

BRIEFING NOTE No. 99

# The dynamics of EU budget negotiations for external action

## TOWARDS A 'SINGLE' INSTRUMENT?

MFF

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### SUMMARY

In 2018, at a time when the world and Europe are changing more than in decades, the EU will make critical choices on the design of its budget for the period 2021-2027. These choices will have a lasting strategic impact, and could see the transformation of long cherished - but often criticised - separate instruments such as the European Neighbourhood Instrument (ENI), European Development Fund (EDF), Development Cooperation Instrument (DCI), and European Initiative on Democracy and Human Rights (EIHDR). The political economy of the negotiations for the EU's next external action budget (incorporating foreign policy and development cooperation ambitions) will involve reconciling five different approaches that will dictate the outcome. The approaches explored in the paper are; 1) managerial, 2) political control, 3) development led, 4) financially led, and 5) strategy driven. The idea of a single instrument involving significant rationalisation of the EU's existing External Financial Instrument (EFIs) is gaining momentum. Yet key questions arise such as: how solid is the narrative that would justify a single instrument? What are the core instruments design choices that need to be made? And what are the various scenarios for operationalising a single instrument? The devil will be in the details of design and operationalisation. Hence, clear political choices will be required on a single instrument's scope and ambition, geographic focus, and political control. Also, what would be the desirable safeguards, earmarking and accountability, and what would be the consequences? Any 'single' instrument or rationalisation carries significant risks as well as potential benefits. In this brief we have highlighted different scenarios to assist stakeholders gain an insight into the political economy underpinning positions and make informed choices on issues surrounding a single instrument.



# 1. CONTEXT OF FUTURE BUDGET NEGOTIATIONS AND ITS CHALLENGES<sup>1</sup>

## The global context and the consequences for EU external action

1. In May 2018, the European Commission is scheduled to present its proposal for the EU post-2020 budget and potentially the detailed proposals on the External Financial Instruments (EFIs). Overall budget cuts might result from Brexit, but external financing under Heading IV (Global Europe) may be proportionally larger than today, according to the budgetary implications of the President Juncker's scenarios for the future of Europe.<sup>2</sup> The quest for a more flexible and simpler budget is behind demands for fewer instruments or, more radically, for merging of existing instruments into a single one. The College of Commissioners is likely to meet in January 2018 to discuss first ideas and instruct their Services and Directorate-Generals (DG) own the parameters for the proposals with broad discussions with member states in February. This brief focuses on the context and dynamics of budget negotiations exploring the option of a single instrument for EU external action. It explores the possible narratives, focus and design of such an instrument, acknowledging that this is one among many options.
2. The new EU budget for the period after 2020 will need to take into account the challenging and volatile times faced by the European Union. Its ambition to be a global player is currently sailing through rough seas. Brexit exposed the issues surrounding EU legitimacy and the urgency to articulate the EU added value to citizens. Slow economic recovery proved so far insufficient to tackle rising inequality, create decent jobs and reduce unemployment in the Union. A sense of insecurity and populism fuelled a backlash against migrants and refugees. Soaring national and sub-national identities have been testing the limits of European democracies and the EU project. Terrorist and radical networks span countries in and beyond the continent. Violent conflict is now closer to Europe and is destabilising neighbouring countries.
3. Europe's global leverage is declining. The EU struggles to live up to its own values and standards and the existence of alternative socioeconomic and political configurations diminishes the appeal of the European model. Developing countries are seeking their own paths to development and international cooperation and can choose among more partners.<sup>3</sup> Space for civil society is closing up in many places. Climate change, sustainable development, security and cyber security threats require collective action just as multilateral governance is weakened. China seeks more boldly global leadership at a moment when the US and Europe relations stand at their lowest in decades.
4. Consequences for EU external action are the most significant since the end of the Cold War. It is ironic that political expectations on EU external policy rise as the EU institutions retreat in rather conservative approaches. This occurs on EU-African, Caribbean and Pacific (ACP) and EU-Africa relations as much as in the adoption of ad hoc solutions to face migration and security perceived crises. As they deliver to the EU some tough requests, member states often promote national initiatives at the expense of progress on joint EU approaches. In such an unstable and competitive environment, the EU capacity to deliver on both its interests and values is suffering, as the failure to stabilise the EU neighbourhood shows.

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<sup>1</sup> Feedback can be given to: [as@ecdpm.org](mailto:as@ecdpm.org). This paper builds on earlier work by ECDPM and we are grateful for feedback we have received on past presentations and analysis ECDPM has produced related to the MFF. Authors are grateful for feedback received from ECDPM colleagues Alexei Jones, Virginia Mucchi, Alfonso Medinilla and Valeria Pintus on a draft and layout work by Annette Powell and Yaseena van't Hoff.

<sup>2</sup> European Commission. 2017. [Reflection Paper on the Future of EU Finances](#)

<sup>3</sup> Greenhill, R. Prizzon, A. and Rogerson, A. 2013 The Age of Choice: Developing Countries in the New Aid Landscape - A Synthesis Report. ODI <https://www.odi.org/publications/7163-age-choice-developing-countries-new-aid-landscape>

## Available opportunities and global agendas

5. Leveraging opportunities to make the EU a stronger and constructive global actor will require collective leadership by the EU and its member states. Brexit negotiations see EU member states aligned on common positions. The US Presidency's position on climate change prompted the EU to release strong declarations in support of the Paris Agreement and towards collaboration with China. The EU recent progress on defence cooperation was unthinkable just some years ago. The EU Global Strategy (EUGS) of 2016 and the European Consensus on Development of 2017 widen the scope for EU foreign and development policy to encompass development, global public goods, EU foreign interests and values.
6. Agenda 2030, the Paris Agreement and the Addis Ababa Action Agenda (AAAA) positively challenge the EU to enquire what its contribution will be. They promote an ambitious and complex vision for the future with implications at the subnational, national, regional and global levels. In the context of a more interest-driven EU that still wants to be a responsible global player, synergies and inconsistencies need to be identified and either exploited or managed. This regards external as much as internal goals and policies, and the financial instruments that underpin them.

## Key issues in budget negotiations for external action

7. The EU negotiations for the next Multiannual Financial Framework (MFF) offer space to distil a common vision into concrete plans. Summarising the evaluation findings of nine of the existing European External Financial Instruments (EFIs), the EU Coherence Report calls for a deep reorganisation of the external financing architecture and of its division of labour (see Box 1 below).<sup>4</sup> Flexibility and simplification can be politically attractive and bureaucracies might find it easier to manage funds, but they also carry risks and potentially too high expectations on the gains of instrument design.<sup>5</sup>
8. The current external financing architecture is viewed as cumbersome to manage and in urgent need of simplification. Some consider this a necessary step to increase efficiency, effectiveness and political appeal. But some of its key shortcomings depend on the implementation of the EFIs and the more granular functioning of EU Institutions. For example, the identification of synergies among different EFIs is left to the goodwill of individuals, without systemic incentives and direction. Joint work between EU institutions and member states stumbled against low political backing as well as technical barriers. While a more rational external financing architecture could benefit EU external action, it's unrealistic to think that a more rational design of financial instruments alone could solve issues that arise at multiple levels and involve different stakeholders.
9. The EU needs to avoid investing in policies and allocating resources to initiatives that will not bring the expected results, for example on curbing irregular migration through development cooperation.<sup>6</sup> More generally, the EU and member states must be under no illusion that financial resources, in particular of the scale available in the EU public coffers, can make up for the absence of well thought through political strategies and engagement with external partners.

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<sup>4</sup> European Commission, 2017 [Coherence Report](#): Insights from the External Evaluation of the External Financial Instruments. Final Report for European Commission.

<sup>5</sup> For a more comprehensive discussion around the issue of flexibility in the next budget see, Bossuyt, J., Sherriff, A., Tollenaere, M. de, Veron, P., Sayós Monrás, M., Di Ciommo, M. 2017 [Strategically financing an effective role for the EU in the world: First reflections on the next EU budget](#). Maastricht: ECDPM.

<sup>6</sup> Expectations that development can curb irregular migration tend to be misplaced as evidence shows that the migration-development nexus is much more complex and development can lead to more, rather than less, migration. See: De Haas, H. 2007 [Turning the Tide?](#) Why Development Will Not Stop Migration. *Development and Change* 38(5):819–841 and De Haas, H. 2010 [Migration and Development: A Theoretical Perspective](#). *International Migration Review* 44(1): 227–264.

## Box 1: What does the Coherence Report tell us about the current EFIs?

The Coherence report summarised the main findings of the various mid-term evaluations and collected ideas on the future set-up:

- Instrument design is not necessarily the main impediment to more effective EU external action. Most challenges occur at the strategy, programming and implementation level and where EU interests and the priorities of multiple counterparts in partner countries diverge. Limited autonomy and weight of EU delegations and the ad-hoc exploration of synergies among different instruments are also problematic.
- Gaps and inconsistencies in EFIs coverage require attention. Instruments are no longer fit to respond to the global aspects of the Agenda 2030 and the Paris agreement in terms of scale and type of funding and the required partnerships with the private sector, civil society, non-state actors and more advanced countries.<sup>7</sup> Overlaps and inconsistencies exist, for example, between the Development Cooperation Instrument (DCI) and the European Development Fund (EDF).
- Some instruments are paving the way for more updated forms of cooperation. Their strengths include the ability to match EU and partner countries interests under the Partnership Instrument (PI); to work with several DGs across the European Commission beyond the usual suspects of the development circles under the Global Public Goods and Challenges programme (GPGC); the speed and flexibility to adapt to changing and challenging contexts and to different partners under the Instrument contributing to Stability and Peace (IcSP).

10. Amongst the key strategic issues in the budget negotiations is the question of the future of the EDF. The 11<sup>th</sup> EDF (€30.5 billion for 2014-2020) is the largest of EU EFIs. It resides outside of the EU budget, although it is negotiated at the same time as the other on-budget EFIs. Any change to the EDF will have major cascade effect on the EU external financing architecture. The longstanding issue of whether to bring the EDF inside the EU budget (EDF budgetisation) will require all negotiating parties to take position and will be a major pressure point in the MFF negotiation. However, how much political capital will be invested in obtaining a particular outcome will be more important than official positions or proposals (see box 3 later in the text).

## 2. A POLITICAL ECONOMY LENS ON THE NEXT EU BUDGET - WHAT DRIVES POSITIONS

11. Based on analysis of past and current budget negotiations, it is possible to identify five different approaches that inform how proposals are developed and how negotiating positions are taken, advanced and defended.<sup>8</sup> Various institutions, ministries, DGs, parliamentary committees and individual departments within them can hold or push for different approaches.<sup>9</sup> Yet at a certain time in the negotiations some approaches will become more dominant in agenda setting and will frame the final agreement on the resultant EFIs. While these approaches are more nuanced and complex in reality, we present them more starkly for analytical and brevity purposes.

<sup>7</sup> Di Ciommo, M. 2017. [Finding the middle ground: Is the EU changing its engagement with middle-income countries?](#) (Taking Points blog) Maastricht: ECDPM.

<sup>8</sup> It is important to note that these approaches at this stage are not made up of a detailed and comprehensive analysis of 'positions' of the actors but more impressions from a limited number of interactions and past positions held in previous MFFs.

<sup>9</sup> There are more narrow approaches that seek to defend and advance primarily only one current instrument (e.g. EDF, ENI, EIDHR etc.) because of its thematic (e.g. Human Rights, Humanitarian) or regional (e.g. Neighbourhood or ACP) focus. The approaches noted in this paper have to be more encompassing than one issue or instrument to be featured.

12. These five approaches are:

- ✓ **Managerial approach** - The narrative here emphasises rationalisation, simplification, and flexibility. This approach seeks to make the management of resources more flexible, simplify and cut bureaucracy and rationalise different instruments. It prioritises efficiency and adaptation to an evolving context whereby policy shifts and new initiatives can be managed over the life cycle of the MFF with limited interference and minimal negotiation. For example, under this approach merging most EFIs and bringing the EDF inside the budget is a way to promote rationalisation and gain more flexibility through a larger financial reserve under one instrument only rather than dispersed under many instruments. Yet supporters of this approach can be concerned that budgetisation of the EDF may limit the flexibility that this instrument allows by it being currently off-budget and reduce the total amount of resources available. Proponents of this approach potentially can be found in parts of EC Directorate-General for International Cooperation and Development (DG DEVCO) and the European Commission more widely.
- ✓ **Political control-oriented approach** - This approach also subscribes to the need for flexibility and rationalisation, but its logic is more about control and direction of resources rather than efficiency, effectiveness or simpler management. The dominant narrative is that the world has changed and today the EU has to defend its interests in an increasingly challenging and competitive environment. The idea is that better political targeting of the EU's external budget would lead to better foreign policy results. Past spending of EU aid is seen as sub-optimal because it has not been sufficiently politically targeted or aligned to the EU's interests. Given the unpredictable nature of foreign affairs, this approach views flexibility as essential to cope with unforeseen events. A single instrument with limited regulation would thus be a useful tool to enact political initiatives quickly. While the majority of the resources should be inside the budget, an 'off-budget instrument' is also welcomed as it could allow the pursuit of foreign policy goals (security / defence) that are perceived to be more difficult to realise within the EU budget due to possible legal issues. Proponents of this approach can potentially be found within the foreign policy community, including the European External Action Service (EEAS), and certain Foreign Affairs Ministries.
- ✓ **Traditional development led approach** - The main narrative here is about ring-fencing traditional poverty focused development and humanitarian aid, and preventing a drop or cut in Official Development Assistance (ODA). There is also the concern to protect the development and humanitarian agenda from encroachment or dilution through the pursuit of other foreign policy interests, such as addressing irregular migration and promoting short-term European security interests, or the achievement of EU economic objectives. An additional consideration is that human rights and civilian led peacebuilding approaches will increasingly lose out if not explicitly protected. This approach is rather sceptical about the need for more flexibility and budgetary innovation including through a single instrument because these could mean less resources for poverty eradication, humanitarian aid and developing countries with less relevance in the current geopolitical context. Proponents of this approach can potentially be found in development ministries in certain member states, some units in DEVCO, the European Parliament's Development Committee (DEVE) committee and development NGOs and civil society networks.
- ✓ **A financial focus led approach** – This approach is based on two considerations against which all budget headings and EFIs are judged by how much a member state will contribute to the EU budget and whether EU resources will go towards the geographic and thematic interests of the given member state. This approach comes from actors beyond the foreign and development policy community and is applied to the whole budget, yet Heading IV / EDF and future EFIs will be significantly impacted by this macro dynamic. The dominant concern for member states is to limit the financial contributions of their respective ministries of finance to the EU budget, and that the latter focuses on issues of interest for them. Binary distinctions are made on whether budgetising the EDF would result in more or less payments when compared with the current situation without a full appreciation that this can be part of the overall negotiation on the entire budget not just heading IV.<sup>10</sup> Nuance is often lost and a 'zero-sum game' logic dominates

<sup>10</sup> There is also the idea that an off-budget instrument could offer more possibilities for the UK to continue to pay in post-Brexit. Yet it is unclear whether this option would be pursued by either the UK or the EU. An unchanged EDF as currently constituted would appear to be a rather unattractive option to many EU stakeholders.

thinking, e.g. if more resources are put towards one area, there has to be cuts somewhere else. Flexibility and a possible single instrument is viewed in a transactional way, e.g. judged on whether it could bring more resources to priority areas of a specific member state or less. Proponents of this approach can potentially be found in member states' ministries of finance and heads of government offices. A converse interpretation can be found in the European Commission and Parliament whose concern is to build a credible case for the largest possible budget (e.g. 1.23% or 1.4% of the European gross national income) where all areas, including Heading IV, could be better accommodated without significant cuts (including EDF budgetisation).

- ✓ **Strategy-driven approaches** - The narrative is that Heading IV and the EFIs should be guided by the global and EU commitments and strategies. They believe that Agenda 2030, the new EU Consensus on Development and the EU Global Strategy provide clear inspiration to design the future Heading IV, although with different emphasis on specific policy documents or priorities. Proponents advocate in favour of putting EU instruments at the service of these strategies. Flexibility is a concern as much as control over resources and better management, but these actors want essentially to ensure that the EU ends up in 2021 with a more limited set of EFIs that are primarily guided by shared strategic frameworks. In addition, their assessment is that existing barriers for more integrated and comprehensive work could be broken down by the merging of instruments. This would also allow dealing with the multiple nexuses between security, peacebuilding, environment, humanitarian, development, and migration issues that are so intertwined in today's international landscape. This approach acknowledges both the need for the EU to be more interests-led yet also respectful of the EU's development, peace and human rights goals and values. Proponents of this approach can potentially be found in the EEAS and some member states' foreign affairs ministries and are likely to be favourable to significant rationalising and merging of instruments.

### 3. EXPLORING THE CONTENT AND FORM OF AN 'SINGLE' INSTRUMENT

13. Some ideas on how the above scenarios and assessments will be translated into future instruments are circulating. Whether all or none of these ideas may end up in the European Commission's official proposal is too early to say, let alone where the final negotiations also involving the Council and the European Parliament will end up. Yet the option of merging or rationalising existing instruments into one larger instrument seems to be gaining significant momentum. This idea, however, needs to be measured against its political feasibility and technical implications to make informed policy decisions about its potential design and functioning.
14. To assess the desirability and feasibility of this option, three practical questions need to be considered:
  - ✓ How solid is the narrative that would justify a single instrument?
  - ✓ What are the core instruments design choices that need to be made?
  - ✓ What are the various scenarios for operationalising a single instrument?
15. There is no indication of an encompassing narrative in favour of a single instrument that easily flows from the existing policy statements agreed by the European Union institutions and the member states. The narrative for such an instrument would seem to be led more from a management and political approach than by an existing EU policy or strategy. From this perspective, the main advantages of a single instrument would be more flexibility to allocate and spend resources and potentially easier regulations and more simple procedures for accessing funds. A past example would be the establishment of Horizon 2020, the existing EU programme for research and innovation funding following the reform of a more complicated pre-existing framework.<sup>11</sup>

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<sup>11</sup> Horizon 2020 brought together the pre-existing EU funding streams for research and innovation under a common framework within the current MFF Heading 1 (Smart and Inclusive Growth). For a detailed assessment of this simplification see: Fresco, Louise O. et al. 2015 [Commitment and coherence essential ingredients for success in science and innovation](#) - Ex-Post-Evaluation of the 7th EU Framework Programme (2007-2013) (especially p. 80 onwards).

16. There has been a longstanding criticism that EU external action and development cooperation are too often 'instrument-driven' rather than 'strategy driven'. The 2016 EU Global Strategy represents a major step forward in determining the role and added value of the EU as a global player, although it cannot be considered a shared, comprehensive and broadly owned foundation for the future EU external financing architecture. The new European Consensus on Development has been negotiated by the same three parties that are negotiating the budget in the European Council, Commission and Parliament, yet it focuses only on development rather than wider EU external action. In addition, it offers a broad overview but little strategic direction on where the EU should focus its development cooperation. The European Neighbourhood Policy, the Joint Africa-EU Strategy and the EU's so-called Strategic Partnerships with third countries have all been heavily criticised in recent years and are constrained by their limited geographic focus.<sup>12</sup> Some have advocated that the Agenda 2030 could function as the overarching narrative, yet the jury is still out as to whether this can be the case (see Box 2 below).

Box 2: Does the Sustainable Development Goals provide a narrative for a single instrument?

One option for an overarching narrative for a single instrument for external action could come from the Sustainable Development Goals (SDGs) to create a so-called SDG Instrument. Arguments in favour of such a framing include:

- ✓ The Agenda 2030 is a global agenda approved by 193 UN member countries and is in line with the longstanding interest of several EU actors to ensure a global approach to EU development cooperation rather than a tapestry of regional approaches based on history and geographical proximity.
- ✓ The European Consensus on Development has fully integrated this agenda.
- ✓ The focus on global goals and the principle of leaving none behind would allow the EU to collaborate with upper-middle-income countries (UMICs) beyond the options currently available.<sup>13</sup>
- ✓ The *universal* nature of the Agenda 2030 would allow the EU to strategically link internal and external policies as recommended by the June 2017 Council conclusions on the implications of the Agenda 2030.<sup>14</sup> This could also help the construction of a more effective narrative to call for an increase in Heading IV funding.
- ✓ If properly operationalised, an SDG instrument could address the concerns of the several stakeholders as it could entail managerial simplification, more flexibility, a more strategy-driven approach as well as cater for the needs of the development community.
- ✓ A single instrument could help maximise synergies among the different means of implementation under the Agenda 2030 (SDG 17 on Partnership) and the AAAA, financial and non-financial, domestic and international, private and public.<sup>15</sup>
- ✓ Alternative narratives and strategic frameworks appear to be less solid than the universal Agenda 2030. Other existing frameworks are limited to specific strategic partners, the neighbourhood or are regional in nature.<sup>16</sup>

A number of challenges remain with an SDG instrument. Some could contend that it does not incorporate the EU's own interests, or more generally that the SDGs should be the organising principle for the entire EU budget 2021-2027 covering all headings both internal and external and not confined to any one external instrument, however encompassing.

<sup>12</sup> See, Steven Blockmans, 2017, *The Obsolescence of the European Neighbourhood Policy*, CEPS, Brussels Rowman and Littlefield International, London & Thomas Renard, 2010 *Strategy Wanted: The European Union and Strategic Partnerships*, Egmont - The 'Royal' Institute for International Relations - Security Policy Brief, and Bossuyt, J. 2017. *Can EU-Africa relations be deepened? A political economy perspective on power relations, interests and incentives.* (ECDPM Briefing Note 97).

<sup>13</sup> The Mid-Term Review evaluations and related Coherence Report have shown that graduation has created a gap in terms of engaging with UMICs under the DCI. Other programmes focus on global goals such as the GPGC programme under the DCI or EU and mutual interests under the PI.

<sup>14</sup> European Council. 2017 [A sustainable European future: the European response to the 2030 Agenda](#).

<sup>15</sup> Goal 17 includes financing, technology, capacity building, policy and institutional coherence, multi-stakeholder partnerships, data monitoring and accountability. The AAAA includes domestic and international, public and private resources; international development cooperation and trade; debt; systemic issues; science, technology, innovation and capacity building; data, monitoring and follow up.

<sup>16</sup> The oldest of all is the ACP-EU partnership due to expire in 2020. While the Commission and EEAS want to retain the 'acquis' of the Cotonou Agreement as the foundation for the future EU-ACP partnership, it is hard to see how this cooperation framework, restricted to former colonies of EU member states and based on traditional donor-recipient relations, can be made fit for purpose to deal with the global nature of the Agenda 2030. The European Commission has been careful to separate the financing instrument of the EDF from its own pronouncements on the future of the ACP-EU relationship.

## Core design choices to be made on the content and form of a 'single' instrument

17. While the momentum to move towards a single instrument or to merge (most of) existing instruments may be strong, the devil will be in the details of design and operationalisation. Hence, clear political choices will be required on the following dimensions:
- i. **Scope and ambition** - Is the aim to conceive a single instrument encompassing all dimensions of the EUGS, European Consensus on Development, European Neighbourhood Policy and Agenda 2030 (i.e. development, global public goods, peace and security, human rights, etc.) at all levels (global, regional, national, local)? What message does it send, both internally to EU citizens and to partners outside the EU? What will be the 'weight' of different policy documents (EUGS / ECoD) in the single instrument's scope? How to incorporate the framing given in existing instrument regulations (DCI, ENI, IcSP, etc.) and EDF?
  - ii. **Geographic focus** - Is this new instrument considered to be the successor of the Millennium Development Goals paradigm and hence primarily seen as serving the needs of the poorer and fragile developing countries? Or is it about the EU external relations more generally throughout the world? Are EU actors genuinely prepared to see the instrument driven by a universal agenda requiring differentiated geographic partnerships with the various regions (Africa, the Caribbean and Latin America, the Pacific, Asia, and the Eastern Neighbourhood, Central Asia etc.) and providing different policy responses including beyond aid? Could such an instrument help to overcome long identified problematic issues with the diversity and overlap of instruments (ENI, EDF and Pan-African Programme of DCI) dealing with Africa?
  - iii. **Quid thematic instruments?** - Most of the EU external action resources are allocated geographically rather than thematically. Yet the current external financing architecture also has a number of dedicated thematic instruments and programmes each responding to specific objectives and requiring specialised skills, approaches, working methods, funding modalities and partnership models. How wise and feasible is it to integrate all this into a single instrument?
  - iv. **Dealing with an expanding EU external action agenda** - As a result of core evolutions within the EU and globally, the field of external action has continued to expand far beyond development cooperation, ODA, or even concerns in the Neighbourhood. There are now global challenges as well as pressing own interests linked to EU foreign, economic and security policy requiring attention. How are these interests to be catered for post-2020 and what does a single instrument imply for the future of the PI, the current instrument geared at promoting EU interests? What could or should be left out of the single instrument, or even outside the budget entirely (e.g. a 'harder' defence/security issues instrument such as the recently floated "European Peace Facility")?<sup>17</sup>
  - v. **Political control** - Strategy-driven approaches to design a new EU external financing architecture are welcomed, but choices are also required on who will control and manage the resources allocated to the proposed single instrument. The global and universal nature of the Agenda 2030 and the ambitions of the EUGS and the Consensus imply a diversification of actors involved in the management of the instrument (beyond the usual suspects of DEVCO, DG NEAR, the Service for Foreign Policy Instruments and the EEAS). How much space is there for a truly integrated EU foreign policy approach that also incorporates the internal dimensions and involves other European Commission Directorates (e.g. DG Clima, DG Home...)?
  - vi. **Safeguards, earmarking and accountability** - What safeguards can be put in place at the Heading IV or at the instrument level that would be acceptable to all parties to ensure that particular issues, regions or values receive appropriate resources? What are those issues for which safeguards and earmarking are necessary (e.g. Least Developed Countries, the Neighbourhood, ODA, social sector spending, climate change, gender...) and do they all make sense? What old or new accountability mechanisms are credible and enforceable but also improve the flexibility and coherence of the EU budget?

<sup>17</sup> The creation of a "European Peace Facility" was mentioned in a [speech by Federica Mogherini](#) on 13th of December 2017.

- vii. **Impact of the AAAA** - Implementing the Agenda 2030 implies a diversification of means and a variety of actors, including much stronger domestic resource mobilisation, involvement of the private sector, non-state actors and civil society. They go well beyond financial support to encompass a wider range of tools and address systemic issues. How will this be reflected in the design of a possible single instrument?

Box 3: EDF Budgetisation – a critical issue for the single instrument

The financial arrangement of the European Development Fund either “in” or “outside” of the EU budget has been a recurring issue for over 30 years. The main argumentation for bringing it into the official EU budget is related to, coherence, efficiency, and democratic oversight of the European Parliament. The European arguments against that have been advanced are that it enhances the unique features of the specific ACP-EU relationship and the fact that it is perceived to be easier to fund special items like the Africa Peace Facility through the off-budget EDF. Another argument used in the negotiations of the 2014-2020 MFF was that an EDF outside the budget increases the total amount of EU Overseas Development Assistance (ODA). This was because of strong political opposition from some net contributors EU countries of ‘growing’ the overall EU budget beyond 1% of GNI – hence, if the EDF would have been placed in the ‘budget’, the slice of the pie for both ODA and European External Action would not have grown consummately. Yet in 2017 as the ACP-EU relationship will evolve, other options (of ODA and/or Africa) on ring fencing could be offered inside a ‘growing’ budget, this could be less of an issue.

Past budgetisation discussions never reached a critical stage in the negotiations, partly due to the path dependency of the ACP-EU/EDF setup, which proved difficult to overcome in the past. The desire to maintain a privileged relation with the ACP and ensure a substantial amount of development cooperation money easily trumped the arguments of coherence, efficiency and democratic oversight. Between now and 2020 however the ACP-EU partnership will be substantially reviewed. This will also be in parallel with the EU budgetary negotiations, which increases the scope for change both politically and financially. The UK leaving the EU also changes the dynamics. At the same time, the EU’s foreign relations are evolving, and the EU is looking at new types of partnerships and a stronger external security agenda. Many of the political variables that have long prevented budgetisation in the past therefore are changing.

Besides this principle based argumentation, there is a strong financial element to the discussions in terms of whether European countries think they will pay “more or less” depending on whether budgetisation occurs or not. This is because the ‘contribution key’, the manner in which the amount that EU member-states contribute is slightly different from the EU budget to reflect variable EU member state interest in cooperation with the ACP, even if in past EDFs, steps have been taken towards increasing alignment. More importantly, with the UK leaving the EU, there is new room for political manoeuvre on the 1% ceiling of GNI for the EU budget, which would allow for EDF budgetisation without disproportionate cuts. Yet the UK leaving will obviously have a significant impact overall. A new floated ‘off budget’ European Peace Facility, if properly financed, would also get around issues associated with perceived necessity for the African Peace Facility to be off-budget. Indeed, the narrative and political trade-offs needed for the creation of a ‘single’ or merged instrument is in a large degree dependent on whether the EDF would be budgetised. It is still far from certain whether EDF budgetisation would occur even if proposed by the Commission. The perspectives and active pursuit (or at least not active opposition) of this by the two largest contributors to the EDF, in Germany, and particularly France, will be a crucial determinant.

## Different scenarios for a ‘single’ instrument – with varying levels of ambition

18. The idea of a single instrument is a relative concept. In practice, it seems rather improbable for all external instruments to be replaced by one. In fact, the European Commission made proposals for significant reorganisation in 2004, but the European Parliament and the Council did not approve it.<sup>18</sup> That said, it is still useful to ask what a more encompassing instrument could look like.<sup>19</sup> The first key question is ‘what would go into the box’ of a ‘single’ instrument and what remains outside? Any single instrument or rationalisation carries potential benefits but also significant risks. Different scenarios can be envisaged, as spelled out in the table on the next page:

<sup>18</sup> The European Commission proposed an encompassing Development Cooperation and Economic Cooperation Instrument that included development cooperation, industrialised country cooperation, human rights and nuclear cooperation.

<sup>19</sup> European Commission’s communications are available at: [Towards a new financial framework 2007-2013](#), Summaries of EU legislation.

SCENARIOS	WHAT DOES IT ENTAIL?	CORE ISSUES AND RISKS
'All-in' scenario	A single instrument covering all dimensions of the EUGS, Consensus, EU Neighbourhood and Agenda 2030 with global geographic outreach and diversified funding mechanisms	<ul style="list-style-type: none"> <li>• Political feasibility?</li> <li>• Which legal basis or bases?</li> <li>• How much earmarking?</li> <li>• Scope for a larger flexible reserve?</li> <li>• Scope for accommodating different working methods depending on area covered?</li> <li>• Areas to be excluded ? (e.g. humanitarian aid, enlargement, 'harder' defence/security issues, neighbourhood)</li> <li>• How to manage it in a multi-actor way (DEVCO, NEAR, FPI, EEAS, other relevant DGs)?</li> <li>• What oversight role for the EP – from which committees?</li> <li>• Is ring-fencing a percentage for ODA important or useful in managing risks?</li> <li>• What comitology?</li> </ul>
'All-in-but' scenario	Most EFIs are replaced by a single instrument but a limited number of specific EFIs are maintained outside	<ul style="list-style-type: none"> <li>• What would be the rationale and argumentation for this?</li> <li>• Which instruments would be left outside and why (e.g. IPA and Humanitarian Aid or more)?</li> <li>• Who would manage what instruments and how to ensure synergies?</li> <li>• How much earmarking and for what (e.g. ODA and/or regions?)</li> </ul>
Geographic Instrument	An instrument focused on the bilateral relations that the EU has with the Neighbourhood, Africa, Asia and Latin America, at country and regional level.	<ul style="list-style-type: none"> <li>• How to adapt cooperation to different regions and countries?</li> <li>• How much earmarking?</li> <li>• How to work with different modalities?</li> <li>• How to work at different levels (global, regional, national and sub-national)?</li> <li>• How to ensure cross-geographic learning and synergies?</li> <li>• How would such an instrument co-exist with thematic instruments (for issues the EU wants to promote without formal government support?)</li> <li>• Who would manage it?</li> <li>• If this does not include the Neighbourhood and/or ACP/EDF countries how solid is this proposal?</li> </ul>
Development instrument	An instrument focused on poorer and fragile countries still requiring substantial aid funding, yet now covering all relevant aspects of the Agenda 2030 (implying an amalgamation of EDF and DCI)	<ul style="list-style-type: none"> <li>• What other EFIs are required to deal with the remaining aspects of Agenda 2030?</li> <li>• How to deal with engagement with middle-income countries on their national agendas and global public goods?</li> <li>• What about fragile countries that are also middle-income?</li> <li>• Is this a continuation of the split between development cooperation, on the one hand, and, on the other, mutual interests (= global agenda) and the EU's own interests?</li> <li>• What are the pros and cons of this?</li> <li>• Is there a risk to sustain the narrative that the Agenda 2030 is primarily for the development sector?</li> <li>• Is there a risk that other instruments would be less bound by ODA criteria - and is this important?</li> </ul>
Big-bang scenario	A 'super' instrument for an integrated EU external action that also incorporates the internal dimensions (i.e. the EU's own interests) and a possible merging of Headings III and IV	<ul style="list-style-type: none"> <li>• Political and institutional feasibility?</li> <li>• Which legal basis / bases?</li> <li>• How would this be managed and by whom?</li> <li>• Could defence and security interests be legitimately integrated - or would that have to be an off-budget instrument?</li> <li>• How would external concerns be protected from internal interests?</li> <li>• What comitology?</li> </ul>

19. What does all this mean for the upcoming debates on the future EFI architecture? Three concluding remarks seem appropriate.
20. First, a possible single instrument can reflect different reform ambitions and have various forms. This time around there might be more space for a 'single' external action instrument although a 'big bang scenario' is unlikely, considering the conservative approaches that tend to dominate the debates on the EU external financing architecture, and the challenge of reconciling in the end quite different objectives and ways of working. The notion of having a 'single' instrument needs to be put in perspective as differentiation according to geographic pillars (e.g. Africa, Neighbourhood), categories of countries (e.g. LDCs, fragile countries, UMICs, etc.) and scales of action will remain essential. Integrating thematic lines will also require respect for their specific objectives, partnership modalities, methods of work, procedural requirements, etc. If a 'single' instrument has too many 'drawers' to accommodate current EFIs, earmarking and ring fencing the break with the past may be relative and challenges of ensuring complementarity and synergies may re-emerge quickly.
21. Second, the outcome of the negotiations of the next EU budget for external action will inevitably be a compromise, as the five different approaches that inform positions noted in section 2 are reconciled.
22. No single approach will get all that it wants. A single instrument becomes more politically feasible if it can balance: 1) being simpler to manage with more flexibility 2) allow for a greater degree of political direction, 3) protects ODA and development cooperation at appropriate levels 4) allow different regions to be appropriately noted 5) draws greater strategic inspiration from the EU Global Strategy, Consensus and 2030 Agenda 6) integrate all the geographic instruments than just some (including the EDF and ENI) 7) does not lead to a disproportionate shrinking of the overall resources for EU external action vis-à-vis other budget headings 8) has appropriate safeguards and a degree of earmarking, while 9) protect the special features of thematic instruments. Yet this is a delicate balance to achieve.
23. Third, while the negotiations for the EU budget is a European led process, there is also the need to factor in what messages such choices will send to the EU's partners at the global, regional and national levels. Ultimately the success of the next EU MFF in achieving outcomes in external action will largely rely on the ability of the EU to forge and enable effective partnerships in a much more competitive and challenging international environment.



## About ECDPM

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Making policies work

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