EU budget summit

Is the EU risking another "no deal"?

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Three weeks after the European Parliament bid goodbye to the UK by belting out Robert Burns’ Auld Lang Syne, EU Council President Charles Michel is convening EU leaders for a special EU budget summit on 20 February. The Summit aims to reach an agreement on the EU’s next Multiannual Financial Framework (MFF), the Union’s budget for the period 2021-2027. At present, a number of member states demand further cuts to the proposed budget. Additional cuts would however curtail the EU’s ability to act globally and to build a sustainable long-term partnership with the African continent.

While EU budget summits are never easy, this one is expected to be particularly challenging. As European Commission President von der Leyen reported to the European Parliament, the United Kingdom’s departure leaves a gap of €75 billion for the next MFF. In this new situation, positions are hardening between those member states who consider themselves 'net-contributors' and those that strongly rely on EU funding for public investment. On top of that, some member states strongly call for maintaining current levels of regional development spending, while others seek the same for agriculture subsidies – both fundamental components of the EU budget, yet with debatable European added value.

In early December, a proposed MFF compromise was shared internally and subsequently found its way to the press. The compromise proposed a budget representing 1.07 percent of the 27 member states’ gross national income (GNI). This was a considerable reduction from the Commission’s 1.114 percent proposal made in May 2018. Yet, it is still above the 1 percent demanded by net-contributing Member States – ironically a figure once fronted by David Cameron. The bickering over percentage points by countries that benefit so much from EU membership show that some continue to struggle selling European integration at home, since launching the project over six decades ago. It is expected that Council President Charles Michel will present a new compromise proposal before the summit.

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Given these positions, retaining either agricultural or regional development spending puts additional pressure on the EU’s budget for external action – as well as von der Leyen’s self-dubbed 'Geopolitical Commission'. The compromise proposal suggested reducing the proposed €123 billion for the external action to €103 billion, with a notable 15 percent reduction of funds for Sub-Saharan Africa from €32 billion to €27 billion. Further cuts to the overall budget risks eroding the remaining resources for external action.

While essentially a state-driven process, the budget also needs to be accepted by the European Parliament. Its rapporteur Jan Olbrycht observed in December last year that on the basis of the budget proposed, "the programme presented by the European Commission will be impossible to implement." A key element of that programme is the EU’s external policy – with development cooperation at its centre – for which the Commission’s political guidelines proposed an increase of 30 percent compared to the current budget.

To protect the EU’s external budget from further cuts, the negotiating partners need to offer a convincing narrative that demonstrates the importance of the EU’s external action and development policy to both international and domestic audiences. Already today, some member states have embraced the idea of development cooperation as a soft power tool to pursue hard power goals. Yet the EU struggles to translate this narrative into practice, such as in a planned comprehensive strategy for Africa or in the European Green Deal. The Green Deal has the potential to respond to the EU’s aspiration of becoming a global leader in climate action. Yet, for this to happen more resources need to be dedicated to the external dimension of climate action. If the EU does not succeed, together with its African partners, to steer the continent away from fossil-based energy sources towards renewables, its own climate ambitions will become obsolete.

Other problems are looming on the horizon. Beyond the reputational risk of becoming a Geopolitical Union that operates on a shoestring budget, the continued hardening of positions may also mean that negotiations could even end up in a ‘no deal’ situation by the end of the year. The European Parliament has already hinted at such a possibility, with an October 2019 resolution requesting to make arrangements for extending the *current* MFF if no agreement is reached in time. Although this scenario would ensure adequate financial means for development cooperation, extending the current MFF would result in a strong mismatch between the EU’s policy ambitions and available means, which would still be governed under regulations governing the current budget – which were agreed in 2013. Given these alarming conditions, it is to be hoped that all stakeholders involved will continue to engage on negotiating an MFF that – although making no one individually happy – can be seen as reflecting the Union’s overall ambitions.

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