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country report

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More Flexibility, less control?

Reorientation of the financial instrument for the EU's future partnership policy

Dr. Olaf Wientzek

On July 16, the European Commission presented a first draft of the next Multiannual Financial Framework (MFF), the seven-year EU budget for 2028-2034. The initial proposal allocates €1.98 trillion for the next seven years. The package also includes a first draft regulation for the so-called "Global Europe Instrument"[1]: this is to become the central financial instrument in the new MFF for shaping the EU's relations with its global partners. In many respects, the regulation represents the paradigm shift in European development policy that has been gradually taking place over the past few years towards a partnership policy that places greater emphasis on the EU's own interests.
At the same time, the first draft also reflects the awareness that the EU finds itself in a different geopolitical environment than it did at the beginning of the current MFF (2021). Accordingly, the draft contains numerous innovations that attempt to take these circumstances into account. Some of these are nevertheless controversial and are likely to meet with opposition in some cases, particularly regarding the European Parliament's (EP) and Member States' limited powers of oversight. In any case, the negotiations between the Commission, the EP, and the Member States on the MFF, which are expected to last another year and a half, are likely to result in a number of fundamental changes that will also affect the Global Europe Instrument.

Background

Compared to 2020, the framework conditions for both the MFF and the EU's partnership policy have changed significantly: geopolitically, the EU finds itself in rougher waters; partners on other continents are increasingly demanding relations 'on an equal footing' and rejecting a "donor-recipient relationship". The EU is also becoming increasingly aware that it is competing with other actors whose offers are well received worldwide – partly because they are more agile and subject to fewer conditions than EU support, which is often perceived as cumbersome. At the same time, the withdrawal of the US from numerous programmes means that the need for "traditional development aid" and humanitarian aid remains very high worldwide.

The EU itself has been heralding a gradual paradigm shift in its development cooperation for several years, including with the launch of the Global Gateway initiative at the end of December 2021, through which the EU aims to mobilise up to €400bn in investments, primarily for sustainable infrastructure worldwide. In many respects, the initiative represents a departure from traditional development cooperation: by involving the business community more closely, it also aims to promote projects that are not only in the interests of the partner country but also contribute to strengthening Europe's own competitiveness. With the "Global Europe Instrument", the Commission now wants to consolidate this paradigm shift.

[1] COM(2025) 551 final 2025/0227 (COD) Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL establishing Global Europe; the full draft can be found [here]

Rising numbers (for now)

For the period from 2028 to 2024, the draft provides for a total of €200.309 billion, which will be distributed as follows (Art. 6):

- Europe: €43.17 billion (21.6% of the total budget)
- Middle East, North Africa and the Gulf: €42.93bn (21.4%)
- Sub-Saharan Africa: €60.53bn (30.22%)
- Asia and the Pacific: €17.05bn (8.5%)
- Americas and Caribbean: €9.14bn (4.6%)
- Global: €12.67bn (6.3%)

In addition, there is a buffer of approximately €14.8bn for “emerging challenges”. However, the amounts are not binding, which should enable faster reallocation between the geographical pillars.
Overall, the approach represents a significant increase over the funds provided to date, although the very high inflation in some years since the last MFF decision must be taken into account as well.

Key changes

If the draft is approved, the “Global Europe Instrument” will become the central partnership instrument underpinning the EU's external relations financially. It encompasses and builds on existing instruments, including the NDICI (Neighbourhood, Development and International Cooperation Instrument) and IPA (Instrument for Pre-Accession Assistance), the Reform and Growth Facility for the Western Balkans, among others. This would therefore cover humanitarian aid, macro-financial assistance and EU support for enlargement countries (!). The aim of the instrument is to defend the EU's “values and interests”, promote multilateralism and a rules-based international order, and strengthen “mutually beneficial partnerships” that both promote sustainable development and serve the EU's strategic interests. Interestingly, the European Commission and Member States are also to cooperate more closely with like-minded partners and stakeholders (outside the EU) (Art. 11-3.).

New approach with a focus on self-interest: Even though the EU's values, sustainability goals, the Agenda 2030 (e.g. recital 42) and the Paris Agreement are repeatedly mentioned, the regulation often refers to so-called “mutually beneficial partnerships”, i.e. partnerships that serve the interests of both sides, in addition to the EU's strategic interests (Articles 4 and 9). In previous MFFs, the focus was, at least rhetorically, more on poverty reduction goals or improving the situation of least developed countries. Overall, the instrument is certainly not a complete departure from “classical” development policy, but it places much greater emphasis on strengthening European competitiveness and security. The regulation repeatedly stresses the importance of synergies with other budget priorities and, in general, a stronger interlinking of the EU's external and internal policies. Interestingly, the document no longer refers to key EU foreign policy strategies, such as the EU's 2016 Global Strategy or the 2017 European Consensus on Development, which could serve as a guide for the Global Europe Instrument in setting its priorities. Instead, the strategic framework should be set out in the European Council's strategic agenda, summits and political guidelines of the Commission, as well as EP resolutions (Article 8-1). In concrete terms, this means that EU funding can be allocated much more easily with a view to short-term political priorities. Overall, there should be much closer integration with the Global Gateway initiative (recital 24).

Greater flexibility: One of the most significant innovations of the new instrument is the considerably increased flexibility in the use of funds, particularly to be able to respond more quickly in crisis situations (recital 11):

- Unlike its predecessor, the NDICI, there are no longer any strict programmatic targets. There is therefore no target specifying how much funding should be used for migration or combating climate change, or what proportion of projects should incorporate gender or equality aspects (even though both objectives are mentioned in the regulation). However, the promotion of democracy does not have a specific pot or target either. The only condition is that 90% of the funds must be eligible for ODA (Official Development Assistance) (Article 6-5.). However, the Commission can also change this percentage by means of a delegated act.
- Greater flexibility is achieved primarily through a lower proportion of fixed programming funds, but also through easier transfers between years.
- At the same time, there are now also increased opportunities to transfer funds between individual geographical pillars.

Greater economic focus & reform of financing: To achieve its foreign policy goals, the EU should make greater use of private sector investment. This is already evident in the changed set of instruments: for example, budget guarantees (up to a total of €95bn) are to be used more frequently (Articles 22-24), which should enable greater blended financing from public and private funds. For the first time, it should also be possible to support export credit insurance activities. Another innovation is that, in future, the EU should enable direct awards to companies based in the EU for projects that are in its strategic interest (e.g., in the areas of critical raw materials, climate change, and digital infrastructure, recital 70). The regulation also points out that the instrument can be used to achieve the objectives of the European Competitiveness Fund (Article 5). Partner countries are to be supported in their reforms with policy-related loans (Article 26, recital 85). The Commission also wants to make greater use of macro-financial assistance.

Changed focus: migration, fragile contexts, the Middle East and North Africa: There is overall a stronger focus on migration (mentioned 27 times, irregular migration is mentioned seven times). For the first time, however, the Commission Regulation provides for the possibility of suspending payments in the event of uncooperative behaviour on the part of the partner country (e.g. in the case of the readmission of nationals) (Article 12-3.). Humanitarian aid is exempt from this. At the same time, the regulation recognises the need for greater EU engagement in combating fragility (including Article 9-2.). The regulation also provides for a stronger focus on relations with the Middle East, North Africa and the Gulf region (recital 22).

New emphases in the area of democracy promotion: Democracy promotion remains one of the guiding principles of EU foreign policy (Article 9), even though it is not explicitly mentioned among the objectives (in general, only the values of the EU are referred to). The strengthening of democratic resilience and good governance, as well as the importance of human rights issues, are emphasized, with a focus on the fight against "Foreign Information Manipulation and Interference" (FIMI). This is already one of the priorities this year. Interesting: the instrument explicitly provides for the possibility that democratic actors and civil society in (authoritarian) countries can receive support from the EU even without the express consent of their government (recital 59), and grants for human rights actors and civil society can also be made without a call for proposals in difficult circumstances or emergency situations (recital 69).

Ukraine reserve outside the financial framework: A separate reserve is to support Ukraine's accession and reconstruction efforts, including loans of up to €100bn from 2028 until 2034. Although this reserve is to be provided by the European pillar of the Global Europe instrument, it "shall not count toward the maximum amount" of the MFF (article 24-3.). Support for Ukraine would therefore be provided separately and would not come from the approximately €200bn. This is also intended to counter the recurring narrative that support for Ukraine is at the expense of funds earmarked for other countries.

Expandable control by the EP and Member States

Despite the significantly increased flexibility of the instrument (and thus less strict requirements for the Commission), the regulation does not yet provide for any new forms of oversight by the EP or the Member States. Under Article 8, the Commission is only required to inform the EP and the Council on a regular basis and to facilitate an exchange of views upon request. However, the lack of specific spending targets is likely to make it considerably more difficult for the EP and the Member States to influence the Commission's priorities in advance.

Analysis & Commentary

The draft regulation confirms the trend towards a significantly more pragmatic EU development and partnership policy that is more oriented towards (strategic) interests. The Commission is thus responding to the geopolitical developments of recent years, the harsher international environment, and the changed balance of power between the EU and other global players. Some reforms are a step in the right direction: overall, there appears to be a good balance between short-term and long-term priorities. The measures to involve the private sector more closely and to focus more strongly on economic issues are to be welcomed. Some business representatives see these changes as important but, in view of global developments, not yet sufficient. The increased flexibility should enable the EU to respond more quickly to short-term developments in partner countries. The increase in funding proposed compared to the last MFF is justified, although experience from past negotiations suggests that the approach is likely to be scaled back in the end.

The regulation contains some controversial points and raises a number of fundamental questions: There are still a few issues to be resolved when introducing conditionality regarding cooperation in the area of migration policy. For example, it is still unclear how thresholds for suspending payments to non-cooperative countries will be defined and how autonomously the Commission can make decisions on such far-reaching measures. It can also be assumed that the more left-wing groups in the EP in particular will criticize this mechanism.

While there are undoubtedly advantages to avoiding overly rigid targets, it is also important to ensure long-term consistency in the use of funds and thus ensure certainty for longer-term investments. This is complicated by the fact that there is currently no comprehensive policy document to guide the Commission in its use of Global Europe Instrument funds in the coming years. References to the European Council's strategic agenda, Council conclusions, or EP resolutions may provide a good guide to short- or medium-term priorities. However, if regular reference is made to the EU's "strategic interests," there needs to be a general consensus on what those strategic interests actually are. Without such guidance, there is a risk that the use of funds will become more piecemeal than a long-term investment. This also applies to

individual priorities: although the fragility of partner countries repeatedly plays an important role, a fragility strategy has yet to be developed.
An important challenge will be not to neglect projects and investments that are necessary but only have a long-term impact. Creating a strong regulatory framework for successful programs and investments requires long-term (including financial) commitment. Only then will Global Gateway projects have their full effect. Development aid organizations, but also some think tanks[2], criticize the ease with which the ODA quota of 90% can be changed; they fear a weaker focus on poverty reduction and the priorities of the 2030 Agenda.

The participation rights provided for Member States and parliaments in the regulation appear insufficient in view of the enormous flexibility planned for the allocation of funds. Both Member States and the EP are likely to push for a stronger and more regular say in setting priorities.
The tension recognized by several observers between a development policy that is more focused on its own economic interests, but at the same time is also supposed to be geared to the needs of its partners, is probably unavoidable. This will require very close (and, above all, early) consultation with partner countries during program planning to ensure that EU programs are also compatible with the national or regional priorities of the partner countries. In any case, it will be necessary to examine where grants are still the appropriate instrument (and in demand by the partners) and where other instruments such as loans or trade agreements are more likely to deliver a better return for the EU's interests.

There have been mixed reactions from those involved in promoting democracy. Some welcome the increased flexibility of the funds, while others criticize the lack of targets and ringfencing. They fear that, given the focus on pragmatic interest-based politics, the promotion of democracy will only play a secondary role or be reduced to a few priorities (in particular, combating information manipulation and influence). In this regard, it would be helpful in future to at least refer to the "European Democracy Shield" which is currently still being developed. In addition, the Commission should ensure that, in the area of democracy promotion, the focus in future is on strengthening representative political institutions in partner countries.
Nevertheless, it is to be expected that the instrument will continue to be geared more strongly towards the EU's (own) interests. Although adjustments to the instrument are to be expected in the upcoming negotiations with the EP and member states, the stronger focus on the EU's (own) interests is unlikely to change.

[2] A comprehensive analysis of the new instrument and the dilemmas it faces has been done by ECDPM: A companion guide to the Global Europe instrument proposal, 21 July 2025: A companion guide to the Global Europe instrument proposal - ECDPM

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KONRAD ADENAUER STIFTUNG

Konrad-Adenauer-Stiftung e. V.

Dr. Olaf Wientzek
Director, Multinational Development Policy Dialogue (MDPD) Brussels
European and International Cooperation (EIC)
https://www.kas.de/en/web/mned-bruessel

Olaf.Wientzek@kas.de

www.kas.de