In its 2016 resolution on the future of ACP-EU relations, the Parliament stated that the simultaneous expiry of the Cotonou Agreement and the MFF would be a good time to decide on the EDF's budgetisation and to make EU development financing more visible and efficient.

The NDICI has a three-pillar structure with a flexibility cushion (Figure 1). It includes a core geographical pillar (€68 billion), supplemented by a thematic (€7 billion) and a 'rapid response' pillar (€4 billion), as well as a 'flexibility reserve' (€10.2 billion). The three pillars would focus on: cooperation with partners from four main groupings of regions; achieving common goals and addressing global issues; and ensuring a quick response capacity for crisis management, conflict prevention and early action on foreign policy goals. The NDICI's flexibility would be such as to allow using and reallocating unutilised funds on a multiannual basis, mobilising funding from the rapid-response pillar for emergencies, and addressing new needs and unforeseen challenges through the flexibility cushion. Most resources (75 % of the envelope) would go to geographical programmes, and this is seen as ensuring predictability, along with the increased flexibility that comes with the NDICI. By placing special emphasis on and ring-fencing funds for the Neighbourhood (strategic partners) and Africa (where the majority of least developed countries are), the proposal ensures the NDICI's strategic orientation. The indicative allocation of €22 billion for the Neighbourhood makes it the largest increase of funding in the external action envelopes compared to the previous period.

Figure 1 – The Neighbourhood, Development and International Cooperation Instrument (NDICI)



Source: EPRS, 2019.

Geographical programmes are about promoting good governance, inclusive and sustainable economic growth and employment, security and peace; protecting the rule of law, human rights, human development and the environment; eradicating poverty; fighting against inequalities, and addressing issues related to migration and climate change.

Thematic programmes are complementary and may be applied where no geographical programmes are available or have been suspended or cannot adequately address the action needed. Thematic programmes would address issues linked to the pursuit of the SDGs at global level, such as democracy, human rights; civil society; stability and peace; and global challenges.

Rapid response actions would complement both geographical and thematic programmes. Their aim is to contribute to stability and conflict prevention in situations of urgency; to strengthen resilience; and to link humanitarian aid to development action. Rapid response actions would require no programming and are to be implemented through the adoption of exceptional assistance measure, action plans and individual measures, allowing for greater flexibility.

The NDICI is to be the EU's main tool for eradicating poverty and promoting sustainable development, prosperity, peace and stability. The thematic scope of the instrument is aligned with the European Consensus on Development and the 2030 Agenda. Cross-cutting priorities, such as environment and climate action, and gender, will

Horizontal spending targets of the NDICI

20 % for human development and social inclusion;

25 % for climate change;

10 % to tackle root causes of irregular migration;

92 % of funding reportable as ODA;

0.7 % of EU's collective GNI committed in ODA;

0.2 % committed to least developed countries

Source: 2018 Commission paper

be mainstreamed throughout, with spending targets set to prioritise specific SDGs (see box).

The NDICI regulation also establishes a streamlined investment framework for external action to help raise additional private sector funds for sustainable development. It would consist of the new EFSD+, expanding on the previous External Investment Plan, and an External Action Guarantee (EAG). The EAG would merge and replace the EFSD Guarantee, the EFSD Guarantee Fund and the External Lending Mandate; it would support EFSD+ operations, macro-financial assistance and loans to third countries. Under the EAG, the EU would be able to guarantee operations of up to €60 billion.

Although the NDICI should bring significant advantages, creating an instrument of such scale raises questions about its management, the distribution of resources within it, and its accountability and predictability in view of its greater flexibility, among other things.

The European Court of Auditors' 2019 Opinion No 10/2018 on the NDICI proposal qualifies the rationale for creating the NDICI as an attempt 'to simplify ways of working' while also reducing the artificial boundaries between the previous set of geographical and thematic instruments, increasing flexibility and coherence of action, avoiding the use of inconsistent approaches, and making greater use of existing synergies. It also includes a number of general and specific remarks and drafting suggestions that point to some existing uncertainties and/or omissions. For example, the opinion states that while the NDICI proposal provides for fewer gaps and overlaps between instruments, coherence and consistency depend on the implementation and management arrangements chosen by the Commission. It also highlights that the proposal does not address some questions related to the EDF's inclusion in the budget, thereby creating uncertainty.

In its opinion (positive with some reservations), the Regulatory Scrutiny Board voices concerns over the insufficient clarity on aspects such as the NDICI governance structure; the funding and policy implications of the EDF's budgetisation; and the ways future monitoring and evaluation would work.

In its 27 March 2019 legislative resolution on the instrument, the Parliament proposed amendments to the Commission text in order to put stronger emphasis on the pursuit of the SGDs, increase the NDICI budget and improve democratic accountability overall.

Instrument for Pre-accession Assistance (IPA) III

Due to its specific objectives, the Instrument for Pre-accession Assistance (IPA III) remains a stand-alone instrument in the new MFF. As the mid-term review acknowledged the IPA's relevance and the need to preserve continuity, minimal changes are proposed for this instrument.

The IPA supports political, institutional, legal, administrative, social and economic reforms in the candidate and potential candidate countries to align them to EU rules, standards, policies and practices before joining the EU. The IPA also contributes to the broader objectives of ensuring peace, stability and prosperity in the EU's immediate neighbourhood. Its added value lies in the fact that supporting the enlargement of the EU is by its very nature a task best pursued at EU level.

The financial envelope for the IPA III includes a 13 % increase, to €14.5 billion. While key priorities remain unchanged, under the new MFF, the IPA would have a more strategic orientation: its objectives would be aligned with the 2018 Western Balkan strategy's six flagship initiatives. It should also reflect changes in EU-Turkey relations and allow for flexibility to adapt to evolving circumstances. In terms of implementation, continuity with IPA II is envisaged, however, the new IPA would have increased steer from the EU, as its programming is based on priorities rather than country envelopes. IPA III will seek complementarities with both internal policy programmes (such as cohesion and agricultural policies), and external policy programmes (the NDICI), as well as with the InvestEU Fund, to ensure potential access of pre-accession countries to this new fund.

In March 2019, the Parliament adopted a legislative resolution on IPA III, introducing various amendments to the Commission proposal, including to the definition of the specific objectives of the instrument, and calling for increased financial resources (€14.66 billion in current prices), increased involvement of civil society organisations, and strengthened conditionality provisions.

Humanitarian Aid Instrument

The EU, with its Member States, is the leading humanitarian aid donor, helping millions of people by addressing humanitarian challenges worldwide. The EU is a leader in providing rapid and flexible assistance across a wide range of crises, and has leverage in shaping the global humanitarian policy agenda. All this, coupled with its operational knowledge and technical expertise, contributes to the added value of its humanitarian interventions. Humanitarian aid is needs-based, irrespective of other considerations. It is distributed only through the EU's humanitarian partners such as the UN agencies, NGOs and international organisations; furthermore, the EU operates a network of 48 humanitarian field offices worldwide that coordinates crisis response. Emergency funding is provided for essential supplies such as food, water, shelter, healthcare and education.

Humanitarian crises (conflicts, global refugee flows and natural disasters due to climate change) are increasing in number and amplitude, and the EU is resolved to remain a major global player in tackling them in the years beyond 2020. Evaluations on EU humanitarian aid have confirmed that the relevant EU policy and legal frameworks give an adequate response to crisis situations. Against this background, the Commission proposes a substantial increase in funding for the instrument – €11 billion in the next MFF. The Parliament supports keeping the Humanitarian Aid Instrument apart from other instruments so as to guarantee its independence. It has not adopted a resolution on the subject, as the Commission has not published a proposal on it.

Outside Heading 6 and the MFF ceilings, the Emergency Aid Reserve (proposed at €4.2 billion, or €600 million per year) is a special instrument meant to address emergencies outside the EU. The Commission proposes to use its additional flexibility and include EU operations in its scope as well.

Common Foreign and Security Policy (CFSP)

The CFSP is one of the main instruments for implementing the Global Strategy for the EU's foreign and security policy. Under the next MFF, it is allocated a total of €3 billion, up from €2.3 billion. Strengthened by the Lisbon Treaty, with the creation of the European External Action Service and the post of HR/VP, the CFSP allows Member States to speak in a single, stronger voice when projecting EU values and responding to global challenges, including conflict, instability, and security threats. Its added value lies in that it makes the EU's role as a global player on behalf of and alongside the Member States possible. CFSP operations contribute to enhancing the EU's credibility as a peace player and building trust in it among third countries. The CFSP strategic priorities include responding to external conflicts and crises, building the capacity of partners and protecting EU citizens. Because of their specific nature, many CFSP actions cannot be programmed in advance, and the budget needs to include a sufficient margin each year to enable a rapid response to crisis situations. The Council adopts specific decisions for each CFSP action as provided for in the TEU. The decisions provide for civilian Common Security and Defence Policy (CSDP) missions (the CFSP's operational capacity and military component); the work of the EU's special representatives; and actions to combat proliferation of weapons of mass destruction and their illicit spread and trafficking.

Cooperation with Overseas Countries and Territories (OCTs) and Greenland

The proposal for an Overseas Association Decision covers the special relations between the OCTs, including Greenland, the Member States to which they are linked, and the EU. It aims to promote the economic and social development of those countries and territories, and to strengthen their ties with the EU. This decision outlines the specific legal framework that applies to the OCTs. The Greenland Decision complements the Overseas Association Decision but outlines some specificities of relations with Greenland as well as providing financial resources for this country. Neither decision would be part of the NDICI, as they have a specific procedure for adoption: a Council decision by unanimity, following consultation of the Parliament. However, the two decisions would be merged in a single instrument with the same legal basis (Article 203 TFEU), made possible after the constraint to a merger was removed. Until now, the OCTs and Greenland had been receiving funding through the EDF and the EU budget respectively, but these would become one and the same source should the Commission's proposal for the integration of the EDF into the budget be given the green light. The future instrument would finance the OCTs under the budget and ring-fence funds for Greenland. A total envelope of €500 million has been allocated to Greenland and the 12 other OCTs which will remain associated with the EU after the UK's withdrawal. The Parliament's legislative resolution of January 2019 calls to increase the proposed envelope to €669 million. Furthermore, the Parliament expects a more transparent breakdown of funds between the 13 OCTs.

European Instrument for Nuclear Safety, complementing the NDICI

The proposal for a Council regulation (COM(2018) 462 final) establishes the European Instrument for Nuclear Safety, which would replace the current Instrument for Nuclear Cooperation and complement the NDICI. With a budget of €300 million, the new instrument would have a global scope of operation. Nuclear safety and related activities are a key component of EU external action, but fall under the Euratom Treaty and are therefore not compatible with the legal basis of the NDICI. The instrument would remain self-standing, have a legal basis of its own and complement the nuclear cooperation measures funded under the NDICI. The Parliament (only consulted) adopted its legislative resolution on this proposal in January 2019, approving the Commission's proposal.

The European Peace Facility (EPF)

The HR/VP has proposed the creation of an extra-budgetary funding mechanism to strengthen the EU's role in the area of security and defence in the increasingly dynamic international environment. The allocation of €10.5 billion would fund CFSP operations with military and defence implications for the duration of the next MFF. According to the Treaties, not all EU actions in the area of external security and defence can be financed by the EU budget. This is why the current instruments that fund military and defence activities – the Athena Mechanism and the African Peace Facility – are not part of the budget. The EPF is envisaged partly as a substitute for the existing mechanisms, but is also meant to build upon them by covering a wider scope of activities and new types of assistance available on a permanent basis, which would in turn allow for more flexibility and rapid deployment. The EPF would be financed through Member State contributions based on a GNI distribution key.

On 28 March 2019, the Parliament adopted its recommendation on the EPF, in which it called for proper parliamentary control over the fund and insisted that the Parliament's views and positions be taken into account when adopting EPF-related measures.

The role of the European Parliament

The Lisbon Treaty gave the MFF the status of a legally binding act and stipulated that the Council unanimously adopts the MFF regulation after obtaining the Parliament's consent in a special legislative procedure. The Parliament actively participated in the negotiations of the current MFF and managed to obtain a number of concessions: securing a mid-term review/revision, strengthening the flexibility provisions, and setting up an interinstitutional high-level group to examine the reform of the own resources system. However, not all of its claims were addressed, resulting in the Parliament's rights being limited in some cases. For example, the Parliament had sought a greater role in secondary policy choices, i.e. the possibility to scrutinise programming documents and have them adopted as 'delegated acts'. It also insisted that it should be possible to suspend EU assistance when a beneficiary partner breaches human rights or democratic principles.

The Parliament has a wide range of powers – legislative, budgetary and scrutiny – as regards the EFIs. It can exercise its scrutiny power through questions, resolutions, monitoring and evaluation reports and hearings, and through parliamentary diplomacy in third countries. The Parliament's rights of democratic oversight concern comitology legislation, reporting duties, strategic dialogue and budgetary discharge. The EIB and the Commission have reporting obligations towards the Parliament, such as annual reports, ad hoc hearings and answers to requests for information.

Yet, the current complex architecture of the EFIs does not provide for clear and uniform involvement of the Parliament. The scope of the Parliament's powers varies depending on the instrument or fund at hand. Its legislative powers allow it to participate in the establishment of new or the revision of existing instruments through the ordinary legislative procedure. However, this does not apply to trust funds or the EU Facility for Refugees in Turkey, where the Parliament's role is limited to scrutiny. The proposed EPF under the CFSP would be established by a Council decision with no involvement of the Parliament. Regarding development cooperation, the Parliament enjoys an array of powers and exercises influence through its budgetary power over the EFIs in the budget. However, the intergovernmental agreements on the EDF do not require the Parliament's consent. Its influence over the fund's expenditure has been limited to granting discharge for its financial management, as well as conducting an informal dialogue with the Commission, as provided for in the 2013 Interinstitutional Agreement. This is bound to change with the proposed integration of the EDF into the budget. As regards the NDICI, increased envelopes for development cooperation call for even stronger democratic oversight, which adds further importance to the Parliament's role. At the same time, democratic oversight becomes more challenging in a context of increased funds for ensuring flexible and speedy spending.

Parliament resolutions on the MFF and the EFIs

14 Mar 2018 Preparing the Parliament's position on the MFF post-2020

17 Apr 2018 Implementation of the DCI, the Humanitarian Aid Instrument and the EDF

18 Apr 2018 Implementation of the EU EFIs: mid-term review 2017 and the future post-2020 architecture

30 May 2018 MFF 2021-2027 and own resources

In the course of preparation of the 2021-2027 MFF, the Parliament has adopted a number of related resolutions (see box). The Parliament outlined its negotiating mandate with the Council in its resolution of November 2018. The overall message is that the Parliament expects the next MFF to take into account the new external challenges, both in the EU Neighbourhood and globally. To allow the EU to address these challenges, the Parliament calls for an increase in financing for Heading 6 (from €123 billion to €128 billion in current prices). It recalls the international commitments of the EU and the Member States and reiterates the need to integrate the EDF into the EU budget. Regarding the NDICI, in its March 2019 legislative resolution, the Parliament states its readiness to accept a simplified and streamlined architecture for the EFIs as long as it clearly respects the objectives of the underlying EU policies and enhances transparency, accountability, efficiency, coherence and flexibility of the EU funds for external action. It proposes an increase by €4 billion of the overall financial allocation for the NDICI, and reiterates the need for a stronger parliamentary role in secondary policy choices, by means of delegated acts. The Parliament also calls for better governance through enhanced dialogue with the Commission and stronger monitoring and reporting mechanisms, including for the new investment framework (EFSD+). It welcomes the ring-fencing of geographical allocations for the Neighbourhood and sub-Saharan Africa, and the fact that they have been highlighted as strategically important geographical priorities. The Parliament also places strong emphasis on promoting EU values, Agenda 2030, the fight against climate change and gender equality (by proposing that at least 85 % of ODA-funded programmes should have gender equality as a key objective), however suggesting that if a serious or persistent degradation of democracy in one of the partner countries occurs, support should be suspended. The Parliament also proposes to increase climate and environment-related spending and to place a stronger focus on human rights and development, among other things.

Next steps

The outcome of the MFF negotiations and the final size and structure of Heading 6 will reflect upon how the EU will engage with the rest of the world. Negotiations are under way within the Council and once concluded, talks between the Parliament and the Council will start. The Council, under the Austrian and Romanian Presidencies and now under the Finnish Presidency, is working towards a compromise that Member States can approve. It published a revised draft 'negotiating box' in June 2019, laying out the key parameters of the overall financial package but giving no figures for the ceilings and main expenditure allocations. The final text is now unlikely to be agreed by the European

Council by the end of 2019. As the Commission has stated, reaching an agreement in 2019 on the 2021-2027 MFF and its sectoral programmes would help meet the EU's international obligations and commitments towards partners, and ensure both a seamless transition between the two MFFs and continuity of funding. A late deal may result in reshuffled priorities at the expense of external action, as pointed out in a 2019 guide to the MFF. In the last MFF negotiations, it was Heading 4 that the final version was the most significantly reduced as compared to the initial proposal.

The Commission has faced constraints and challenges when drafting its MFF proposal. Researchers believe that the EU has, on the one hand, a number of stronger spending priorities, including border control, migration, security and external action, which could be compensated with cuts in the largest traditional EU programmes; on the other hand, the EU budget will be affected by the UK's withdrawal, and some net contributor countries are opposed to increasing their contributions as a share of GNI. Thus, while at this stage the proposal for Heading 6 is for increased resources, safeguarding this in the upcoming negotiations remains one of many challenges ahead.

MAIN REFERENCES

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Investing in Europe's Global Role: The must-have guide for the negotiations of the Multiannual Financial Framework 2021-2027, European Centre for Development Policy Management, April 2019.

ENDNOTES

1 These include the DCI; the EIHRD; the ENI; the IcSP; the IPA II; the PI; the INSC; the Greenland Decision; the 11th EDF and the CIR itself.

2 The proposed NDICI instrument for the MFF 2021-2027 integrates the existing model of the External Investment Plan and offers a broader EFSD+, comprising a single worldwide blending facility and a new External Action Guarantee with a ceiling of up to €60 billion. The new framework integrates the existing provisions for the EFSD, the ELM to the EIB, and the GFEA.

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