



The EU Budget for the future: views from Italy

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The views expressed in this paper are those of the authors.

KEY MESSAGES

- During the negotiations on the Multiannual Financial Framework (MFF) 2021-2027, the Italian anti-establishment and populist parties will prioritise funding for agriculture, social cohesion, migration, and border management at the expense of genuine development cooperation and humanitarian assistance.
- The Italian government has a weak, trivial and isolated position in Europe. The recent elections to the European Parliament have produced a more fragmented political spectrum with the Lega becoming the leading party in the country. This will have an important impact, not only internally, but also at the European level. It seems likely that Lega will propose the new Commissioner from Italy, with a smaller role to be played by the Five Stars Movement. However, the two leading parties appear already isolated in the next European Parliament.
- The proposal of the new MFF significantly increases the resources allocated for migration and border management. Italy vocally supports this view and advocates for an even stronger commitment, by doubling the budget for long-term focus on 'root causes' within the neighbourhood, Development and International Cooperation Instrument (NDICI) component of Heading VI.
- Italy would like to see Africa getting a greater proportion of NDICI funds. This is due not only to historical relations with the Mediterranean region and North Africa, but also as a result of the assumption that more development aid to Africa will reduce the migration fluxes, despite the literature showing otherwise.
- The Italian and European NGO community criticise the so called "Junckerization of MFF", or using the MFF as the catalyst to attract private investments. The community says it risks subsidising international companies that do not comply with clear and binding accountability and transparency rules.



INTRODUCTION

The recent European elections in Italy have confirmed the populist leadership of the *Bel Paese*. Although some traditional political forces like the Democratic Party, have not experienced a dramatic political *débaclé*, anti-establishment and populist parties are set to be the drivers of the Italian European agenda for the next months. These forces are destined to play a marginal role in the new European Parliament, yet both *Lega* and the *Five Stars Movement* will play a crucial role in the negotiations over the new Commission as well as the new Multiannual Financial Framework (MFF) 2021-2027. In particular, the growing role of *Lega* within the Government is expected to have a deep impact on the MFF, with agriculture, cohesion funds, migration and border management likely to become the real priorities for Italy at the expense of the development cooperation and humanitarian assistance. It is not by chance that Italy is already reducing national resources for development cooperation, as in 2018, where Italy's Official Development Aid (ODA) decreased¹ from 0.30% of GNI to 0.24%. Moreover, according to estimates² by Openpolis and Oxfam, in 2019 funds for development aid will fall to €5,077 million, decreasing to €4,654 million in 2020 and €4,702 million in 2021. Based on a (unlikely) forecast of 1% GDP growth, such funding would be equal to 0.29% of Italy's GNI in 2019 and 0.26% in 2020 and 2021. These trends put last year's improvements at risk, as well as having farther reaching repercussions in a wider European context.

THE PROPOSAL OF JUNCKER'S COMMISSION

The next MFF 2021 – 2027 of the European Union will be a key pillar in shaping the future of the European project for the coming years. Notably, it is a long and complex procedure that is taking place in a very delicate moment for the Union, with nationalist forces taking more and more

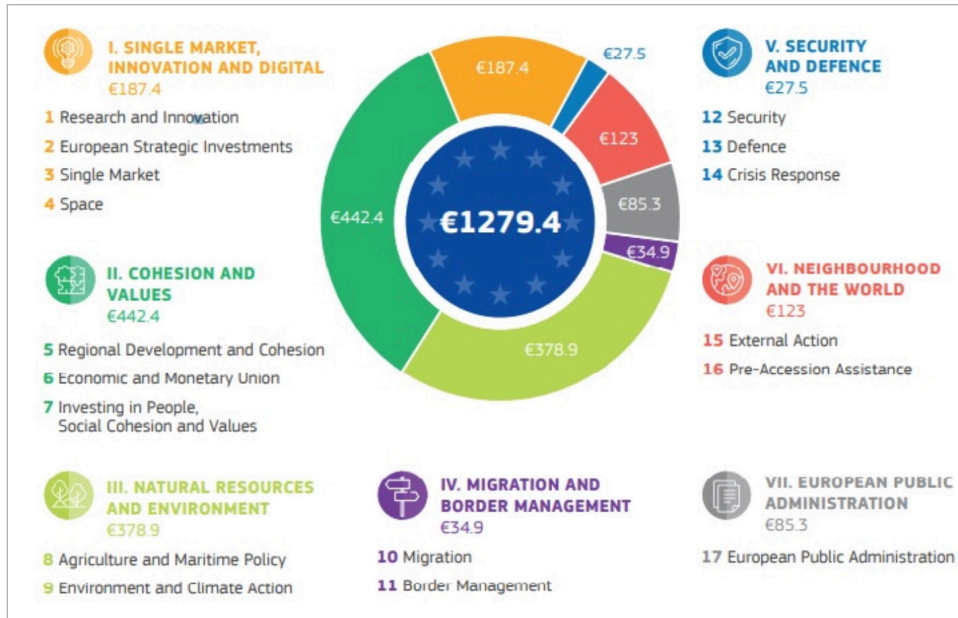
ground within the European political landscape. These forces will definitely have a say in the next EU Parliament and Commission, and will be a key test for the further integration of the Union. For this reason, it is important to see how the different Member States are reflecting internally on the MFF, in order to both assess the state of the art and draw some scenarios on how the negotiations will evolve. This is particularly the case for Italy, whose political instability, coupled with the consolidation of Euro-sceptic forces, risks having an impact on the shape and consistency of the next MFF.

In May 2018, Juncker's Commission presented a proposal on the so called "EU budget for the future"³. The proposal was worth €1,279 billion in commitments over the period 2021-2027, equivalent to 1.114% of the EU-27 GNI. This proposal did not differ too much from the current MFF in real terms, including the European Development Fund (EDF). One of the most evident changes was however the decision to launch a re-structuring of the MFF, passing from 5 to 7 headings, that are highlighted in the infographics on the next page.

The proposed MFF should lead to a 109 billion increase compared to the current budget, with the strongest increases registered in the field of migration management (+154.7%), youth (more than doubled), defence and security (+80%) and finally climate and environment (+70%). The proposal for the new MFF also envisages some special tools (e.g. the European Fund for globalization, the EU Solidarity Fund, the EU reserve for emergencies, the Flexibility Instrument, the European Fund to support investments' stabilization in the Eurozone) that will allow the EU to allocate resources under specific circumstances even beyond the maximum threshold envisaged by the MFF. It is likely that these figures will change in the coming months. On the one hand, after Brexit the EU-27 will need to decide how to cover the €10-12 billion gap that will be left by the

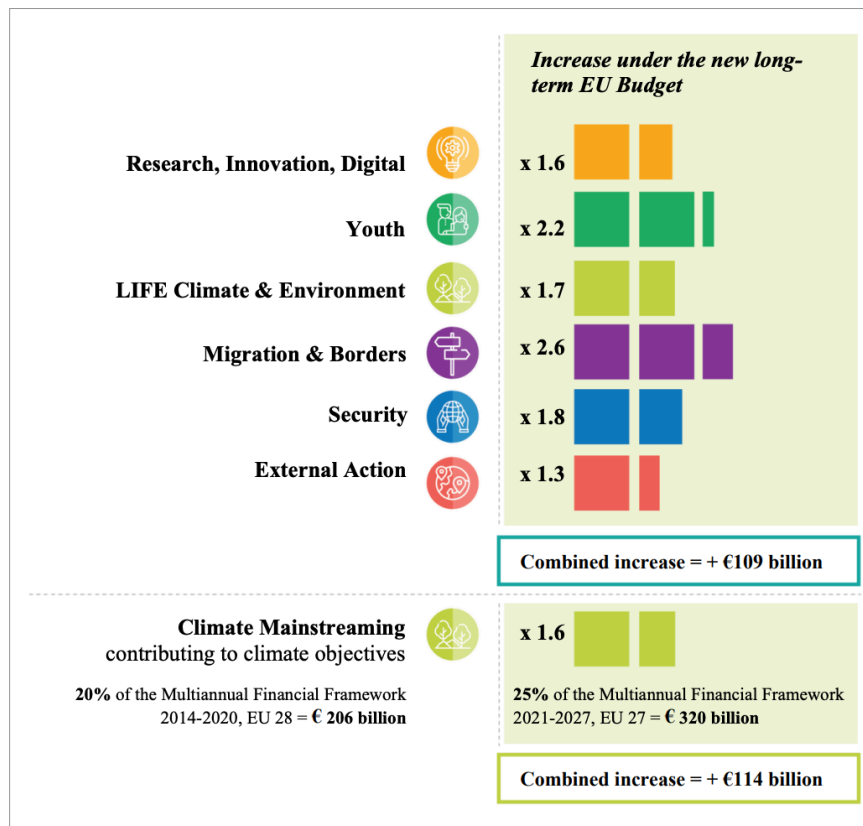
1. http://www.dt.tesoro.it/modules/documenti_it/analisi_programmazione/documenti_programmatici/def_2019/01_-_PdS_2019.pdf
2. https://www.openpolis.it/wp-content/uploads/2019/02/Cooperazione-Italia_EN.pdf
3. https://ec.europa.eu/commission/publications/factsheets-long-term-budget-proposals_en

Figure 1: The EU's Commission proposal for the MFF EU 2021-2027



Source: European Commission

Figure 2: The EU's Commission proposal for the new priorities for the EU MFF



Source: European Commission



United Kingdom (almost 10% of the annual EU budget). On the other hand, current disagreements on the overall expenditure ceiling and allocation of resources across different 'Headings' among the EU Member States, will in turn impact the negotiations on MFF.

Some countries (Austria, Denmark, the Netherlands and Sweden) are insisting on decreasing their net contributions and thus opt for a budget that does not exceed the 1% of the EU gross national income, but still manages to finance both traditional (i.e. Common Agricultural Policies) and new priorities. However, other members (Estonia, Greece, Hungary, Italy, Latvia, Lithuania, Poland, Portugal and Slovakia), are advocating a higher level of ambition to finance both traditional policies (e.g. agriculture, cohesion policies) and new priorities (i.e. migration management, security, defence, research and innovation, space and digitalization). In addition, these countries support a flexible budget with enough resources to tackle emergency situations. Solving these divergences will be a crucial step for the future MFF.

MIGRATION MANAGEMENT AND EXTERNAL ACTION

The proposal of Juncker's Commission will have important impacts on the EU's agenda for migration and external dimension, a key issue for Italy. Migration and border management is the sector that should experience the strongest increase, shifting from €13.7 to €34.9 billion and representing almost 3% of the entire MFF. Such a shift is a clear signal of the growing importance of these topics for the EU's agenda. In this sense, the need to show immediate results⁴ to domestic constituencies to gain political consensus is likely to require visibility of migration funds in the EU budget. This is particularly the case for Italy, where the "shut ports" policy by Salvini has proved

to be an extraordinary tool to get strong political support in a very limited time-frame. Hence, Italy supports the €21.3 billion devoted to border management, including the creation of the new Integrated Border Management Fund – I BMF, worth €9.3 billion. In addition, Italy backs the European Commission proposal to increase by 50% the funds allocated to the Asylum and Migration Fund (€10.4 billion), to support the Member States in asylum, legal migration, integration, and the fight against illegal migration. The Fund will be coupled with additional funds to strengthen cooperation with partner countries, including the efforts to improve the opportunities in the countries of origin and strengthen cooperation for regular migration and readmission projects.

Italy would like to see an even stronger emphasis on migration than is currently proposed in Heading VI. For instance, Rome would like to double (from 10% to 20%) the budget for long-term focus on 'root causes' within the Neighbourhood, development and international cooperation instrument (NDICI⁵) component of Heading VI. Italy would also like to strengthen the relationships with countries of origin and transit.

In terms of geographic priorities, Italy, would like to see Africa getting more funds or a greater proportion of NDICI funds than is currently proposed. This approach is two-fold. On the one hand, it is based on a historic relation with the Mediterranean region and North Africa. On the other hand, it is grounded in the assumption that more development aid to Africa will reduce the migration fluxes, despite the literature showing otherwise.

THE GORDIAN KNOTS

One of the most debated issues of the Commission's proposal is the integration of the EDF within the broader

4. <https://ettg.eu/2018/12/03/financing-eu-external-action-understanding-member-state-priorities>

5. https://ec.europa.eu/commission/sites/beta-political/files/budget-may2018-neighbourhood-development-cooperation_en.pdf

budget devoted to external action. This would be a significant change, since so far the EDF has always been financed directly from the Member States and was managed with specific rules and even directed by a specific committee. Italy was initially not in favour of this measure, because it considered the trust funds (mainly financed through the EDF) as a good model. Currently, Rome is more open to this possibility because the overall resources for development cooperation, neighbourhood and sub-Saharan Africa are not reduced by the budgetization of EDF.

Second, the decision to include the European Fund for Sustainable Development (EFSD+) in the NDICI is highly disputed, as some countries would prefer to keep it as flexible as possible. Moreover, the so called “Junckerization of MFF”, that aims to use the MFF as the catalyst to attract private investments is highly contested, especially by the Italian and European NGO community⁶. The risk is that EU money could subsidize international companies that do not comply with clear and binding accountability and transparency rules, by reducing the impact of development cooperation, which could even exacerbate corporate power in countries where the democratic space is already dangerously shrinking⁷. They criticized the decision to exclude from the preamble of the latest version of the regulation, the link to the eradication of poverty, as well as with the SDGs in both thematic and geographic programmes. The NDICI should allow a better monitoring and assessment of the added value of the EU's cooperation programmes. The risk is to build new “cathedrals in the desert” with European taxpayers' money and to be less effective than other competitors like China or Saudi Arabia, whose huge investment plans risk having a tremendous impact on local legislation and national development.



Italy backs the European Commission proposal to increase by 50% the funds allocated to the Asylum and Migration Fund (10.4 billion euros)



Third, some member states' concerns about the fact that an increased role of migration could hamper police coherence between Headings 4 and 6. The risk is that the obsession of EU policy makers on migration issues could divert money from international cooperation to migration and border management – a trend which would be totally against the spirit of the EU Consensus on Development and the targets set in the UN Agenda 2030. Italy's position seems, however, on the opposite side and instead appears to be pushing to merge development and migration resources. Finally, the negotiations on the next MFF will need to take into account the Post-Cotonou negotiations. African countries will face tremendous challenges in terms of job creation, demography, infrastructural development and mobilization. Hence, it is essential that MFF negotiations

6. https://concordeurope.org/wp-content/uploads/2019/02/CONCORDEurodad_10pointsEFSD.pdf

7. <https://www.civicus.org/index.php/re-imagining-democracy>

and those on the Post-Cotonou go in the same direction. In this framework, Italy's position is not strategic and focused on Africa-EU relation beyond the migration conundrum.

THE WAY AHEAD

In December 2018⁸, the European Council called to reach an agreement in the European Council in autumn 2019. This was confirmed in February 2019, when the Romanian Presidency⁹ of the Council presented the state of play on discussions on the MFF for 2021-2027 and set out the provisional work programme up to April 2019, with a view to achieving an agreement in the European Council later that year. Finally, on 21 May, the General Affairs Council¹⁰ discussed the external action aspects of the MFF, focusing in particular on the proposals related to the EDF and the European Neighbourhood. In the June European Council meeting¹¹, the Heads of State and Government welcomed the work done under the Romanian Presidency and called on Finland's Presidency to continue the work and to develop the Negotiating Box, aiming to reach a final agreement by the end of 2019. However, this objective seems pretty unrealistic at the moment, due to the upcoming institutional changes that will take place in Europe. So far, a general agreement seemed to have been reached on both the general and sectoral negotiations. More work will need to be done with regards to "Own resources", as a consensus is still missing among all Member States. The European leaders will have to work hard in order to avoid a last-minute agreement. The risk is that fewer resources may be allocated to Heading 6, where the Member States usually see a less tangible return. As a result some may be tempted to cut resources and focus on other priorities that yield more immediate political gains.



It is essential that MFF negotiations and those on the Post-Cotonou go in the same direction.



Against this background, Italy risks paying a high price, in case the domestic political instability persists. The recent elections of the European Parliament have produced a more fragmented political spectrum with the *Lega* becoming the first Party in the country. This will have an important impact, not only internally, but also at the European level. It seems likely that *Lega* will propose the new Commissioner from Italy, with a smaller role to be played by the *Five Stars Movement*. However, the two leading parties appear already isolated in the next European Parliament, where a *grosse koalition* of PPE, S&D and ALDE and Greens/EFA is likely to get the majority in the Parliament. What is clear is that Italy will keep insisting on the importance of agriculture, cohesion funds, migration and border management in the new MFF. Clearer still is the risk, such a change in focus poses to genuine development cooperation.■

8. <https://www.consilium.europa.eu/en/meetings/european-council/2018/12/13-14/>

9. <https://data.consilium.europa.eu/doc/document/ST-6324-2019-INIT/en/pdf>

10. <https://www.consilium.europa.eu/media/39450/st09565-en19.pdf>

11. <https://www.consilium.europa.eu/en/press/press-releases/2019/06/20/european-council-conclusions-20-june-2019/>



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