The EU long-term budget negotiations

What does a more assertive European Parliament mean for EU development policy?

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One of the top priorities of the current German Presidency of the Council of the European Union (EC) – the adoption of the next Multiannual Financial Framework (MFF) – has proven to be a very difficult task. Earlier this month, the European Parliament (EP) decided to suspend talks with the Council and the Commission, given that the Council has not moved in its negotiating position. In order to resume the negotiations, the EP demands the EC to allocate more money to key EU programmes in the areas of health, research, digital and education. Without the EP's consent, the MFF cannot be agreed and the EU would be confronted with delays, emergency budgets and discontinuity between legislation and funding.

While in the past there was a perception that the EP merely rubber-stamped the Council's agreements, the current legislature is more imposing and confrontational vis-à-vis the EC. Ignoring this new reality, the EU Heads of State reached a compromise within the Council in July, assuming the EP's quasi-unconditional support for their proposed budget deal. The deal included a substantial COVID-19 recovery package ("Next Generation EU") but did otherwise not consider what the EP had asked for in its prior resolutions. The EP's demand for increased funding of EU flagship programmes and the request to make the rule of law a prerequisite for future allocations to member states were not met.

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What does this impasse mean for EU development policy?

A deeper European integration process has also strengthened the EP's influence over development policy. In this field, the EP has traditionally promoted a progressive agenda, for instance by pushing for the respect of human rights in international cooperation. Nevertheless, it was only with the signing of the Lisbon Treaty in 2007 that the EP's role changed formally in this area. Since then, the EP's responsibilities in development policy include a direct co-legislative and supervisory role, agenda-setting power and, lastly, the above-mentioned ability to co-decide over the allocation of funds. For the EU to work effectively, the Council and the member states also need to acknowledge this new self-understanding of the EP, which seems to be more incisive in its positions.

The ongoing budget negotiations also reveal a more ambiguous side of parliamentary influence. The proposed MFF includes the idea of creating a single funding mechanism for external action, the Neighbourhood, Development and International Cooperation Instrument (NDICI). This new instrument seeks to merge several co-existing financing instruments and the extra-budgetary European Development Fund in an attempt to strengthen the transparency and efficiency of EU aid allocations. The EP supports the adoption of this new mechanism, since it considers NDICI to underpin the promotion of European values worldwide and provide more consistency between different areas of EU external action. Against the backdrop of the COVID-19 pandemic, the Commission revised its initial MFF proposal and increased the NDICI ceilings to EUR 96.4 billion, a move that was welcomed by the EP. However, in the wake of the Council's budget deal, the funds to be allocated to NDICI were reduced to EUR 70.8 billion. The EP vehemently opposed these cuts.

Despite its firm opposition, it is unlikely that the EP will take the last resort and block the EU's seven-year's budget over disagreements on external action financing. Instead, the EP decided to concentrate its bargaining efforts on other items of the MFF, such as funding for health, research and education. These areas tend to create more traction across national constituencies.

Although it is unlikely that the EP will be able to restore the ceilings of the initial NDICI proposal, its pressure remains an important tool to raise awareness for EU development policy and to attribute a clearer normative substance to it. With reduced funds for external action, EU development policy will need higher levels of resource prioritisation and an effective programme implementation. The role of the EP can be crucial in decisions on budget allocation and the monitoring of programmes targeting global development.

Finally, while a bigger role for the EP could be good news for more democratised decision-making, it is not clear whether it will actually benefit development goals. In part, this depends on the capacity of the EP to engage with civil society, development practitioners, and stakeholders from partner countries, so that decisions better reflect actual needs. Moreover, the political orientation within the EP is critical when assessing its impact on development policy. The EP became more diversified and fragmented as an outcome of the 2019 elections. Major centrist party-groups suffered some losses to the benefit of Eurosceptics and nationalists. Should the presence of the latter increase in the parliamentary committees engaged in international development, it is conceivable that the EP will change its current rhetoric on development.

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