



Revision of the Multiannual Financial Framework: Civil Society's analysis of the European Commission's proposal

On June 20th, the European Commission proposed a targeted revision of the EU's Multiannual Financial Framework (MFF). Recognising that external action has been under severe stress since 2021 and that the EU budget is not adequately equipped to enable the EU to fulfil its geopolitical ambitions, meet its global commitments and respond to unforeseen crisis, the Commission proposed an increase of €10.5 billion to Heading 6 - Neighbourhood and the World.

There is a broad recognition that the geopolitical and economic context has changed significantly since the current MFF was adopted in 2020. The world went through a series of shocks, from the COVID-19 pandemic to the war in Ukraine as well as the food security, energy, and climate crises. Extreme poverty is on the rise for the first time in a generation; nearly two-thirds of 10-year-olds are unable to read and understand a simple text; global hunger has increased sharply with 122 million more people pushed into hunger since 2019; and more than 148 million children are chronically malnourished or stunted. The impacts of the climate crisis are ravaging livelihoods with 40% of the world population living in climate vulnerable countries. By the end of 2023, an estimated 362 million people – one in every 22 people worldwide – will need humanitarian aid.

Yet, against these needs, the €10.5 billion increase is 9%¹ lower than what the Commission put forward for Heading 6 back in 2020 in response to the COVID-19 pandemic. **The Commission's proposal is therefore the bare minimum required to allow the EU to remain a relevant global actor. The revision of the MFF must deliver the additional resources and flexibility necessary to protect the EU's leadership, credibility and influence.**

We therefore call on Member States and the European Parliament to:

- 1) Reinforce the emerging challenges cushion and prioritise investments in global challenges.
- 2) Ensure migration spending enhances the benefits of migration for development and building resilience.
- 3) Provide additional funding for the humanitarian budget line and ensure the SEAR is fit for the future.
- 4) Fully equip the Flexibility Instrument to respond to unforeseen needs.

¹ The EC proposed €118.2 million for Heading 6 in its 2020 MFF proposal (incl. NGEU), compared to the current MFF revision proposal of €107.5 million.

1. Reinforce the emerging challenges cushion and prioritise investments in global challenges

- Protect the €3 billion increase put forward by the Commission.
- Earmark at least half of this funding to the Global Challenges programme.
- Free-up an additional €1.5 billion by covering the funds set aside in the NDICI cushion for Ukraine from 2024 onwards under the future Ukraine Facility.

At the midpoint of the long-term budget, 80% of the cushion has already been earmarked, leaving just €1.9 billion until 2027. This demonstrates the value of the cushion, particularly in the context of the Ukraine and COVID-19 crises. However, a significant portion of the cushion was either used to compensate for shortfalls in other programmes (Global Challenges) or to meet programmable needs (Syria). The Global Challenges programme is under-financed and has consistently required top-ups to cover its priorities. **Earmarking a portion of the proposed €3 billion for Global Challenges, would ensure consistent funding for some of the EU's most effective investments, such as Gavi, the Vaccine Alliance and the Global Fund to Fight AIDS, TB and Malaria and would enable the EU to respond more effectively to the worsening climate and food and nutrition crises, and meet its international climate and biodiversity protection commitments.**

The scale of financing needed to address a series of overlapping global challenges is staggering. It is estimated that emerging economies (excluding China) will need \$1 trillion a year by 2025 and \$2 trillion by 2030 to transition their energy systems and meet human development needs. The annual pandemic prevention, preparedness and response needs in LMICs are estimated to be in the order of \$16.2 billion per year. While additional funding for Ukraine and refugees is important, it is also crucial to allow the EU to fulfil its partnerships with the rest of the world. **The proposal for a new Ukraine Facility was designed with the specific objective of replacing support provided under NDICI, in order to avoid repercussions on other key development programmes, which are already under pressure. It follows that the €1.5 billion currently set aside for Ukraine in the cushion – namely the interest rate subsidy for MFA loans and the provisioning of the EIB repurposed loans – should be covered under the future Ukraine Facility from 2024 onwards. This would free up much-needed resources for development and climate objectives.**

2. Ensure migration spending tackles the root causes of migration and forced displacement

- Ensure that funding earmarked for migration is channelled through programmes that prioritise ending poverty, building resilience of refugees and host communities, advancing human rights, and creating safe and regular ways for people seeking asylum to reach Europe.

The context in Neighborhood South countries worsened in the last years, due to long-standing conflicts, socio-economic crises, deteriorating climatic conditions, the prolonged consequence of the COVID-19 pandemic and the war in Ukraine. The earthquakes in Türkiye in February further exacerbated an already

dire situation. All these factors are impacting the lives of refugees and asylum seekers, and host communities, who have reduced access to essential services and to livelihood opportunities. **The EU must provide support to address the ongoing challenges refugees, asylum seekers and host communities face, focusing on building resilience of people and communities while contributing to social cohesion.**

3. Provide additional funding for the humanitarian budget line and ensure the SEAR is fit for the future

- Ensure that additional resources are mobilised for the humanitarian aid budget line.
- Support the €2.5 billion increase proposed for the instrument and ensure that the SEAR remains additional to the humanitarian aid budget line.
- Ensure that the SEAR can be mobilised for sudden-onset crises outside the EU throughout the whole financial year, in line with its initial purpose. This can be done, by allocating to the humanitarian aid budget line:
 - All the SEAR funds earmarked for external crises;
 - All the SEAR funds remaining on the 1st of September;
 - At least 35% of the SEAR end-of-year cushion, available from the 1st of October.

Despite increasing humanitarian needs, mid-way through 2023, the global humanitarian appeal has only been 20% funded, leaving a funding gap of \$44 billion. This global humanitarian funding gap is reflected at the EU level. In 2024 and until the end of the current MFF, an annual humanitarian budget of €2.6 billion would be the bare minimum for DG ECHO to continue supporting all of the programmes currently run by its partners – far above the current annual €1.6 billion remaining for the humanitarian budget line. **Additional resources should be mobilised for the humanitarian aid budget line, so that DG ECHO can continue supporting all the programmes currently run by its partners. A direct additional increase to HUMA would ensure that the SEAR can fulfil its role to provide funding for sudden-onset crises outside of the EU throughout the entire financial year**, as well as ensure that sufficient funding is mobilised for development priorities. The complementarity of humanitarian and development assistance is key to ensuring that people in need have access to lifesaving assistance while developing long-term resilience to shocks and crises.

4. Fully equip the Flexibility Instrument to respond to unforeseen needs

- Support the €3 billion top-up to the Flexibility Instrument

The Flexibility Instrument provides vital additional resources for key EU priorities, and has been a lifeline in times of crises. Given that past years' allocations have been totally exhausted and amounts are already earmarked for future years, **the top-up is now vital to respond to the next unforeseen events.**

Tackling the greatest challenges of our time – from the climate crisis, hunger and food insecurity, conflicts, growing inequalities, child survival, pandemic threats, human rights violations and gender inequality – will require full commitment on behalf of the EU. Strengthening the EU's partnerships is a smart investment in Europe's stability and future and the above recommendations will put the EU closer to the realisation of the Sustainable Development Goals and the Paris Agreement.