

# Neighbourhood and the world

## Heading 6 of the 2021-2027 MFF

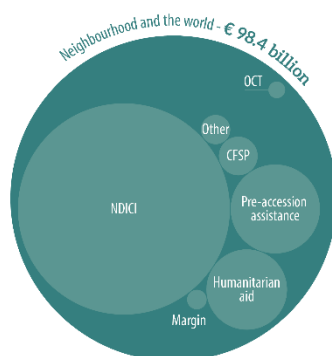
### SUMMARY

In May 2018, the European Commission published its first proposal for the multiannual financial framework (MFF) for the 2021-2027 period, and a set of individual sectoral proposals. After months of negotiations and given the significantly changed context following the outbreak of the Covid-19 pandemic, the Commission updated its proposals in May 2020. In the new MFF, external action is covered by Heading 6: Neighbourhood and the World, replacing the previous Heading 4: Global Europe. Taking into account the evolving international and EU context and the conclusions of the previous MFF's mid-term review, the Commission has aimed to make the EU's external action budget simpler and more flexible, to enable the EU to engage more strategically with partner countries throughout the financing period starting in 2021.

Heading 6 comes with a slightly increased budget and important structural changes. Most hitherto stand-alone external financing instruments have been merged in a single one, the Neighbourhood, Development and International Cooperation Instrument (NDICI), which also integrates the biggest EU external financing fund, the European Development Fund, previously an off-budget instrument. Another new element is the establishment of an off-budget instrument, the European Peace Facility, to fund security and defence-related actions. With these changes, the Commission aims in part to take into account the need for the EU to align its actions with its international commitments under the UN's 2030 Sustainable Development Agenda, the Paris Climate Agreement, the new EU Global Strategy, the European consensus on development, and European neighbourhood policy. It also aims to make EU added value, relevance and credibility more visible.

Parliament and Council reached a compromise on the 2021-2027 MFF in November 2020. In December, Council adopted the MFF Regulation by unanimity, with Parliament's consent. Political agreement on the NDICI regulation, in particular, was reached in mid-December, and Parliament gave its provisional agreement to the instrument in mid-March 2021. Finalisation of the text and other legislative documents relating to the other external financing instruments continues in 2021.

*This is an update of a [briefing](#) from January 2020.*



### IN THIS BRIEFING

- Introduction
- EU external financing under the previous MFF
- Mid-term review of the external financing instruments
- Heading 6 in the 2021-2027 MFF
- Instruments for external action under the 2021-2027 MFF
- The role of the European Parliament
- Conclusion
- Annex

## Introduction

On 2 May 2018, the European Commission published its initial [proposal](#) for the EU's next long-term budget for the 2021-2027 period, including proposals for the new spending programmes. In May 2020, in response to the outbreak of the Covid-19 pandemic and the need for an EU recovery plan aligned with the next MFF, the Commission adopted [an amended MFF proposal](#).

The MFF is divided into headings that cover broad policy areas (clusters) and reflect the EU's political priorities. In the new MFF, external action will be financed under Heading 6: Neighbourhood and the World. The proposal for Heading 6 was influenced by many factors, including increased migration and refugee flows, security threats, wider changes in the international and regional contexts, and internal challenges, such as the UK's withdrawal from the EU, with its implications for the financing and implementation of EU external action.

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.

In recent years the EU has adopted a new policy framework, stepping up its international development cooperation commitments. As the [United Nations \(UN\) 2030 Sustainable Development Agenda](#) is a cornerstone of [internal and external](#) EU policy, the Commission sought to mainstream the sustainable development goals (SDGs) in its proposal. In its 2016 EU [Global Strategy](#) for foreign and security policy, the EU emphasises the need to assert its global role in '[an ever more connected, complex and contested world](#)', and implement its commitments stemming for instance from the 2030 Agenda, the Paris Climate Agreement, the EU Global Strategy, the [European consensus on development](#), [EU neighbourhood policy](#) and the new [EU-Africa partnership](#).

To meet these objectives, the Commission proposed a major reshaping of the external financing budget. A modernised Heading 6 with a final budget of €98.4 billion (in 2018 prices) for the 2021-2027 financing period aims to make EU external policies more visible and consistent, more flexible in response to unforeseen developments, and more coherent with EU internal policies, with which they appear increasingly intertwined (e.g. the migration crisis). Key features of the new heading include a new broad instrument, absorbing a number of previous instruments, as well as the off-budget [European Development Fund](#). Another new element is the creation of an off-budget [European Peace Facility](#) to finance operational expenditure with military/defence implications, which cannot be financed under the EU budget as per Article 41(2) TEU. The heading's strategic geographic focus is on the Neighbourhood and Africa, and on cross-cutting priorities such as migration, peace, security, the SDGs, climate change and gender equality.

## EU external financing under the previous MFF

The 2014-2020 MFF, negotiated in the context of the economic crisis, was the first to have lower resources overall compared with the previous MFF. Its [total expenditure](#) was set at [€1 087 billion](#) (in current prices), of which €66.3 billion (or 6 %) for Heading 4: Global Europe, which covered external action, humanitarian aid and development assistance. Heading 4 comprised 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, was outside the EU budget and the MFF. Throughout the 2014-2020 MFF, new external action tools were set up, increasing the complexity and fragmentation of EU external financing. Some smaller allocations for external activities were also available as part of the internal policies headings of the MFF.

External financing [focused on four policy priorities](#): enlargement, neighbourhood, cooperation with strategic partners, and development cooperation. The main [EFIs](#) had a geographical and thematic

format and were 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 introduced common implementation rules for several EFIs 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 countries 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; and the
- [Partnership Instrument \(PI\)](#): with a budget of €955 million, a geographical format and a focus on industrialised countries; this instrument was [a new element](#) of the previous MFF.

Heading 4 also covered several other instruments with specific objectives and their own legal basis. For instance, [humanitarian aid](#) was allocated 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, aimed to boost the EU's humanitarian aid capacity. The EU's [common foreign and security policy](#) (CFSP) is covered by Title V of the Treaty on European Union (TEU), unlike the other EU external policies, which fall under Part V of the Treaty on the Functioning of the European Union (TFEU). The CFSP budget of €2.3 billion focuses on preserving peace, preventing conflicts and enhancing international security, and covers administrative and operational expenditure. However, operational expenditure with military or defence implications cannot be funded from the EU budget and this has so far been covered by the off-budget [Athena mechanism](#) and the [African Peace Facility](#). The [Instrument for Nuclear Safety Cooperation](#) (INSC), with a budget of €225 million, promotes high-level nuclear safety outside the EU. The [Instrument for Greenland](#) (€217.8 million) has focused 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, the [European Development Fund](#) (EDF), is 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. Since its launch in 1958, it had been outside the EU budget. The EDF has its own implementation rules that, over time, have however increasingly been harmonised with those applicable to the EU budget.

Special instruments relevant to the financing of external policies and provided for by the EU budget but outside the MFF ceilings, include the [Emergency Aid Reserve](#) and the [Flexibility Instrument](#).

During the previous MFF, the EU also introduced some new elements. On one hand, it resorted increasingly to existing innovative financial instruments, such as [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) were created, starting in 2014. TFs are joint initiatives funded by instruments from the EU

#### EU trust funds (EUTF)

Bèkou EUTF (2014) for the Central African Republic;

Madad EUTF (2014) for the Syrian crisis;

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

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

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. In addition, 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 mobilising funds.

Setting up a TF does not require Parliament's consent and is considered a [challenge](#) to budgetary oversight. In its [2018 negotiating position on the 2021-2027 MFF](#), the Parliament states that when 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 also changed in the previous period. Mid-way through the last 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 investment framework. 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 [macro-financial assistance](#) (MFA). It is managed financially by the EIB.

## Mid-term review of the external financing instruments

Article 17 of the Common Implementing Regulation 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) setting 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 (on the DCI, the EIHRD, the ENI, the IcSP, IPA II, the PI, the INSC, the Greenland Decision, the 11th EDF and the CIR itself).

The coherence report found that the lack of solid monitoring and evaluation systems made assessment of the instruments difficult. It acknowledged that most instruments had faced the challenge of incorporating unforeseen needs and pressing new priorities. Although emerging needs were largely addressed by the previous 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 the 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. Nevertheless, it saw a need for greater flexibility, simplification, coherence and performance. It recommended streamlining the implementation of instruments – complex and administratively burdensome in some cases – through more strategic and overarching programming. Noting that the EFIs were fairly coherent, the report found improvements could be made by reducing their number. Among other things, this would improve interactions between geographic and thematic instruments at operational level. The report called for the instruments to incorporate the SDGs consistently, allowing for swift adjustments to a changing environment, delivering rapid results on the ground, and with 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 was difficult, but stressed that non-action or late action in external relations would be costly if instability and conflicts were to increase, with potential spill-over effects for the EU.

The [impact assessment](#) accompanying the proposals for the new EFIs confirmed the above findings. It stated that a fragmented approach has led to a complex set of instruments with limited flexibility. It highlighted key messages from stakeholders, e.g.: the need for more flexibility (to shift funds across regions and aid modalities) without eroding predictability or long-term focus; greater

coherence among the EFIs and with internal policies; simpler 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 highlighted recurrent implementation weaknesses: limited political steering, disagreements with partner countries, and flexibility and capacity issues. The study stressed the importance of persevering with the development-oriented agenda and striking 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 advocated closer monitoring and scrutiny of EU funds, and ensuring that more flexibility did not mean reduced oversight from Parliament and less accountability to EU citizens.

## Heading 6 in the 2021-2027 MFF

The above-mentioned assessments of the EFIs revealed a need for simplification and greater flexibility, and prepared the ground for reform. The drafting of the 2021-2027 MFF was seen as an opportune moment to address these needs and make EU funding for external action more strategic. Based on these assessments, the Commission [proposed](#) a new framework with a stronger focus on EU added value, a streamlined budget, fewer administrative hurdles, and increased flexibility.

The restructured Heading 6 reflects the global context in which the 2021-2027 MFF was prepared. The 2017 [reflection paper on the future of EU finances](#) noted that major contextual changes had occurred since 2014. The EU had to deal both with internal challenges (e.g. the UK's departure from the EU) and external ones (migration, instability in the neighbourhood and beyond and climate change), as well as having to cooperate with increasingly [diverse partners](#). To address these 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 offered an overall vision for joined up, credible and responsive EU engagement in the world and spelled out challenges likely to persist beyond 2020; adopting [the European consensus on development](#) and the European consensus on humanitarian aid in 2017; and renewing the [EU strategy with Africa](#).

While the main objectives of external action remain the same, the EU is expected to have a bigger say in all of the above, in particular [in a post-pandemic world](#). To be in a position to deliver, in its proposal, the Commission considered not only the size, but also the distribution of external action funds, how EU finances align with new priorities and how effective the different instruments are.

The amount allocated to Heading 6 at the July 2020 [summit](#), and consequently in the newly [adopted MFF](#), is €98.4 billion in 2018 prices, or 9.2 % of the €1 074.3 trillion 2021-2027 MFF (Figure 1).

Whereas external action is increasingly recognised as an important area of EU added value, its envelope has not received as much in funding as [Parliament advocated](#). The final amount represents a significant cut compared with both the 2018 and 2020 Commission proposals, and only a slight increase as regards the 2014-2020 MFF. This makes [improved management](#) of external expenditure all the more necessary. At the same time, in the final stages of the negotiations, Parliament [secured a top-up](#) for 10 flagship programmes, including €1 billion for NDICI and €0.5 billion for humanitarian aid, to be financed, respectively, from reflows from the ACP Investment Facility (within the EDF) and from unallocated margins within the ceilings set by the European Council in July 2020.

The heading has been reorganised and ensures greater flexibility, allowing the use and reallocation of unutilised funds on a multiannual basis. The key change consists of merging most of the external action instruments into a single one – the Neighbourhood, Development and International Cooperation Instrument (NDICI). The [long-standing debate](#) on the *budgetisation* of the EDF (its inclusion in the EU budget) has also been concluded by integrating the EDF into the NDICI. Parliament and the Commission have long supported this idea, not least expecting it to lead to improved democratic scrutiny of implementation. The NDICI, referred to as [the 'Global Europe' instrument](#), also incorporates a streamlined investment framework for external action. Under the new MFF, the External Investment Plan broadens the scope of the EFSD+, comprising a single

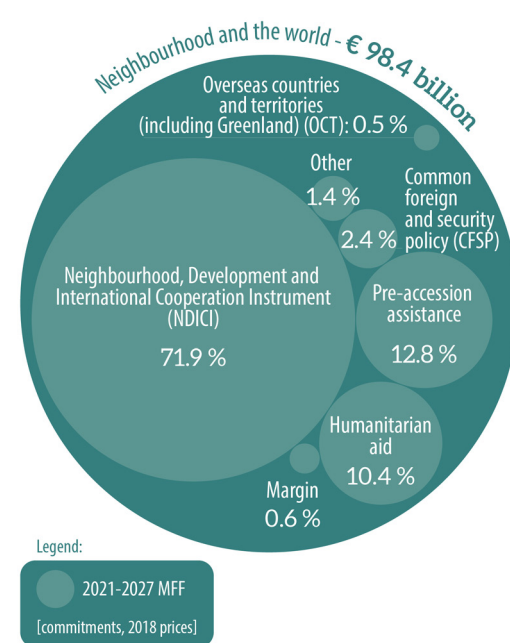


worldwide blending facility and sets up an External Action Guarantee to cover a volume of up to €53.4 billion ([in current prices](#)) of operations, intended to help leverage additional financing for sustainable development from the private sector. In addition, as proposed by the High Representative/ Vice-President of the Commission (HR/VP), a [European Peace Facility](#) outside the EU budget has been set up to fund operational actions under the CFSP with military or defence implications that [cannot be financed under the EU budget](#).

These changes are an attempt to accommodate future needs, while balancing the innovations they bring with the EU budget's key principles and limitations (for example as regards how flexibly the instruments can be used). The Commission's 2018 [communication](#) on the new MFF lists the weaknesses it sought to address: the lack of flexibility obstructing rapid reaction; divergent funding rules that impeded access to funds; and funds being spread over many instruments. The [EPRS initial appraisal of the Commission's impact assessment](#) outlined the overarching goal of the proposed reform: a lower administrative burden, fewer gaps and overlaps between instruments, more responsiveness to evolving needs, and a focus on performance.

In December 2020, the main legislation laying out the general framework for the 2021-2027 long-term budget and NextGenerationEU was approved and adopted, including the [Council Regulation on the MFF](#), the [Interinstitutional Agreement](#) and the [Regulation](#) establishing the EU Recovery Instrument. However, not all relevant sector-specific legislation has been formally adopted yet.

Figure 1 – Heading 6 in the 2021-2027 MFF.



Source: EPRS 2021.

## Instruments for external action under the 2021-2027 MFF

Heading 6 attempts to build upon what has worked well before, and to factor in anticipated challenges, i.e. to combine continuity with modernisation. It is [framed in a way](#) that reflects the need to focus on new strategic priorities – both geographical (with renewed focus on the Neighbourhood and Africa) and thematic (human rights, climate change, security and migration) – stemming from the above-mentioned strategic documents and the ensuing EU commitments. Heading 6 has [two main objectives](#), corresponding to two policy clusters (see Annex 2): to cover the EU's **external action** in its neighbourhood and the rest of the world, and to provide countries preparing to join the EU with **pre-accession assistance**.

The new instruments for EU external action (in 2018 prices) under Heading 6 include:

- the Neighbourhood Development and International Cooperation Instrument (€70.8 billion);
- the Instrument for Pre-Accession Assistance (€12.6 billion);
- humanitarian aid (€10.3 billion);
- the common foreign and security policy (€2.4 billion);
- cooperation with overseas countries and territories, including Greenland (€444 million); and
- other (including the European Instrument for Nuclear Safety) (€1.4 billion).

In addition (and outside the EU budget), the HR/VP, supported by the Commission, proposed a [European Peace Facility](#), the envelope for which was set at €5 billion in the EUCO conclusions.

Flexibility within and between programmes would be ensured through built-in reserves. The new MFF increases 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 (NDICI)

In 2018, the Commission [proposed](#) to set up one broad financing instrument as the [main new element](#) for financing external action in the next financing period. Its total envelope is set at €70.8 billion (in 2018 prices), or around 72 % of all Heading 6 funds. As one of the flagship programmes that the EP supported in the final stages of MFF negotiations, it will also benefit from a top-up of [up to €1 billion](#) in reflows from the EDF's ACP Investment Facility. Parliament [approved](#) the [provisional agreement](#) on NDICI on 18 March 2021, and the adoption of the regulation is [envisaged](#) for June 2021.

The NDICI absorbs most of the stand-alone EFIs and programmes with a common legal basis and/or similar objectives. Instruments of a specific nature and objective or a different legal basis remain outside its scope. Another innovation is that the NDICI also absorbs the EDF. The advantages cited include increased democratic scrutiny by the 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 had 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 and a flexibility cushion. The core is the geographical pillar (€53 805 million), supplemented by a thematic pillar (€5 665 million) and a 'rapid response' pillar (€2 835 million), as well as a 'flexibility reserve' (€8 495 million). The three pillars are to 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 should be such as to allow use and reallocation of 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.

Geographical programmes, which get most funds, 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 inequalities, and addressing issues relating to migration and climate change. 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 NDICI's strategic orientation is ensured.

Thematic programmes are complementary and may be applied where geographical programmes are not available, have been suspended or cannot adequately address the action needed. Thematic programmes will 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 will 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 will require no programming and are to be implemented through the adoption of exceptional assistance measures, 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 UN's 2030 Agenda. Cross-cutting priorities, such as environment and climate action, human development and social inclusion and gender, will be mainstreamed throughout, with spending targets set to prioritise specific SDGs.

The NDICI regulation also establishes a streamlined investment framework for external action to help raise additional private sector funds for sustainable development. It will [consist of](#) the new EFSD+, expanding on the previous External Investment Plan, and an External Action Guarantee (EAG). The EAG merges and replaces 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 €53.4 billion.

Although the NDICI is expected to bring significant advantages, the proposal of an instrument on this scale raised 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 qualified 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 included a number of general and specific remarks and drafting suggestions pointing to some uncertainties and/or omissions in the proposal. For example, the opinion drew attention to the issue that while the NDICI would provide for fewer gaps and overlaps between instruments, coherence and consistency depended on the implementation and management arrangements chosen by the Commission. It also highlighted that the proposal did not address some questions related to the EDF's inclusion in the budget, thus creating uncertainty.

In its [opinion](#) (positive with some reservations), the Regulatory Scrutiny Board had voiced concerns over the insufficient clarity on aspects such as the 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, Parliament proposed amendments to the proposal in order to emphasise the pursuit of the SDGs, increase the NDICI budget and improve democratic accountability overall. These were among the main issues discussed during the trilogues, in which Council and Parliament [agreed](#) on a greater role for Parliament in defining NDICI's main strategic choices, reached a compromise on migration, securing funds dedicated to specific objectives and regions, and set out rules for the suspension of assistance in given circumstances, among other things. The final vote on the agreement is [scheduled](#) for June 2021.

### 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 (and policy cluster) in the new MFF. The mid-term review acknowledged the IPA's relevance and the need to preserve continuity, and thus minimal changes have been introduced.

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 2021-2027 financial envelope for the IPA III is set at €12.6 billion (in 2018 prices). While key priorities remain unchanged, under this MFF, the IPA will have a more strategic orientation: its objectives will be aligned with the 2018 western Balkan strategy's six flagship initiatives. It also aims to 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 will 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, Parliament adopted a [legislative resolution](#), introducing various amendments to the Commission proposal, including to the definition of the IPA's specific objectives, and calling for increased financial resources, increased involvement of civil society organisations, and strengthened conditionality provisions. Adoption of the new IPA III regulation is still pending.

### Humanitarian aid

The EU, with its Member States, is a leading humanitarian aid donor, helping millions of people by addressing humanitarian challenges worldwide. It is a [leader](#) in providing rapid and flexible assistance in 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 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 coordinate crisis response.

Humanitarian crises (such as conflicts, global refugee flows, and natural disasters due to climate change, to name a few) are increasing in number and amplitude, and the EU is resolved to remain a major global player in tackling them in the years ahead. Evaluations on EU humanitarian aid have confirmed that the relevant EU policy and legal frameworks give an adequate response to crisis situations. The Parliament has supported keeping humanitarian aid separate from other instruments to guarantee its independence. Council Regulation No 1257/96 of 1996 concerning the implementation of humanitarian aid remains in force. Against this backdrop, funding for humanitarian aid has been set at €10.3 billion (in 2018 prices) for the 2021-2027 MFF. Along with the NDICI, humanitarian aid is the other Heading 6 instrument for which Parliament secured a top-up of €500 million (reallocated from the margin) for the upcoming MFF. In addition, the Commission is [proposing](#) new perspectives for EU humanitarian action in the Covid-19 context where significantly more people ([+40 %](#)) will be in need of some form of assistance in 2021, as compared to 2020.

Outside Heading 6 and the MFF ceilings, the Solidarity and Emergency Aid Reserve (€8.4 billion, or [maximum €1.2 billion per year](#)) is a special instrument designed to address emergencies outside the EU. It should reinforce EU action in response to the health crisis, and other emergencies. Funds can be channelled to provide emergency support as and when needed through EU instruments such as humanitarian aid where funding under dedicated programmes has not been sufficient.

### 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 2021-2027 MFF, it has been allocated €2.4 billion in 2018 prices, a slight increase in funds. 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 with a single, stronger voice when projecting EU values and responding to global challenges, including conflict, instability, and security threats. Its [added value](#) lies in the fact 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. CFSP strategic priorities include responding to external conflicts and crises, building the capacity of partners and protecting EU citizens. Their specific nature make many CFSP actions impossible to programme 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 [no overarching instrument](#) covers the entire MFF period. The decisions provide for either civilian common security and defence policy missions, missions of the EU's special representatives; or actions to combat the proliferation of weapons of mass destruction and small arms and light weapons 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 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 ruling out a merger was removed](#). Until now, the OCTs and Greenland received funding through the EDF and the EU budget, respectively. The new instrument will finance the OCTs under the budget and ring-fence funds for Greenland. A [total envelope](#) of €444 million has been allocated to Greenland and the 13 OCTs which will remain associated with the EU after the UK's withdrawal (previously 25, with 12 OCTs linked to the UK). In its 2019 [legislative resolution](#), the Parliament called, among other things, for a more transparent breakdown of funds between the separate OCTs. The decision has still to be adopted by Council.

## European Instrument for Nuclear Safety, complementing the NDICI

The Commission [proposed](#) the establishment of the European Instrument for Nuclear Safety, to replace the current Instrument for Nuclear Cooperation and complement the NDICI. 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 will remain self-standing, have a legal basis of its own and complement the nuclear cooperation measures funded under the NDICI. With a budget of €300 million in current prices ([€266 in 2018 prices](#)), the new instrument will have a global scope of operation. The Parliament (only consulted) adopted its [legislative resolution](#) on this proposal in January 2019, approving the Commission's proposal. The proposal, which was [endorsed](#) in December 2020, has still to be adopted by Council.

## The European Peace Facility (EPF)

In 2018, the HR/VP proposed the creation of an [off-budget funding mechanism](#) to strengthen the EU's role in the area of security and defence in the increasingly dynamic international environment. At the July 2020 summit, the allocation for this mechanism was set at [€5 billion in 2018 prices](#). The EPF is intended to 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 instruments that have so far funded military and defence activities during the previous MFF – the Athena Mechanism and the African Peace Facility – have not been part of the budget. The EPF is envisaged partly as a substitute for these existing mechanisms, but is also meant to build upon them by covering a wider range of activities and new types of assistance available on a permanent basis, which should in turn allow for more flexibility and rapid deployment. The EPF will be financed through Member State contributions based on a GNI distribution key. Parliament adopted its [recommendation](#) on the EPF in March 2019, calling for proper parliamentary control over the fund and insisting its views and positions be taken into account when adopting EPF-related measures. The Council [adopted](#) the EPF Decision in March 2021.

## The role of the European Parliament

Parliament has a [wide range of powers](#) (legislative, budgetary and scrutiny) as regards the external financing instruments. Yet the complex architecture of the EFIs does not provide for clear and uniform Parliament involvement. The scope of Parliament's powers varies depending on the instrument or fund at hand. Although Parliament's legislative powers allow it to participate in the creation of new or the revision of existing instruments through the ordinary legislative procedure,

this does not apply to trust funds or the Facility for Refugees, where its role is limited to scrutiny. The new EPF was established by a Council decision with no Parliament involvement. Regarding development cooperation, Parliament has [an array of powers](#) and exercises influence through its [budgetary power](#) over the EFIs. However, the intergovernmental agreements on the EDF have not so far required Parliament's consent. Parliament's 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](#) between Parliament, Council and the Commission on budgetary discipline, cooperation in budgetary matters and sound financial management. This should change with the integration of the EDF into the budget. As regards the NDICI, increased envelopes for development cooperation call for even stronger democratic oversight, adding further importance to Parliament's role. Democratic oversight will be increasingly [challenging](#), however, in a context where more funds are designed to allow flexible and speedy spending. 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 Parliament, such as annual reports, ad hoc hearings and answers to requests for information. Parliament can also exercise its scrutiny power through questions, resolutions, monitoring and evaluation reports, and through parliamentary diplomacy in third countries.

The Lisbon Treaty gave the MFF the status of a [legally binding act](#) and states that Council adopts the MFF regulation unanimously after obtaining Parliament's consent in a special legislative procedure. Parliament played an active part in the negotiations on the previous MFF and managed to obtain a number of [concessions](#). Not all of its claims [were addressed](#) however, resulting in [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.

In the course of the preparation of the 2021-2027 MFF, Parliament adopted a number of resolutions (see box) and outlined its negotiating mandate with Council as early as [November 2018](#). Overall, Parliament expressed its expectations that the next MFF would take into account the new external challenges, both in the EU Neighbourhood and globally. To allow the EU to address these challenges, the Parliament called for an increase in financing for Heading 6 compared with the Commission's initial proposal and supported the integration of the EDF into the EU budget. Regarding the NDICI, in its March 2019 [legislative resolution](#), the Parliament stated its readiness to accept a simplified and streamlined architecture for the EFIs as long as it clearly respected the objectives of the underlying EU policies and enhanced transparency, accountability, efficiency, coherence and flexibility of the EU funds for external action. It proposed an increase of the overall financial allocation, and reiterated the need for a stronger parliamentary role in secondary policy choices, [by means of delegated acts](#). Parliament also sought to secure better governance through enhanced dialogue with the Commission and stronger monitoring and reporting mechanisms, including for the new investment framework. It welcomed the ring-fencing of geographical allocations for the Neighbourhood and sub-Saharan Africa, which highlights them as strategic geographical priorities. The Parliament also placed strong emphasis on promoting EU values, Agenda 2030, the fight against climate change and gender equality and insisted throughout the negotiations on adjusting the relevant targets of NDICI in particular, such as increasing climate and environment-related spending and placing a stronger focus on human rights and development, among other things.

#### Parliament resolutions on the MFF and the EFIs

[March 2018](#) Preparing the Parliament's position on the MFF post-2020

[April 2018](#) Implementation of the DCI, the humanitarian aid instrument and the EDF

[April 2018](#) Implementation of the EU EFIs: mid-term review 2017 and the future post-2020 architecture

[May 2018](#) MFF 2021-2027 and own resources

[Nov 2018](#) Interim report on the MFF 2021-2027 – Parliament's position with a view to an agreement

[Oct 2019](#) MFF and own resources: time to meet citizens' expectations

[May 2020](#) New MFF, own resources and recovery plan

[July 2020](#) Conclusions of the extraordinary European Council meeting of 17-21 July 2020

[Nov 2020](#) Compromise between Parliament and Council

## Conclusion

The MFF negotiations have now concluded and the final size and structure of Heading 6 has been outlined. Council and Parliament reached a political agreement on the overall MFF in November 2020. Council adopted the MFF Regulation in December 2020. Work on finalising the agreements on the sectoral programmes is ongoing in 2021, to help meet the EU's international obligations and commitments towards partners, and ensure both a smooth transition between the two MFFs and continuity of funding. In the coming months the adoption and operationalisation of the new external financing instruments, and in particular NDICI, through the adoption of geographic and thematic multiannual indicative programmes is expected to take place.

The Commission faced constraints and challenges when drafting its MFF proposal. On the one hand, a number of stronger spending priorities have loomed for the EU in the upcoming financing period, including climate, border control, migration, security and external action; on the other hand, the EU budget has been affected by factors such as the UK's departure from the EU, but also, the outbreak of the global pandemic. The latter has made the negotiations more complex and directed the focus towards the EU's new recovery instrument – Next Generation EU, which does not extend to external financing however. In this context, despite the need for a stronger role in the world for the EU, the initially proposed increased resources for Heading 6 were not safeguarded and a more modest increase was secured, as a result in part of Parliament advocating topping up NDICI and humanitarian aid in the final stages of the negotiations. This in turn makes the question of the future efficient management of these funds even more central.

## MAIN REFERENCES

[A Modern Budget for a Union that Protects, Empowers and Defends – The Multiannual Financial Framework for 2021-2027](#), European Commission, May 2018.

[The next MFF, its Structure and the Own Resources](#), in-depth analysis, Policy Department for Budgetary Affairs, European Parliament, October 2017.

[The European Parliament and the new external financing instruments](#), study for the AFET committee, European Parliament, November 2018.

[A new neighbourhood, development and international cooperation instrument](#), briefing, EPRS, November 2018.

[EU external financing instruments and the post-2020 architecture: European Implementation Assessment](#), study, EPRS, European Parliament, February 2018.

[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.

## DISCLAIMER AND COPYRIGHT

This document is prepared for, and addressed to, the Members and staff of the European Parliament as background material to assist them in their parliamentary work. The content of the document is the sole responsibility of its author(s) and any opinions expressed herein should not be taken to represent an official position of the Parliament.

Reproduction and translation for non-commercial purposes are authorised, provided the source is acknowledged and the European Parliament is given prior notice and sent a copy.

© European Union, 2021.

[eprs@ep.europa.eu](mailto:eprs@ep.europa.eu) (contact)

[www.eprs.ep.parl.union.eu](http://www.eprs.ep.parl.union.eu) (intranet)

[www.europarl.europa.eu/thinktank](http://www.europarl.europa.eu/thinktank) (internet)

<http://epthinktank.eu> (blog)



## Annex

Table 1a – Heading 6: Neighbourhood and the World: 2021-2027 MFF  
(€ million, 2018 prices).

Heading 6 – NEIGHBOURHOOD AND THE WORLD	Total 2021-2027 MFF
Policy clusters	
<b>Total</b>	<b>98 419</b>
<b>14. External action</b>	<b>95 751</b>
Neighbourhood, Development and International Cooperation Instrument	85 245
<i>In addition, indicative use of reflows from the European Development Fund</i>	1 000
Humanitarian aid	10 260
Common foreign and security policy (CFSP)	2 375
Overseas countries and territories (including Greenland)	444
Other	1 366
Decentralised agencies	-
<b>15. Pre-accession assistance</b>	<b>12 565</b>
Pre-accession assistance	12 565
Margin	609

Totals do not tally due to rounding.

Source: EPRS, based on [European Commission](#), 2021.

Table 1b – Heading 6 Neighbourhood and the World: 2021-2027 MFF  
(€ million, current prices)

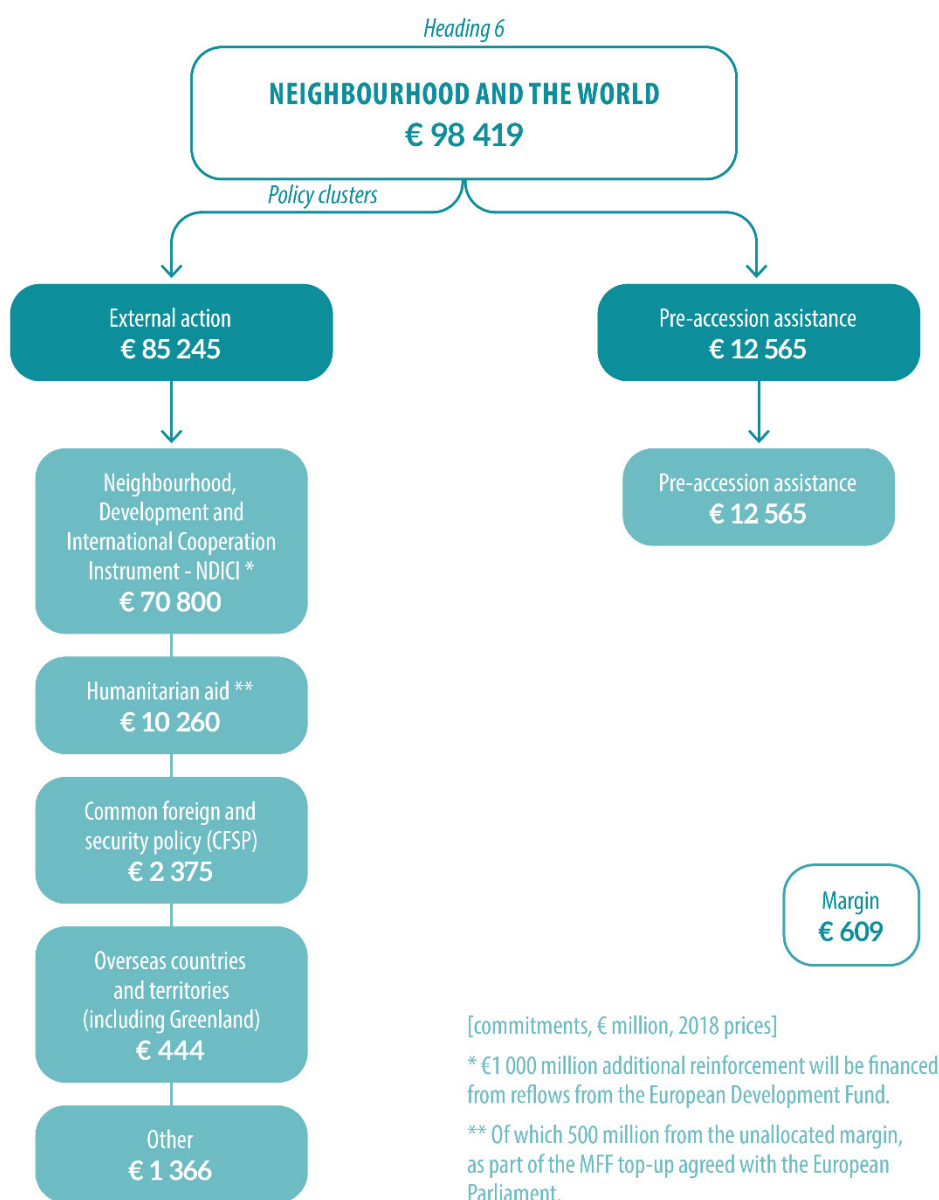
Heading 6 – NEIGHBOURHOOD AND THE WORLD	Total 2021-2027 MFF
Policy clusters	
<b>Total</b>	<b>110 597</b>
<b>14. External action</b>	<b>95 751</b>
Neighbourhood, Development and International Cooperation Instrument	79 462
<i>In addition, indicative use of reflows from the European Development Fund</i>	1 127
Humanitarian aid	11 569
Common foreign and security policy (CFSP)	2 679
Overseas countries and territories (including Greenland)	500
Other	1 542
Decentralised agencies	-
<b>15. Pre-accession assistance</b>	<b>14 162</b>
Pre-accession assistance	14 162
Margin	684

Totals do not tally due to rounding.

Source: EPRS, based on [European Commission](#), 2021.

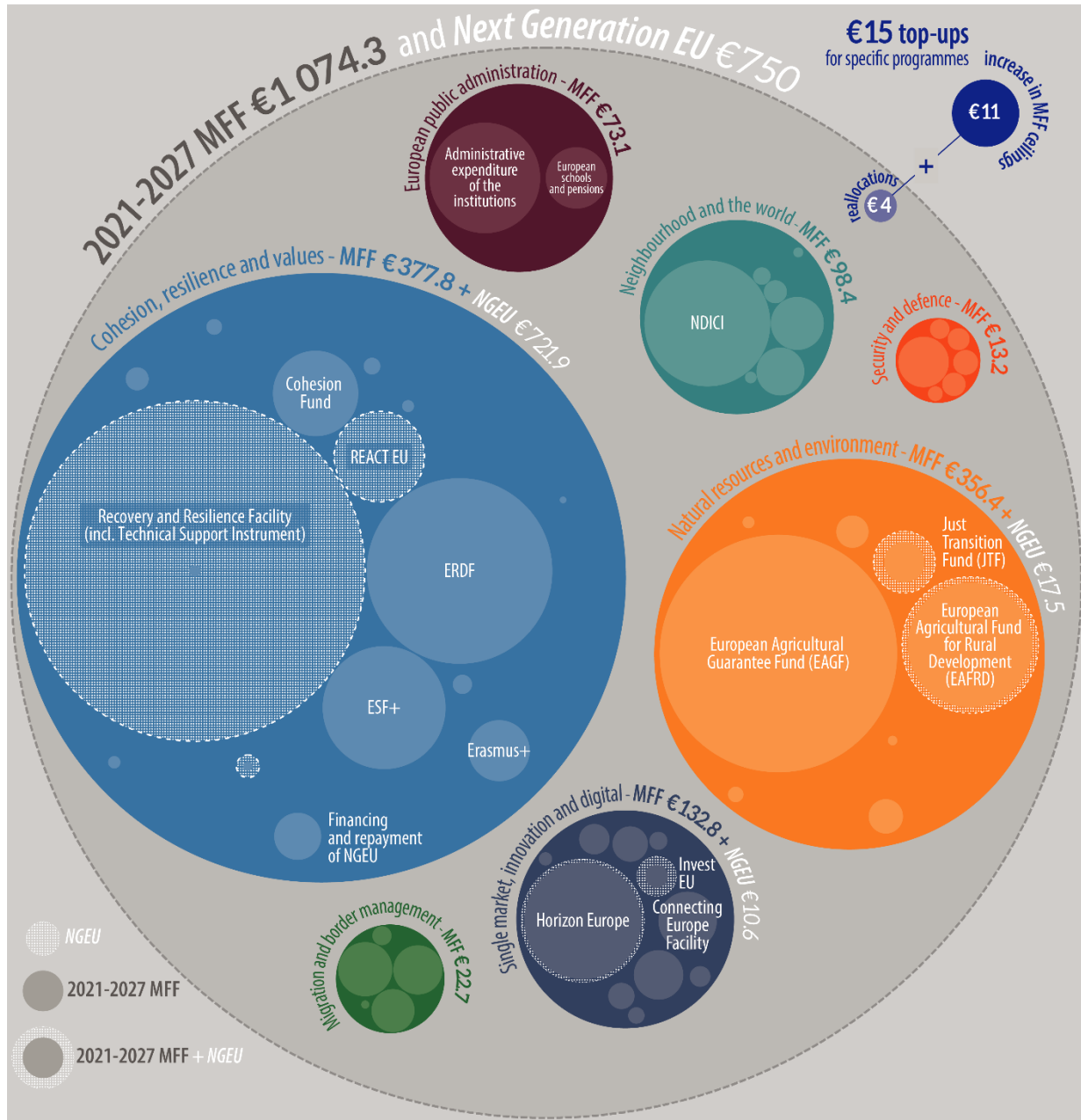


Figure 1 – Heading 6: Neighbourhood and the World – Policy clusters



Source: EPRS, 2021.

Figure 2 – 2021-2027 MFF and Next Generation EU (€ billion, 2018 prices) overview



Source: EPRS, 2021.