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DISCUSSION PAPER No. 383

The multiannual financial framework after 2027: Financing the EU's global ambitions

By Alexei Jones, Mariella Di Ciommo and Andrew Sherriff

December 2024

This framing paper sets the scene for the EU's post-2027 multiannual financial framework (MFF) negotiations, examining the key issues that are influencing the discussions. The paper looks at how they might shape the budget's priorities, size and structure with a focus on EU external action.

The MFF, currently covering over €1.2 trillion of EU spending, is both a highly political and technical plan. The post-2027 MFF must address unprecedented geopolitical instability, ongoing wars in Ukraine and the Middle East, economic competitiveness, strategic autonomy and migration priorities. While calls for a complete overhaul are growing, entrenched negotiation dynamics and institutional path dependencies may constrain radical reform, each scenario presenting trade-offs for EU external action.

Negotiations will unfold at four interconnected levels: the overall budget, thematic headings, instruments and within instruments. The external action heading, including instruments like NDICI-Global Europe, must make a strong case for funding to align with the EU's strategic domestic and global goals. The paper emphasises that sustaining external action funding is vital for EU interests, credibility and influence as a global actor and cooperation partner.

Future funding must balance flexibility to address immediate priorities, like Ukraine, with long-term goals such as sustainable development, climate action and stronger international partnerships. The paper warns against overly transactional approaches that favour short-term EU interests over mutual benefits and highlights the strategic risks of external funding cuts.

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Acknowledgements

The authors would like to thank Amandine Sabourin, Karim Karaki and Volker Hauck for their constructive input and feedback on earlier drafts of this paper. The authors are also grateful to Annette Powell, Isabell Wutz and Virginia Mucchi for editing and layout and to Robin van Hontem for the infographics. The views are those of the authors and do not necessarily represent those of ECDPM. Any errors or omissions remain the responsibility of the authors. For comments and feedback please email aj@ecdpm.org; mdc@ecdpm.org; as@ecdpm.org.

Acronyms

BRICS	Brazil, Russia, India, China, and South Africa
CFSP	Common Foreign and Security Policy
COVID-19	Coronavirus disease 2019
ECDPM	European Centre for Development Policy Management
EDF	European Development Fund
EFSD+	European Fund for Sustainable Development Plus
EPF	European Peace Facility
ERF	European Recovery and Resilience Fund
EU	European Union
G20	Group of Twenty
GNI	Gross National Income
IPA	Instrument for Pre-Accession
MFF	Multiannual Financial Framework
MTE	Mid-Term Evaluation
NATO	North Atlantic Treaty Organisation
NDICI-GE	Neighbourhood, Development and International Cooperation Instrument Global Europe
NGEU	Next Generation EU
ODA	Official Development Assistance
SDG	Sustainable Development Goals
US	United States

1. Introduction

In 2025, the EU will begin negotiations for the post-2027 Multiannual Financial Framework (MFF), its long-term financial plan outlining and grouping spending priorities over a seven-year period. The MFF serves as the EU's key tool for delivering its domestic and international objectives, making its negotiation a highly technical and deeply political process. The current MFF 2021-2027 guides the allocation of over €1.2 trillion of funds across a wide range of policy areas.

The MFF negotiation is one of the EU's most consequential and contested processes, starting with the European Commission's initial proposal and followed by intense deliberations between the Council and the European Parliament. While informal lobbying and assessments are already underway, the Commission's formal proposal, expected after summer 2025, will mark the start of a lengthy and contentious process (Bonini 2024). The new MFF must be agreed upon by 2028, though delays and shifts in milestones are likely.

The stakes for this MFF are exceptionally high, shaped by geopolitical instability, high levels of uncertainties and unpredictability characterising the polycrisis, the war in Ukraine and in the Middle East, migration priorities, and the EU's drive for economic competitiveness and strategic autonomy. While calls for a strategic overhaul persist, past negotiations show strong path dependency, often favouring incremental adjustments over visionary reform. Any major shifts carry risks to established funding areas but also present opportunities to modernise and enhance EU impact. Crucially, the MFF's effectiveness depends on broader EU political and institutional dynamics, particularly in external action, where global factors often lie beyond EU control.

This paper provides a background on the key issues shaping the upcoming MFF negotiations in light of recent political developments. It examines the strategic and political considerations at the global and EU levels, focusing on how geopolitical shifts and internal dynamics could influence the MFF's overall size, structure and priorities, with a particular focus on financing for EU external action, and the Neighbourhood, Development and International Cooperation Instrument Global Europe (NDICI-GE) in particular. The paper is informed by ECDPM's insights from previous MFF negotiations and underscores the importance of smart investments in Europe's global role to meet its aspirations and maintain influence and credible partnerships in a changing world (Sherriff 2019).

Box 1: MFF negotiations in a nutshell

Levels of negotiation

The MFF is usually negotiated at four different but linked levels simultaneously (see Figure 1) and progressively focuses on different aspects of the EU budget. Below are the key levels of negotiation, outlining how each one contributes to the overall structure and funding priorities.

Level 1: Overall MFF – Political priorities and total budget
At this highest level, the negotiation focuses on the overarching political priorities of the EU, determining how these priorities are reflected across the entire MFF. This involves agreeing on the total budget for the next seven years and setting the overall architecture of the financial framework. The European Commission presents its proposal, which is influenced by strategic political goals, such as climate action, economic competitiveness, security, and external relations. The European Council plays a key role at this level, as heads of state or government negotiate the broad parameters of the MFF, ensuring that member states' national interests and the EU's collective ambitions are balanced. This stage results in the overall budget ceiling and establishes the broad political context for subsequent decisions. Decisions on cutting or increasing the MFF overall cascade down to other levels.

Level 2: Different budget headings – Envelopes for broad categories of spending
At the second level, the focus shifts to the different budget headings, which divide the MFF into thematic areas such as cohesion, agriculture, research & innovation, defence and security, and external action. This stage is concerned with determining the overall envelopes for each heading, i.e., how much funding will be allocated to each thematic area, ensuring that EU priorities are adequately supported. Negotiators must ensure coherence between internal priorities (for example, economic competitiveness, and digital transition) and external priorities (for example, development, cooperation, neighbourhood, and foreign policy), establishing a balanced relationship between the internal headings and between internal and external headings. The challenge here is to ensure that funding is allocated efficiently across headings while maintaining alignment with the EU's long-term political goals and added value, without overly prioritising one area at the expense of another.

Level 3: External Heading – Composition and interplay between external financing instruments
The third level of negotiation focuses on the external heading of the MFF, which covers all EU funding related to external action, including development cooperation, foreign policy, enlargement and humanitarian aid. Here, negotiators agree on the structure of external funding, such as the breakdown of resources between global development goals, security priorities (under the CFSP), and diplomatic efforts. The negotiation at this stage also includes determining the financing instruments that will compose EU external action, such as NDICI-Global Europe, the Instrument for Pre-Accession (IPA), and the Humanitarian Aid Instrument. These instruments must be aligned with the broader EU external strategy, ensuring that EU investments can address a wide range of global challenges, including geostrategic concerns, enlargement, migration, climate change, and sustainable development.

Level 4: Inside the instruments - Objectives, structure and envelopes
At the final level, the negotiation dives into the composition and structure of the external financial instrument, for example, the NDICI-GE. As the NDICI-GE is currently the most comprehensive instrument for financing EU external action this is where there will be many points of negotiation. This level with the NDICI-GE focuses on agreeing on the main pillars of the instrument, which typically include global development goals, geopolitical priorities, and neighbourhood-specific goals. Negotiations centre on defining global thematic envelopes, such as funding for climate action, health, and human rights, rapid response, as well as geographic envelopes that specify allocations for different regions (for example, Africa, Neighbourhood, Asia, etc.). Discussions also focus on ensuring that the instrument is sufficiently flexible to respond to unexpected crises or geopolitical developments, such as wars or pandemics, while maintaining focus on long-term development goals.

Winners and losers

The MFF negotiations are crucial, as they primarily focus on determining how much funding will be allocated to which priorities, often resulting in clear winners and losers among EU member states and policy areas.

The negotiating parties need to find hard compromises between various interests that historically pave the way to the conclusion of MFF negotiations, albeit with various degrees of incremental change to modernise it.

When negotiating the MFF, like any budget, changes in the amounts noted in the texts loom large. Politics demands that every EU Head of Government, plus the Presidents of the European Council, Commission and Parliament must return home from MFF negotiations declaring hard-won success, if not outright victory. This is despite the fact that the MFF represents a small share of overall European public spending and only about 1.1% of EU gross national income.

While analysts might prefer a more strategic discussion or one on modalities and innovations; negotiators, lobbyists, and interested parties regrettably primarily focus on whether their issues receive more or less funding. This often leads to heated debates about specific structuring and framing of amounts, amounts themselves, safeguards, and possible changes at all four negotiation levels of the MFF.

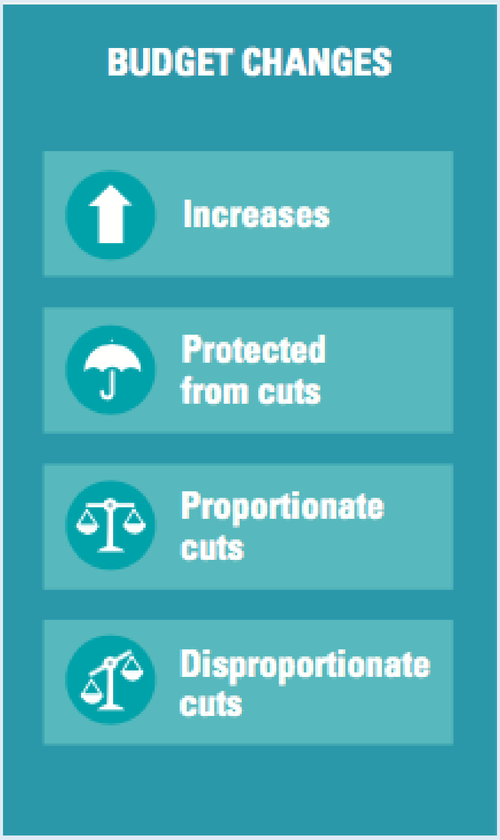
Two key points in the process highlight particularly this emphasis on numbers and percentages:

- The initial release of the European Commission's proposal, where amounts are compared by negotiators to the previous MFF.
- The final agreement, which is assessed against the Commission's original proposal.

The goal of the analysis is to see if funding has increased, been protected from cuts, or faced proportionate or disproportionate cuts. This calculation, while ongoing throughout the negotiation when every new proposal is announced (or trailed or leaked), is ultimately how success is measured by many.

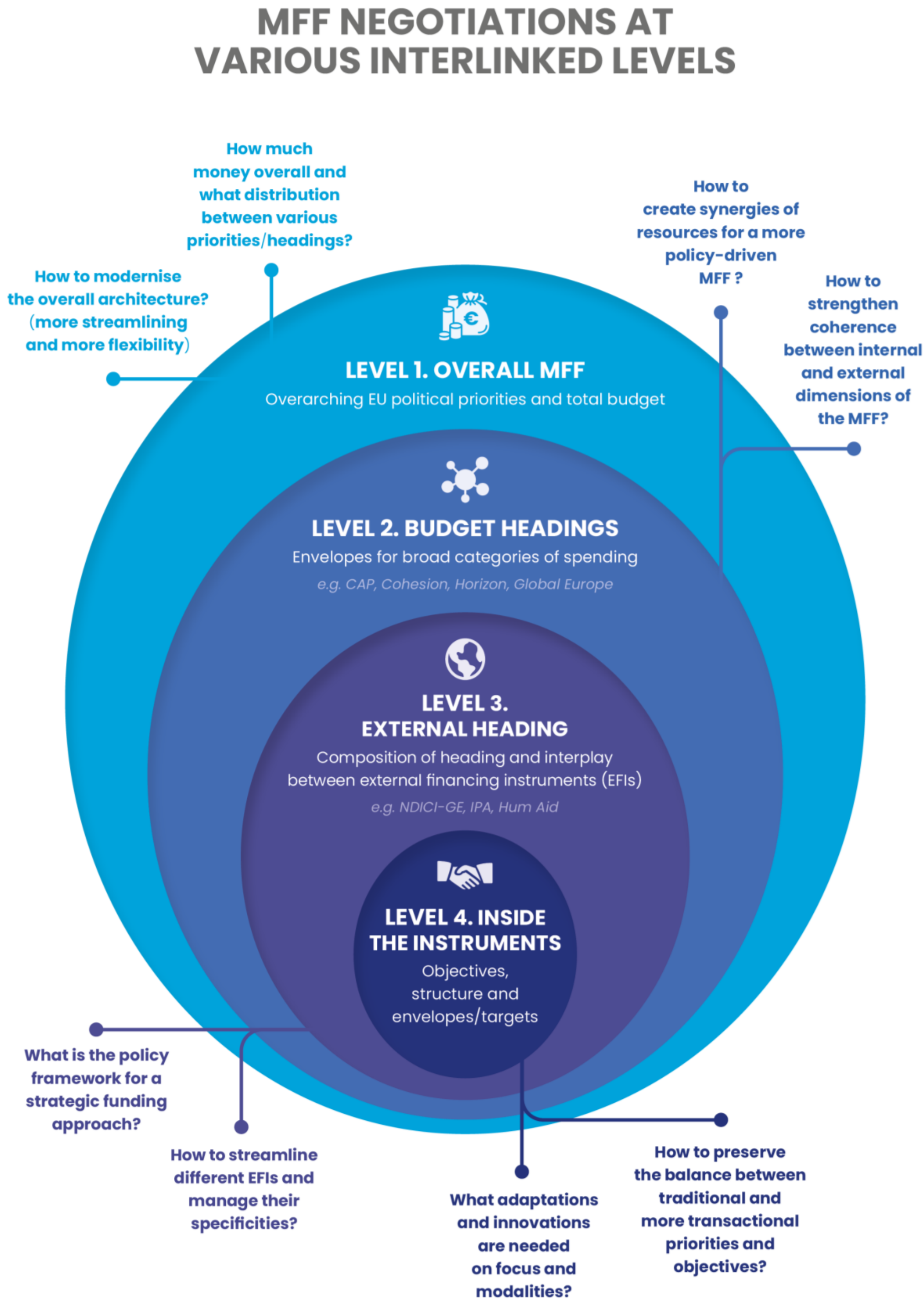
However, this approach to judging success presents methodological challenges. If the Commission changes its approach to grouping or framing expenditure at any level below that of the overall MFF, direct comparisons between MFFs risk comparing apples and oranges. If the Commission's proposed changes for the 2028-2034 MFF are radical, this could make comparison even more difficult as headings and instruments would not easily match. Additionally, comparing the value of a euro amount specified across different years requires common deflators. Without this, a seeming increase from one MFF to another could actually be a decrease in real terms. All in all, these considerations of whether there is “more or less” will be one of the major aspects of the negotiation, as will be the reconciliation of decisions made at one level (for example, to cut or increase) needing to be absorbed in another.

Table 1: Negotiations around amounts - winners and losers

CURRENT 2021-27 MFF FROM PROPOSAL TO FINAL AGREEMENT		FROM PAST 2014-2020 MFF TO CURRENT 2021-2027 MFF
The Commission's initial proposal for the 2021-2027 MFF amounted to €1.135 trillion (in 2018 prices), compared to the agreed €1.074 trillion. Overall cut of EUR 61 billion (-5.4%) that affected most headings, but: • External action was cut more than proportionally (-10%), but so were most of other headings apart from Cohesion and Values (- 4%) and Public Administration (-3%) • Heading 3 (Natural resources and environment) increased by +6%. • Security and Defence and Migrtion and Border management saw the deepest cuts, though from already low basis (respectively 46% and 26%)		**In real terms, the current MFF is 2.1% smaller than the previous one. Cuts and increased vary by heading:** • External action gained a 2.5% in funding, compared to the past, similarly to the Cohesion and Values heading. • Interestingly, the Single Market, Innovation and Digital heading, a stated priority, was cut more than proportionaly (-6%) • Heading 3 (Natural Resources and Environment lost 14%) • The Migration and Border Management and Security and Defence headings were new, the latter replacing a past one on Security and Citizenship

Source: ECDPM, changes calculated in real terms

Figure 1: MFF negotiations at various interlinked levels



Source: ECDPM

2. Shaping the next MFF: Navigating a volatile political landscape

The MFF negotiations occur against a backdrop of significant political shifts within the EU and globally.

2.1. A shifting and unstable geopolitical landscape

The shifting global order and rising geopolitical tensions - especially the wars in Ukraine and the Middle East, instability in the Sahel, competition with China, and an incoming Trump presidency in the US - pose major challenges for the EU's prosperity and security. These challenges will deeply impact EU policies and funding priorities in the post-2027 MFF.

The ongoing war in Ukraine has reshaped the EU's geopolitical focus. Since February 2022, the European Commission and Member States have mobilised nearly €124 billion in aid to Ukraine, including €57.8 billion mobilised by the EU and its financial institutions in macro-financial assistance, budget support, humanitarian and emergency support, provided or guaranteed by the EU budget (EC 2024a; EU NEIGHBOURS east 2024). For comparison, the entire EU external action budget in the current MFF (i.e. Heading 6: Neighbourhood and the World) totals €98.4 billion (EU 2020). Continued financial commitments will be necessary for Ukraine's reconstruction and EU accession in the coming years, requiring substantial resources to rebuild infrastructure, support governance reforms, and align with the EU acquis. This process will also demand significant adjustments to EU funding mechanisms and policies to accommodate Ukraine's accession, while balancing these commitments with existing priorities in other regions.

The war in Ukraine has also transformed EU-Russia relations, with energy security and defence becoming existential EU priorities. These areas previously received minimal funding, with Heading 5 on Security and Defence being the smallest heading of the current MFF amounting to just 1.2% of the total MFF (Mazur 2021). Their renewed prominence means that additional resources must be found, or else less will be available for other priorities. EU Defence and Space Commissioner Andrius Kubilius has proposed €100 billion in the next MFF for security and defence - matching the current external action heading (Barigazzi et al. 2024). Therefore, there is a balancing act for the EU as it continues to provide aid to Ukraine and bolster its defence while managing its broader global commitments and to other neighbouring countries and Africa.

Beyond Ukraine, other geopolitical shifts are reshaping the global landscape. The return of President Trump and his policy announcements have raised a number of questions on how Europe will adapt to a more transactional and less cooperative US administration on both economic and security issues. This could have significant implications for EU priorities, not least funding for Ukraine, Europe's own defence spending, trade, and Europe's engagement and positioning in multilateral fora. A less cooperative US will make partnerships and relationships with like-minded countries and emerging and developing countries more critical for the EU, pushing European policy-makers to seek more flexibility and policy responses backed up with resources through the next MFF.

Shifting global power dynamics have changed how the EU approaches international relations and articulates its priorities. While China remains a partner, it is increasingly seen as a competitor and a rival due to trade, technology, and security tensions. These tensions have pushed the EU to seek more strategic autonomy and to de-risk economic relations and supply chains, particularly in areas like research and innovation, digital infrastructure, and defence technologies. These shifts not only affect EU-China relations, but also the EU's broader partnerships, for example under the EU's external investment plan, and related Global Gateway strategy (Di Ciommo et al. 2024).

The EU's global influence and role, for example as a normative power, an economic hub and a global political actor are increasingly being questioned, in a multipolar world where regional powers like India, Brazil, South Africa and Turkey as well as Gulf Countries gain influence, alongside traditional Western powers. With rising South-South trade and political fora like the G20 and the expanded BRICS, the EU will need to navigate complex relationships in these regions and groupings, balancing economic interests, human rights, climate change, and security - at a time when global multilateralism is losing traction.

2.2. Internal challenges and political instability at EU/domestic level

The EU faces significant internal political and economic challenges that will shape the upcoming MFF negotiations. The latter are typically influenced by national political landscapes and domestic economic concerns - including unemployment, social welfare challenges, the cost-of-living crisis, fears of losing local industries to global competition - which will dominate the agenda. These issues, coupled with the social impacts of the green and digital transitions, are straining public resources. Structural problems like economic stagnation, ageing populations, low productivity, and limited innovation heightens demands on available EU resources.

The EU faces prolonged and widespread economic stagnation, with limited short-term growth prospects and it remains vulnerable to geopolitical and security shocks. In her second term as president of the European Commission, Ursula von der Leyen has shifted focus from a "Geopolitical Commission" to an "Investment Commission," emphasising economic strength as the foundation for geostrategic ambitions (von der Leyen 2024a). The thinking is that, firstly, without economic strength all other EU objectives, including geostrategic ambitions, become vulnerable; and secondly, that economic issues lean into areas of competence where the EU and EU institutions have added value and somewhat of a track record.

As outlined in political guidelines and reflected in the Von der Leyen II Commission, the focus of the Commission will be on strengthening European security, upholding strategic autonomy, and addressing the EU's declining economic competitiveness. While climate change and digital transition still feature among the priorities of the Commission, policies are now framed through the lenses of EU economic competitiveness and security. These mounting concerns are the subject of the first major initiative of the new Commission. The so-called "competitiveness compass" aims to reduce the innovation gap with the United States and China, decarbonise the economy, and secure stable supply chains, particularly for critical raw materials (EC 2024b). Based on the Draghi report, this vision calls for an additional €800 billion annually to invest in long-term EU competitiveness (Draghi 2024). While agreement can be found on the report's diagnosis and many of its policy prescriptions, there is deep division in the EU on how to pay for it. Some member states advocate austerity-focused budgets and prioritising national over international investments.

Rising populism and nationalism across Europe add complexity and are likely to complicate the MFF negotiations. Right wing parties have gained ground and centrist coalitions have shifted right, including in the European Parliament and the European Commission, leading to more domestically focused policies prioritising sovereignty and economic protectionism. Political and economic instability in France and Germany, traditionally aggregators and mediators of EU-wide preferences, could further complicate consensus-building.

Security and defence are becoming central to EU policy ambitions. External threats, including Russia's invasion of Ukraine and hybrid threats, have increased calls for stronger European military capabilities and wider security resilience. These concerns are reshaping the political landscape of the MFF, with military and defence spending likely to receive a larger share of funding, be it at EU level, or at national level to meet NATO commitments. However, questions remain about whether member states prefer EU-level or national funding for defence, particularly if this means reallocating funds from other valued EU budget areas. As a civilian power, the EU cannot fund lethal military spending through its budget. Instead, defence spending would focus on building a common EU defence industrial base and promoting collaboration, efficiency, and resilience. Proposals for new mechanisms, such as issuing bonds, aim to address these needs beyond the MFF or national budgets (Tamma et al. 2024).

2.3. Adaptations for EU external action and "Global Europe"

In a more multipolar and fragmented world, the EU's global role is confronted with growing scepticism and its influence is waning. While the EU retains its role as a norm-setter in areas like human rights, trade, and climate policy, its capacity to lead global agendas is diminishing. The EU's 'values agenda', long central to its external action, faces reduced political support at home, and rising resistance abroad (Gianesello and Sabourin 2024). These changes challenge the EU's traditional role as a global actor and cooperation partner, calling for new approaches to external engagement amid growing geopolitical rivalries and interdependence (Byiers 2024).

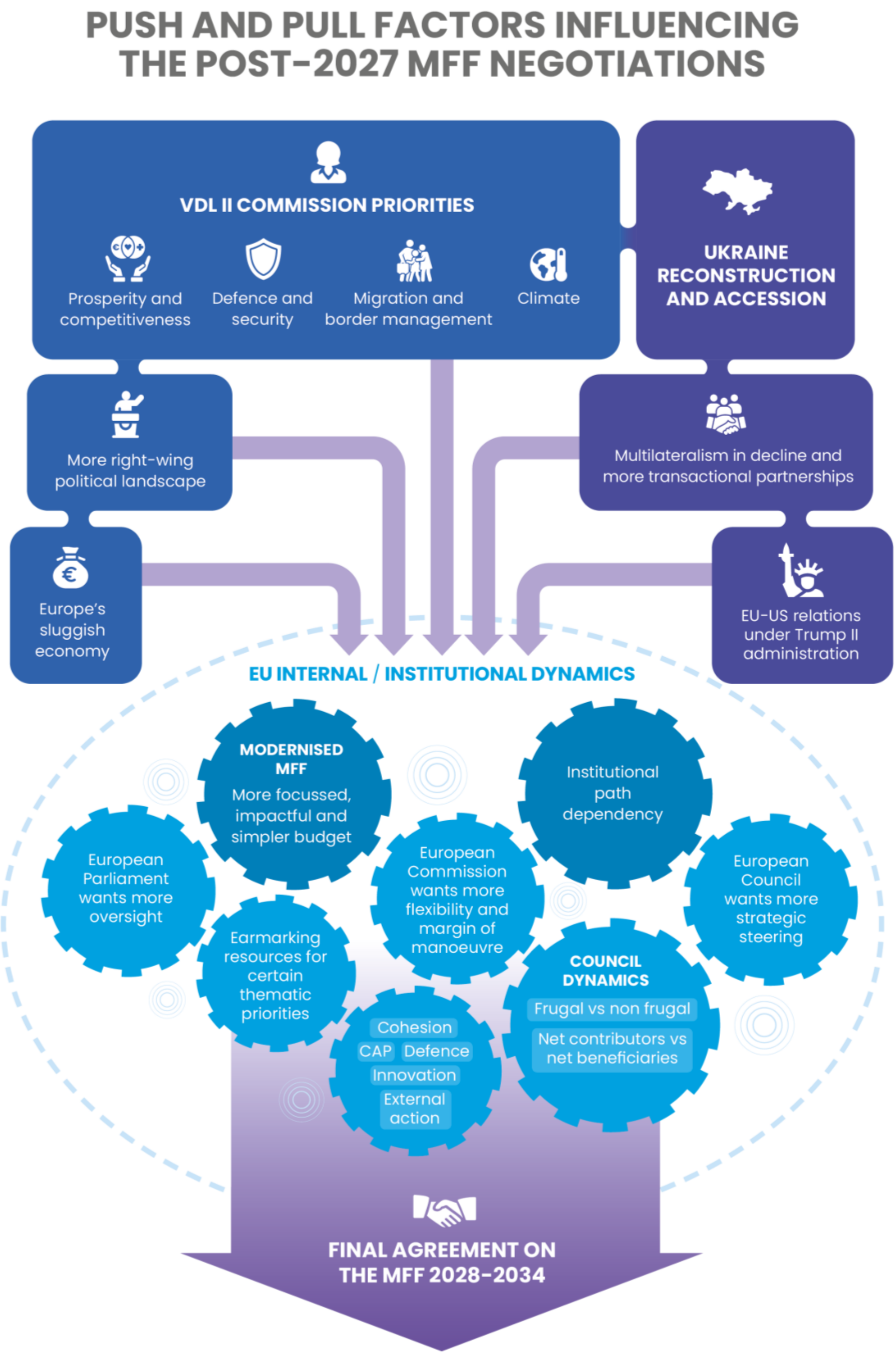
The EU has become more interdependent with the rest of the world, along value chains that span many countries, technology developed elsewhere and flows of both low-skilled labour and international talent on which the European economies depend. Europe's energy and green transitions, for instance, depend on critical resources and global supply chains, requiring effective long-term mutually beneficial partnerships. As the EU redefines its economic relationships through regional trade agreements and global supply chains, there will be an increased focus on securing strategic industries (such as semiconductors and renewable energy technologies) and reducing dependence on non-EU suppliers. Protecting European industry with tariffs and subsidies may also gain ground (Foy and Hancock 2024), as will calls for greater strategic investments in European industry to be financed or even subsidised out of the MFF. This shift will require adjusting EU external spending priorities with broader economic security and geopolitical interests.

Recognising its limited ability to shape global outcomes, the EU is adopting a more pragmatic, geostrategic foreign policy, focusing on areas where it can have the greatest impact. This has driven a progressively regionalised approach to funding external cooperation, prioritising its neighbourhood (Eastern Europe, the Mediterranean), economic interests, and security. Increased attention to defence cooperation and migration management reflects this shift, emphasising border protection and economic security over broad sustainable development goals. Although some advocate for prioritising the significantly off-track Sustainable Development Goals (SDGs), addressing poverty, and emphasising global solidarity, their influence has waned over the past years in the face of shifting politics. Yet, a self-centred and self-interested European Union, focussing and investing less internationally, is unlikely to win the friends, business, and strategic relationships necessary to navigate the changing world or promote its own citizens' security and prosperity (Bilal 2024).

EU development policy is shifting toward projects aligned with economic priorities, such as trade agreements, infrastructure, access to raw materials and energy security, as well as migration partnerships. The Mid-Term Review of the NDICI-GE points the way to this, as a large amount of funds was repurposed and reallocated mainly to support investments and Global Gateway implementation (+€3 billion for provisioning EFSD+ guarantees), as well as to support migration management and regional value chains, in line with European interests (EC 2024c). While self-interest clearly drives these changes, the EU also aims to meet partner demands for cooperation with Europe that boosts their own competitiveness and prosperity. The “mutually beneficial partnerships” narrative seeks balance but still faces tensions as partner countries demand greater control over the agenda setting.

The EU’s geographic focus is also narrowing, with resources concentrated on Ukraine and the Eastern Neighbourhood, reflecting its increasingly regionalised approach to external cooperation. Future EU external action will likely prioritise collaboration with like-minded partners and regional alliances, and find pragmatic ways to engage with non-like-minded states on shared agendas, such as climate change. This shift risks leaving regions like Africa and the Middle East, and groups such as the Least Developed Countries (LDCs), potentially underfunded unless there is a robust defence in their favour. Potential cuts in EU delegations’ staff in countries deemed less strategic could further undermine the EU’s ability to invest effectively unless undertaken strategically (Griera 2024). Additionally, the EU faces growing pressure to act faster and deliver on commitments, particularly under the heavily promoted Global Gateway strategy (Bilal and Teevan 2024).

Figure 2: Push and pull factors influencing the post-2027 MFF negotiations



Source: ECDPM

3. Considerations and implications for the MFF post-2027

As the EU prepares for the post-2027 MFF, it faces a rapidly changing geopolitical landscape, shifting political dynamics within member states, and the need for budgetary adjustments to meet both internal and external objectives. Issues of increasing the 'performance' and 'flexibility' of the next MFF loom large.

3.1. A "Big Bang" change at the level of the overall MFF?

Given global and domestic challenges, significant changes to the MFF size and structure, as well as the incentives and modalities used, may be necessary.

A battle on the amounts

Traditionally, MFF negotiations have focused on budget amounts per policy area (budget headings), with the European Commission's proposals often meeting resistance from the European Parliament, which calls for a larger budget, and member states, especially net contributors, pushing for reductions. Yet, there are significant nuances with even member states calling for an overall reduction in the MFF size traditionally favouring defending the external spending.

External action financing has historically been less contentious than internal policy areas, but rising global challenges suggest a need to increase funding for external action, or at least maintain current levels. This is so particularly as these global challenges cannot be navigated bilaterally, something recognised by European citizens, who also overwhelmingly recognise the importance of investing in relations with partner countries outside the EU (EC 2023).

Yet, more significant political battles will likely revolve around the two largest internal headings, cohesion policy (which may also be reframed in terms of competitiveness with performance considerations) and agriculture (where the focus will be reform within the heading), and, to a lesser extent, those focussed on research and innovation.

Interestingly, data show that there is a significant degree of continuity in the level of resources allocated to the EU's external action in aggregate terms. In the latest iteration of MFF negotiations, from the 2014-2020 MFF to the 2021-2027 MFF, EU external financing grew by 2% despite Brexit (see Table 1). Our estimates suggest that the funding under the €79.5 billion NDICI-Global Europe, a consolidated instrument that brought together most of the pre-existing ones, grew by a similar share of 3%.

Table 2: External action financing in the past and current MFF

MFF 2014-2020	Euro	MFF 2021-2027	Euro	% Change	Euro Change
Heading 4 - Global Europe	66,338	Heading 6 - Neighbourhood and the World	98,419		
11th European Development Fund	30,537				
Total (Heading 4 plus European Development Fund - EDF 11th)	96,875	Heading 6 - Neighbourhood and the World	98,419	2%	1,544

NB: Data are in EURO million, constant 2018 prices

However, there is quite some variability across different external spending areas. While Africa remained substantially stable, funding for the EU Neighbourhood (11%) and pre-accession countries (7%) grew remarkably. Conversely, Asia and the Pacific and Latin America and the Caribbean had a big cut (-26%), along with thematic funding (-37%) during the last negotiations.

Given the stakes, the external heading of the MFF will have to demonstrate its relevance to the 'top table' of European political leaders if it is going to be protected from cuts and reallocations, as decisions on total amounts will inevitably gravitate towards this level. The EU's external priorities under the new Commission will likely be increasingly geared more openly towards serving European domestic objectives. To secure political buy-in, external funding should hence demonstrate its alignment with EU strategic goals in the areas of migration, defence, and economic competitiveness, combating climate change, as well as global public goods in the health area (given the impact of the past pandemic) and support to multilateral approach to global governance that have benefitted Europe. The argument that reduced external spending will increase global and volatility at the EU's borders has to be continually made. Also, a clearer articulation of the risks of the EU abandoning its commitments to development cooperation, climate finance, and the SDGs in the face of deteriorating relations with many countries in Africa, Asia and the Americas should also focus minds at this level.

A debate around structural changes, modalities and incentives

The European Commission has suggested that the next MFF should undergo structural changes to make it simpler, more focused, and responsive to EU strategic goals, emphasising speed and flexibility (Sorgi 2024; Von der Leyen 2024a). There is also indication of a stronger emphasis on mainstreaming priorities across the EU's financial framework, increasing the leveraging and performance of budget resources.

Calls for a more agile, better performing, MFF, with funds that can be repurposed to address emerging political challenges, are widespread. However, the extent of flexibility will be debated, as too much flexibility could undermine predictability, long seen as a virtue in EU spending. EU Member States and Parliament are typically hesitant to grant the Commission full flexibility, fearing loss of control and accountability over spending.

The Commission also proposes consolidating instruments and funds to reduce complexity and enhance flexibility across the entire MFF. This was already the logic behind the merging of the External Financial Instruments and the creation of the NDICI-Global Europe in heading 6 of the current MFF. According to a leaked document, a potential restructuring of the MFF could include two main internal headings: one focused on resilience, cohesion, and economic governance, and another on competitiveness, strategic autonomy, and values (Euractiv 2024). A third heading would focus on external funding. Yet 'strategic' leaks showcasing more radical ideas at this stage of the MFF process are not uncommon to 'test' the waters, so caution should be placed into reading that this is a 'done deal'.

The MFF post-2027 will likely see more policy conditionality for accessing EU cohesion funds and linking it to structural reforms and performance-based funding, along the lines of the European Recovery and Resilience Fund (ERF). Member states could face demands to align their national policies with the EU's overarching goals - on issues such as rule of law, clean transition, and migration management - in exchange for continued financial support. While this could potentially contribute to a more policy-driven budget that is better aligned with the EU's competitiveness and sustainability goals, critics warn of over-centralisation, increased bureaucracy, and questionable effectiveness. Yet, the desire to make the large pots of internal resources more 'fit for purpose' will necessitate change.

Another key political challenge which may require significant changes to the MFF is the issue of "own resources" (i.e. funds the EU can raise on its own in addition to the contributions from member states). The largest source of EU own resources are the GNI-based contributions from the EU member states, complemented by a share of value-added taxes and customs duties leveraged across the EU. There is growing pressure to explore alternative resources, including borrowing or issuing joint EU debt. However, such moves would require broad consensus among EU countries, many of which are wary of joint debt due to fiscal constraints.

Despite calls for radical reform, revolutionary changes to the MFF are unlikely. The reality of EU MFF negotiations is that substantial shifts in funding priorities or overall budget levels are difficult to achieve, yet modalities, goals and key stakeholders targeted can evolve within headings. Political and institutional dynamics, as well as entrenched interests from member states and well-organised lobby groups, will likely result in incremental adjustments rather than a complete overhaul. This means the next MFF will probably refine the existing framework, rather than radically reimagine it.

3.2. Linking internal and external priorities: opportunities and trade-offs

A major challenge in the post-2027 MFF will be better integrating internal and external EU priorities. The EU's internal resilience and economic security are indeed inseparable from its external actions, particularly in areas such as trade, defence, migration, and climate change.

Integrating EU internal and external policies and budgets in the MFF has been challenging due to rigid budget structures, fragmented policy frameworks, and competing objectives like balancing economic interests with development goals. To foster coherence, robust mechanisms must coordinate internal and external funding while ensuring alignment with the EU's global commitments, including the SDGs. This alignment has to occur well beyond the EU financing through the MFF, but the latter is one of the tools to mainstream shared goals across policy areas in practice. To this end, the EU could evolve from a relatively stable programmatic budget to one that is more policy-driven. Furthermore, it is important that monitoring criteria and accountability mechanisms are set up to measure the impact of changes.

Better linking EU internal and external objectives can bring benefits in terms of relevance and coherence. For example, the EU strategic autonomy agenda around green technologies could gain momentum from a more explicit link to EU external support to green industrialisation in third countries, for example under the Clean Trade and Investments partnerships (Medinilla and Teevan 2024). Further, the EU domestic priorities will need to better align with its international partnerships, in a way that delivers both to the EU and its partners. These shifts will require a rethinking of how resources are allocated and organised across internal and external policy areas and budget lines, the modalities that would be used, as well as mechanisms to steer more dialogue and joint action with partner countries.

However, there are risks, such as instrumentalising external resources to serve narrow domestic interests, like controlling migration or advancing European economic security, rather than fostering global development and genuine win-win partnerships, with potentially profound consequences for EU standing and credibility. While some overlap is desirable and necessary, the EU must guard against this tendency and ensure that external funding remains grounded in broader, globally and mutually beneficial objectives, as this is a better guarantor of the EU's long-term prosperity and security.

Mechanisms for coherence between internal and external policy priorities also include addressing trade-offs, for instance between economic priorities (for example, trade, energy security, access to critical and raw material) and development goals, short-term gains versus long-term objectives, and balancing the EU's own agenda with partner countries' priorities. The Global Gateway will need to navigate these risks carefully. While the EU's own rhetoric has always made this balancing clear, partners will want to see this delivered in practice.

The EU will also need to more carefully assess the negative impact and fallout of its internal policies on third countries. In a more competitive world, the EU should not underestimate the damage done by its incoherences, and the costs to try and address this through the MFF itself. Implications for how lack of coherence are likely to be received by partners and what longer-term potential damage they may do to EU interests and standing need to be built in key considerations, including robust feedback mechanisms with EU presence in third countries that reaches the right parts of the European Commission to allow for course correction, and a meaningful dialogue with partners directly.

3.3. A Strategic Funding Approach for EU external action

Ursula von der Leyen's political guidelines have underscored the need for the EU to revamp its external action financing, ensuring it is more targeted and impactful while better aligning with strategic priorities such as supporting Ukraine, managing migration, and scaling up the Global Gateway. To address emerging global challenges, the Commission is exploring a *strategic funding approach* for external action that ensures resource allocation reflects both immediate needs and long-term EU goals, with a particular focus on its neighbourhood and enlargement priorities.

Incorporating Lessons from the MTE

The Mid-Term Evaluation (MTE) of the EU's external financing instruments, should inform the preparation of the new external heading. The MTE stresses in particular the importance of enhancing coherence and flexibility across the EU's financing instruments, ensuring that they are adapted to address both immediate crises and long-term challenges. Looking ahead, the EU must consider how to effectively integrate its values, interests, and commitments in a complex global environment. This includes addressing the unique needs of fragile countries, exploring innovative partnerships, and refining the EU's institutional structure to ensure that external financing instruments remain responsive and effective in an increasingly volatile world (Hauck et al. 2024).

Funding for Ukraine

Existing instruments, including NDICI-GE, IPA III, and humanitarian aid, were not designed to support countries at war. This gap was addressed through the creation of the Ukraine Facility, which reflects the need for a dedicated instrument for countries like Ukraine, navigating both recovery and the EU accession process. This brings into question how to structure an effective instrument to meet Ukraine's reconstruction needs and EU accession requirements while maintaining coherence with broader EU external action objectives. It also raises the issue of where this instrument should fit within the MFF's external heading.

Streamlining and consolidating Instruments

There is a strong need for a more coordinated approach across the EU's external financing instruments, particularly within the external action heading, to strengthen alignment with the EU's strategic goals. The NDICI-GE, which consolidates foreign policy, development, and neighbourhood policy goals, is central to this strategy. However, integrating instruments like IPA III, which is specifically designed to support EU candidate countries, and other external tools like humanitarian aid, must be done cautiously if at all. A broad merger of these instruments could dilute the specific goals of each tool - particularly IPA III's focus on preparing countries for EU membership and alignment with EU standards. The current EU enlargement process, especially with Ukraine, requires significant investment in governance reforms, institutional capacity building, and alignment with EU law, all of which are core objectives of IPA III. However, merging IPA III with NDICI-GE risks undermining the clarity of accession-specific objectives, as the latter focuses on broader geopolitical and development issues. Balancing the strategic priorities of both instruments while addressing Ukraine's immediate needs for reconstruction and stabilisation is crucial.

Aligning humanitarian, development, and security priorities

Efforts to align humanitarian aid with development and peacebuilding, such as linking the European Peace Facility (EPF), crisis response funds, and humanitarian budgets, have made progress. However, these instruments must be further linked to ensure efficient resource allocation while respecting their distinct mandates. Merging humanitarian aid with NDICI-GE could undermine the neutrality, independence, and rapid response capacity of humanitarian aid, as it would be subsumed within broader EU strategic objectives. Security and defence, increasingly central to EU priorities due to the war in Ukraine and rising global threats, will also require significant funding. Yet placing the entire defence and security aspect of the budget in the external heading risks significantly reducing the funding for other external action priorities, and is somewhat incoherent given most of these resources on defence will be spent inside the EU. Overall the EU must navigate the balance between supporting Ukraine's defence needs and its broader development objectives, ensuring that lethal military spending, which cannot be funded through the EU budget, is strategically supported through EU defence cooperation and mechanisms like the EPF.

Managing competing priorities

Balancing the EU's competing priorities - such as migration, security, trade relations, climate action, and human development - will be a central challenge in the next MFF. For example, the need to fund Ukraine's reconstruction may compete with long-term investments in global health or development partnerships in other regions unless proper safeguards are implemented. The havoc and negative spillover caused by trying to incorporate massive Ukraine spending into traditional development budgets at the national level should serve as a warning. This might require dedicated funds or innovative financing solutions, such as expanded borrowing or ring-fenced resources, to avoid overburdening existing instruments. While revisions to the funding instruments themselves can improve their effectiveness, the real gains will come from enhancing coordination across EU institutions and member states. A strategic funding approach that aligns instruments with EU political goals and institutional priorities will be crucial to ensuring the EU remains a credible and effective global player. Yet, this all depends on the long-term outlook, politics and partnership ambitions underpinning these political goals.

EU economic foreign policy as a useful but insufficient framing for EU external action heading

As the EU moves forward, defining a clear and shared set of priorities will be crucial. With 27 member states, aligning these priorities is inherently complex, as each state will seek to address its own concerns while looking at the added value of EU external spending. Simultaneously, the European Commission has faced growing scrutiny over a lack of oversight and steering from both the Council and the European Parliament, adding to the challenges of reaching consensus. However, these difficulties should not prevent the EU from having these crucial conversations, especially as they influence the MFF.

In this context, a new but somewhat undefined EU economic foreign policy is emerging as a key framework for EU international cooperation, diplomacy, and trade, embodied in the Global Gateway. Supporting this policy requires innovation, including better mobilisation of private sector investments and stronger links between aid, trade, and diplomacy. However, merging these elements without adequate safeguards presents risks to the EU, particularly if it leads to a more transactional approach that overlooks broader development and diplomatic goals. While aligning digital initiatives, win-win private sector collaboration, and climate considerations with economic foreign policy may be relatively straightforward, the emphasis on investments may not equally benefit all partner countries—especially fragile or conflict-affected states or least developed countries (LDCs). The EU must therefore ensure its economic foreign policy complements its commitment to development, peace, and the SDGs and long-term partnerships. The EU cannot compete with China or US on economic terms and its offer must be demonstratively qualitatively different if it is to be an appreciated partner.

Any future funding approach must also consider the priorities and working methods of the EU's partners in a sophisticated manner. Early and comprehensive dialogue is crucial to ensure that shared priorities are incorporated into EU decision-making. While programming processes related to the MFF's external heading include some of this, key decisions on allocations and priorities often occur earlier, with a cascading impact on EU partnerships.

3.4. Towards the NDICI 2.0: Enhancing strategic steering, flexibility and leverage while remaining committed to development objectives

The EU's largest external funding mechanism, the NDICI - Global Europe is set to be revised post-2027 to better align with the new EU policy priorities. While a complete overhaul of NDICI-GE would be possible, smaller, incremental adjustments are more likely, based on lessons learned from the early implementation of the instrument over the past few years. This could include a clearer and limited set of priorities, more flexibility and rapid response capacity, changes to governance structures, larger pools and less earmarking, modalities to make investments easier to mobilise, the simplification of the programming process, or improvements in monitoring and evaluation to ensure more effective use of funds. A key point of negotiation will be the percentage of the NDICI 2.0 or any external heading that is devoted to Official Development Assistance (ODA), which emphasises the partnership dimension beyond the EU's own self-interest.

The Global Gateway: a clearer policy framework for the NDICI 2.0?

The consolidation of several instruments under the NDICI-GE has led to better articulation of geographic, thematic and rapid response actions, and improvements in terms of coherence and complementarity. Guided by the principle of "policy first", the NDICI-GE was also meant to give a stronger policy steer for example by avoiding duplication of efforts under different funding streams with similar objectives or inconsistencies arising from instruments which pursued different goals. To this end, the NDICI-GE was also expected to change the incentives structures across the EU institutions to facilitate more cooperation within a shared financing instrument. However, a lack of strategic steering, tensions between multiple objectives and institutional path dependency have posed challenges to this vision.

As emphasised in the mission letter to Commissioner Síkela, a key priority for the EU will be *"to take Global Gateway from startup to scale-up"* (von der Leyen 2024b). In that context, the NDICI 2.0. will most likely be more directly linked to the Global Gateway strategy, already seen with the recent shift of billions towards investment in the context of the mid-term review of the current instrument. The issue of how to leverage more development finance, including private sector investments, in order to deliver on the promised €300 billion in investment under the Global Gateway will be central to the NDICI 2.0. This will notably require more sophisticated and strategic approaches aimed at mobilising private capital, particularly from institutional investors (Karaki et al. 2024).

While the Global Gateway has become a major EU framing for international cooperation, it is expected to increase the EU's leverage by aligning development funding with broader diplomatic and trade strategies. Yet, it also comes with some risk to traditional grant financing, and should not overshadow other important areas like human development, human rights, peace or climate change. Indeed, there is a risk that areas where the EU is actually well thought of, are actually deprioritised (Koch et al. 2023). The EU must ensure that it continues funding these areas to retain its credibility and influence. Indeed, while a better match needs to be found within the NDICI-GE between foreign policy, development and neighbourhood objectives, entirely subsuming them to the EU's economic and security interests carries huge (and at times entirely misunderstood) risks to the EU's long-term peace and prosperity in a more contested world.

Enhanced flexibility and responsiveness to crises

The MTE and accompanying Commission staff working document suggest that the instrument's flexibility has been crucial, particularly during crises like COVID-19, the war in Ukraine and migration-related pressures (EC 2021; EC 2024d). Yet, the succession of unforeseen geopolitical developments has stretched the instrument's flexibility and rapid response mechanisms to their limits. The future instrument will therefore need to be able to respond more rapidly to an increasingly volatile global environment, allowing the EU to allocate funds in a timely manner, with an emphasis on speed and flexibility. While progress here is needed, predictability, for some aspects, will need to be retained if the EU is going to be able to forge its reputation as a reliable partner, a reputation that is not a 'nice to have' but an absolute necessity to progress other policy goals sustainably.

More generally, the heavy procedures and gaps in knowledge, and the dominant focus on the Global Gateway strategy have limited the EU's response capacity in conflict-affected and fragile environments, protracted crises and Least Developed Countries (LDCs). More creativity and flexibility are needed to address these gaps while protecting resources for the fragile and most vulnerable regions.

The EU will need to reflect on the extent to which the EU, through a single instrument, manages to combine its values, interests and commitments in a complex international environment. A number of these questions will also require reflection on the EU's institutional set-up to promote more policy-driven approaches and innovative partnerships as part of the EU's global role. A well-evidenced focus on what the EU's added value is, in its external financing rather than trying to either simply serve directly domestic interests, or attempts to compete with other global players on financial terms will be necessary.

4. Conclusion

The next MFF must provide the EU with the financial resources to effectively pursue its objectives in an increasingly complex and unpredictable world. Balancing evolving geostrategic challenges, shifting internal political realities and pressing economic priorities, and growing demands for change will make the post-2027 MFF negotiations particularly consequential.

The war in Ukraine, the rise of global competitors, and the questioning of Western dominance are reshaping EU priorities and ambitions as a global actor. Securing funding for external action will depend on demonstrating its strategic value in defending EU interests. The Global Gateway, and EU economic foreign policy more broadly, could play a key role in aligning spending with geostrategic priorities, leveraging private sector resources, and strengthening links between international cooperation, economic diplomacy, trade, and investments. Migration and security will also remain key drivers of financial decisions.

Yet, the EU's external action cannot be reduced to transactional considerations. EU negotiators must recognise the importance of interdependence and the benefits of a long-term, global outlook in external relations. Beyond immediate crises, the EU has a moral responsibility to advance the Sustainable Development Goals (SDGs), address climate change comprehensively, promote peace and stability, and values like gender equality and human rights in an increasingly contested world. These ambitions, while often underfunded, remain critical.

A reformed multilateral system will require political investment and financial resources to address pressing global challenges, from pandemics to climate adaptation. Failure to invest adequately risks escalating problems that will inevitably affect Europe. To build strategic alliances and manage interdependence effectively, the EU must equip itself with a budget that reflects its global responsibilities and aspirations.

Ultimately, the MFF is about making choices and compromises—aligning policy priorities with financial means while ensuring the EU remains a credible, responsible, and ambitious global player. The stakes are high for the EU to get this right and the consequences for getting it wrong are a diminished and less prosperous safe and credible EU at home and a less safe and prosperous world.

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This publication benefits from the structural support by ECDPM's institutional partners: Austria, Belgium, Denmark, Estonia, Finland, Ireland, Luxembourg, The Netherlands and Sweden.

ISSN1571-7577

ecdpm

HEAD OFFICE
SIÈGE
Onze Lieve Vrouweplein 21
6211 HE Maastricht
The Netherlands *Pays Bas*
Tel +31 (0)433 502 900

BRUSSELS OFFICE
BUREAU DE BRUXELLES
Avenue des Arts 44, 1040
Brussels *Bruxelles*
Belgium *Belgique*
Tel +32 (0)2 882 50 08

info@ecdpm.org
www.ecdpm.org
KvK 41077447