rani

Global Europe and the Next MFF: What to Watch

Monthly briefing | Issue 1 | September 2026

At a glance

Source: Own elaboration

	Current position	Issues at stake
Overall MFF size	Frugals pushing for cuts of ‘several hundred billion euros’; a majority of Member States oppose cuts to Heading 1	Irish nego box (ahead of 15 Oct European Council) will show whether cuts will be proportionately applied across the MFF
Own resources	Costa has made new revenue central to the deal; France treats it as a precondition; frugals (bar exceptions) don't see it as an alternative to cuts	Whether the Irish box adjusts the Commission's package (notably CORE) or leaves the revenue gap unresolved into December
GEI budget	Cypriot box: −4.1% in real terms vs. Commission proposal; EP interim position wants €225 billion instead; Council-Parliament disagreement on whether GEI should cover interest rate subsidies to Ukraine	Whether GEI cuts track the overall MFF cut proportionally, or absorb more, and how Ukraine interest-subsidy costs get folded in
GEI objectives	Disagreements: Council holds Commission's 90% ODA/indicative targets; EP wants 93% ODA, hard floors, and sub-targets. EP opposes elimination of 20% spending target on human and social development (including health)	Whether EP's targets survive trilogue or get traded away for headline numbers
GEI governance	Council wants Member State steering via implementing acts; EP wants delegated-act veto power, greater scrutiny	Which mechanism the Council concedes on to secure EP support for the overall MFF timetable

CEPS supported rani as a knowledge partner in the preparation of this briefing.

Migration conditionality	Council: binding suspension mechanism tied to readmission; EP position still forming	Scope of the mechanism and who controls triggering suspension, likely a late-stage fight
GEI internal ring-fencing	No disagreement on the overall geographical pillar split; disagreement is over EP asks for legal floors (Global pillar) and region-specific earmarks	Whether EP's floors and earmarks survive trilogue, or get traded for headline budget numbers

1. Where the MFF negotiations stand

In June 2026, the **Cyprus presidency presented the first 'negotiating box' with figures**. The document proposed:

- A 2% real-terms cut to the overall MFF, unevenly spread across headings: -3.9% for Heading 2 (competitiveness) and Heading 3 (Global Europe), -0.5% for Heading 1.
- A 4.1% real-terms cut for the Global Europe Instrument, evenly distributed across the different GEI pillars and the cushion.
- No changes to the budget for the Ukraine Reserve which is placed outside the MFF ceilings[1] and is dedicated to financial support to Ukraine (€100 billion in current prices, €88.9 billion in 2025 prices)
- No changes to the Own Resource package proposed by the Commission in July 2025

The Cypriot document also included some specific aspects on the GEI goals/design, probably reflecting strong consensus among Member States on these issues:

- The GEI shall be 'primarily implemented through geographically programmable actions'.

[1] This reserve is intended to cover all non-repayable support to Ukraine over 2028–2034 (that is, grants and provision of budgetary guarantees to implementing partners such as the EIB). In addition to that, the Commission's GEI draft proposal sets a financial cap of €100 billion on the combined support to Ukraine in 2028-2034 (that is, the sum of grants, provision of budgetary guarantees and loans), which is also maintained in the Cypriot negotiating box.

- Inclusion of a 90% Official Development Assistance (ODA) target, with support to Ukraine being excluded from this target.[2]

- Inclusion of an indicative financial envelope for humanitarian aid, even if there is no consensus on the size of this envelope.[3]

- Establishment of a minimum target for actions supporting the external dimension of migration even if there is no consensus on the level of this target.[4]

- The fact that 'additional funding for Ukraine may be prioritised from the Enlargement and Europe and Global pillars and from the emerging challenges and priorities cushion for support in the form of humanitarian assistance and other duly targeted activities'.

The Cypriot negotiating box also provides that an interest cost subsidy for the €90 billion Ukraine Support Loan agreed in 2026 for 2026–2027 may be granted beyond the amounts set aside for Ukraine, that is, outside the Ukraine Reserve.[5]

No agreement was reached at the European Council of 18–19 June, and the Irish Presidency is preparing a revised negotiating box with new figures, which has to be discussed in the next European Council meeting on 15 October 2026.

Over the summer, some Member States have taken a position on the MFF. Most notably, Chancellor Merz repeated his call for substantial cuts during a late-July visit to Dublin, and the six 'frugal countries' (Germany, Denmark, Austria, Finland, Sweden and the Netherlands) met in Berlin on 27 Aug. to discuss the MFF negotiations. **The informal frugals' meeting** ended with a joint statement which:

- Asks for a 'modernised' EU budget that supports shared priorities, namely 'security and defence, competitiveness, migration and sovereignty'.

- Reaffirms the ambition to conclude the negotiations in 2026

[2] It should be noted that, today, ODA support to Ukraine accounts for roughly a quarter of total ODA net support provided by EU institutions and Member States.
[3] The document indicates an amount of €25 billion, but the figure remains in brackets, signalling that the Cypriot presidency has detected a lack of consensus among Member States.
[4] The document indicates a 10% target, but the figure remains in brackets, signalling the same lack of consensus.
[5] Regulation (EU) 2026/467 allows Ukraine to request the Union to cover the borrowing costs associated with the loans received in 2026 and 2027. As the loans extend well beyond 2027, these subsidies create an additional financing need for the next MFF. The Commission's July 2025 proposal covers these costs with the GEI envelope. In the interim report on the MFF of April 2026, the Parliament instead proposes to cover this by adding a separate €26.2 billion envelope (2025 prices) to the Ukraine Reserve for this specific purpose and obliging Member States to cover any shortfall through external assigned revenue.

- Agrees that the next MFF will increase 'at a moderate pace' with respect to the current one but alerts that, with Member States consolidating their public finances, 'the EU budget cannot be an exception' and therefore the Commission's proposal 'needs to be reduced by several hundred billion euros in a balanced manner', with all headings contributing to such reductions.

- Reaffirms their opposition to common borrowing.

- Stresses the need to make the rule of law a fundamental condition for access to any European funding.

- Asks for a 'holistic assessment of payment flows' taking into account 'the exceptionally high level of outstanding payment commitments under the current MFF'[6] and 'additional transfer mechanisms outside the MFF'.[7]

The MFF was also discussed in a **Franco-German Council of Ministers on Friday, 17 July**. The fact that only 6 lines out of the final 13-page joint statement are devoted to the MFF just reveals the extent of the differences between the EU's two largest countries on this issue: the overall size, the distribution across headings, the importance of new Own Resources or the possibility to use joint borrowing. In the joint statement, the two countries:

- Agreed on working for a 'comprehensive and balanced agreement, including on new own resources, the overall volume, a modernised architecture and reduced red tape'

- Reaffirmed their aim to conclude MFF negotiations in 2026

According to Agence Europe ahead of the meeting, French diplomats attempted to draft a joint informal paper ('non-paper'), in which the two countries would agree on a list of own-resource proposals, but this attempt reportedly proved unsuccessful. A major disagreement was on the sequencing of the negotiations: France considers an agreement on new own resources a prerequisite for any balanced MFF deal, whereas Germany is making its support for new own resources conditional upon a prior commitment to spending cuts.

During the summer, **the revenue side of the MFF has moved towards the centre of the negotiations**. European Council president Costa increasingly frames the MFF as a three-sided equation of budget size, national contributions and new EU

[6] The next MFF will inherit a high level of outstanding commitments (RAL) from the current programming period. This is mostly due to the late implementation of cohesion policy as a result of late adoption of programmes and simultaneous implementation of NGEU plans. By end-2026, only 26% of the allocation is expected to have been paid, compared with 34% at the equivalent point of the previous programming period (European Commission, long-term forecast of future inflows and outflows of the EU budget (2026–2034), COM(2025) 573 final).
[7] It should be noted that the European Court of Auditors (ECA) has been repeatedly flagging the growing exposure of the EU budget to contingent liabilities, particularly due to the creation of NGEU and the expansion of EU financial assistance to Ukraine (see e.g. ECA Opinion 04/2026 on the Own Resources Decision).

revenues and is using his bilateral meetings with capitals to test different ideas for new Own Resources. France remains the strongest supporter of new Own Resources. The frugals are willing to discuss the issue but explicitly reject it as a substitute for spending cuts, and remain sceptical that it can raise serious money, with Sweden being the most resistant. Meanwhile, the Commission is reportedly considering adjustments to some elements of its package, notably CORE, which was strongly criticised by some countries. It has also examined the three new resources proposed by the Parliament (a tax linked to crypto-assets, digital companies/services and online gambling) even if, according to Agence Europe, doubts have been expressed by several EU finance ministers about the technical feasibility of these three proposals.

2. Inside GEI: where Council and Parliament stand

The General Affairs Council reached in June a partial negotiating position on the GEI. In Parliament, AFET and DEVE are leading the file, with Michael Gahler (EPP, Germany) and Robert Biedroń (S&D, Poland) as joint rapporteurs. Their draft report was initially scheduled for committee votes in September 2026; the Council's latest tracking foresees adoption in AFET/DEVE on 15 October, with the plenary vote establishing Parliament's negotiating mandate expected in November. Trilogues would follow, with a target of political agreement by year-end.

2.1. Money: overall financial envelope and specific allocations

The Commission's proposal establishes a budget of €200.3 billion for GEI (€176.8 billion in 2025 prices). The Cypriot negotiating box proposes to reduce it to €192.1 billion (€169.5 billion in 2025 prices), whereas the Parliament's interim report on the MFF, adopted in April 2026, and the AFET/DEVE draft report call for increasing it to €225 billion.

The proportional distribution of resources among the six pillars (five geographic, one global) and the unallocated cushion remains identical between the Commission's proposal and the Cypriot negotiating box. The AFET/DEVE draft report does not directly alter the distribution per pillar but proposes minimum floors for some pillars and internal ring-fencing:

- A legal floor for the 'global' pillar. The Commission's proposal sets an indicative allocation of €12.7 billion (current prices) for the Global pillar. In amendment 47, the AFET/DEVE draft report turns this into a legally protected minimum ('at least' that amount) and adds a new clause mandating that this minimum must be strictly respected.
- Country-specific ring-fencing under the Europe pillar, no ring-fencing for sub-regions in other pillars. For the Europe Pillar, the AFET/DEVE draft report requires that each candidate and potential candidate country have

its own annual indicative amounts written directly into the regulation. Internal ring-fencing is not proposed for the other geographic pillars.[8]

Neither the Council nor the AFET/DEVE draft report propose changes to regional allocations, including the Sub-Saharan Africa (SSA) envelope of €60.5 billion. The more than 3,000 amendments tabled to the draft report do, however, include several relevant to the discussion on ring-fencing; the next issue of this briefing will unpack them once the committee has voted (currently foreseen for 15 Oct.)

2.2. Objectives: Which spending targets and priorities

Both the Council and the European Parliament (Committee's draft report) broadly accept merging programmable development action with non-programmable humanitarian aid into one instrument, and both endorse the 'dual objective' (development plus geopolitical interest); but they propose safeguards:

- *A legal floor for humanitarian aid*: The Council maintains the *indicative* allocation of €25 billion dedicated to humanitarian aid actions proposed by the Commission. The AFET/DEVE draft report converts this into a legally binding floor of at least €25 billion.

- *Migration spending target:* Neither the Commission draft regulation nor the AFET/DEVE draft report proposes any target for migration spending. The Cypriot negotiating box proposes instead an indicative target (see above).

- *Overall ODA target*. The Commission and the Council propose a 90% target; the AFET/DEVE draft report proposes maintaining the overall ODA target at the current MFF level of 93%.

- *Specific requirements on the ODA target*. The Cypriot negotiating box excludes support to Ukraine from the calculation of the 90% target (see above). The AFET/DEVE draft report includes some specific sub-targets (with amendments containing more):
    - At least 20% of ODA must be allocated to fragile/conflict-affected situations and least-developed countries.
    - At least 20% of all ODA actions shall contribute to social inclusion and human development, including health. The committee is pushing to reinstate the mandatory expenditure floors existing in the current MFF.

- *Gender*. Both the Commission and the Council support promoting gender objectives through a horizontal mainstreaming approach. The AFET/DEVE draft report proposes quantitative targets: at least 85% of GEI actions must have gender equality as a principal or significant objective (OECD-DAC markers 1 or 2), and 5% of those actions must have gender

[8] It should be noted that, in the current NDICI regime, allocations to sub-regions within Sub-Saharan Africa (West Africa, East and Central Africa, Southern Africa) are indicatively fixed through a Commission delegated regulation mandated by the NDICI regulation.

equality and women's and girls' rights and empowerment as their principal objective (OECD-DAC marker 2).

- *Pillar thematic ring-fencing*. The AFET/DEVE draft report proposes to dedicate at least 30% of the expenditure under each geographic pillar to human rights and democracy, support to civil society organisations and peace, stability and conflict prevention.
- *Human development and social inclusion target.* The AFET/DEVE committee draft pushes to reinstate mandatory expenditure floors for human development and social inclusion (including health), which the Commission's proposal excludes (the current MFF includes a benchmark of at least 20% of ODA designated for human development and social inclusion).

2.3. Governance: Who controls and supervises the allocation of funds

Both the Council and European Parliament (AFET/DEVE draft report) want to claw back discretion from the Commission, but via different levers:

- *General political steering*. The Council asks for an annual strategic debate to steer multiannual programming; the AFET/DEVE draft report proposes a 'Global Europe Dialogue' in the European Parliament to be convened at least twice a year.
- *Implementing vs delegated acts*. The Commission and the Council agree that standard programming documents and action plans should be adopted via implementing acts under the examination procedure. The Council adds a restrictive 'no-opinion' clause, specifying that if the Member State committee delivers no opinion, the Commission shall not adopt it. The AFET/DEVE draft report asks that programming documents, performance-based plans, and action plans or measures involving policy-based loans be adopted via delegated acts.
- *Oversight*. The Council requires stronger oversight over the mobilisation of the emerging challenges and priorities cushion. The AFET/DEVE draft report proposes a comprehensive new chapter to reinforce its capacity to oversee and evaluate the use of GEI funds.

2.4. Conditionality: Which type and how will it be applied

Three distinct conditionality tracks are running in parallel, and they are converging at different speeds, with key differences between the Council and the AFET/DEVE draft report:

- *Rule of law conditionality*. The Council retains the Commission's discretion to suspend funds on condition of consulting the Council on the 'political appropriateness' of the suspension. The AFET/DEVE draft report wants to reduce discretion, requiring that assistance 'should be suspended' in the event of democratic backsliding.

- *Reversibility of enlargement support*. The Council proposes to include ‘reversibility’ as one of the principles guiding the enlargement process (recital 17), legally allowing the EU to walk back pre-accession progress and corresponding funding if a candidate country backslides. The AFET/DEVE draft report proposes a 'reverse conditionality' mechanism to repurpose programmable funds to civil society or non-state actors in case of democratic backsliding.

- *Migration conditionality*. The Council structures migration cooperation as an 'integral element' of the instrument, defines return and readmission as 'key elements of a comprehensive and effective approach' and permits the EU to make 'possible changes in allocation of funding related to migration' to incentivise third countries to cooperate on EU migration priorities. The AFET/DEVE draft report opposes using development funding as a transactional tool for border control. In Amendment 73 it requires that any third-country commitment to address migration must be evaluated in light of the partner country's 'specificities and level of development' and balanced against its commitment to 'economic and social development [and] environmental sustainability'.

3. What could tip the negotiations

GEI size: champions are quiet, but no adversary either

Having adopted partial negotiating positions on the main MFF programmes in June, Council discussions are now focused on figures. The division between ‘frugals’ and ‘friends of cohesion’ structures the debate, while Costa’s attempts to promote changes to EU resources as a way to ease downward pressure on the overall MFF size appear to be gaining little traction. Heading 3/GEI has some important supportive countries, and, notably, no Member State is currently asking for comparatively larger cuts to Heading 3 than to other headings, and, importantly, it seems that some frugal countries have named Heading 3 a priority to protect. Two aspects may shape the final outcome:

- <u>How GEI spending will be framed: value-for-money investment or cost?</u> The frugals present MFF cuts as support for national fiscal consolidation. For Heading 3 specifically, that logic cuts against itself: several Member States have already applied drastic cuts to their own national development cooperation budgets, so further EU-level cuts risk compounding rather than complementing national retrenchment. At the same time, the value of ODA need not be assessed solely in terms of immediate fiscal returns. Well-designed development spending generates longer-term benefits for donor countries in terms of trade and investment opportunities, strengthening economic and supply-chain relationships, and advancing broader European strategic and geopolitical interests. Frugals may be more persuadable here than on other headings if the case is made in terms of maintaining the EU’s capacity to pursue its global role and strategic interests, where national retrenchment is reducing the overall effort, and development cooperation, by investing in governance, public health, education and planning capacity, creates the stable and predictable conditions in which European firms can operate and compete.

- Treatment of interest rate subsidies linked to Ukraine loans. While support to Ukraine is placed above the MFF ceiling, interest rate subsidies for Ukraine loans, both the €90 billion loan adopted in 2026 and future loans, are expected to be covered from the GEI budget. This matters because the scale of future exposure is large: on top of that loan, the MFF proposal caps combined support to Ukraine over 2028–2034 at €100 billion, part of which may take the form of loans guaranteed by the MFF headroom. Because these loans won't be provisioned[2], Member States are trying to contain their own budgetary contributions; there's a real possibility that loans (rather than grants) become the preferred vehicle for future Ukraine support, and if accompanied by interest subsidies, this could absorb a significant share of the GEI envelope from inside, rather than from Ukraine's separate Reserve. The Parliament has already signalled how it would resolve this: its April interim MFF report proposes a dedicated €26.2 billion envelope (2025 prices) added to the Ukraine Reserve itself for interest-rate subsidies, with any shortfall covered by Member States through external assigned revenue. Expect this issue to resurface if the Council's eventual GEI figure comes in low.

GEI objectives and design: settled on paper, unsettled in practice

The Council's partial mandate (Section 2.2 -- 2.4) means the Council side of the objectives fight is fixed for now: Member States are not expected to reopen ODA targets, gender provisions or conditionality language before trilogue. What remains genuinely open is the Parliament's side, and, underneath that, which political narrative about the EU's global role carries the most weight once negotiations resume.

- The Parliament's position is currently unreadable. AFET and DEVE have received more than 3,000 amendments to the Commission's proposal, but roughly 45% of amendment activity comes from the ECR and Greens/EFA groups, while the EPP and S&D, the two groups whose votes will actually decide the committee outcome and whose members co-authored the draft report, have been comparatively quiet. The current amendments are therefore a poor guide to where Parliament will land; the real signal will be whether the committee vote holds close to the Gahler/Biedroń draft (a centrist compromise) or gets pulled toward one of the flanks.

- Whose narrative of 'what GEI is for' wins? The frugals' own August joint statement, endorsed by all six signatories, lists the EU's shared priorities as 'security and defence, competitiveness, migration and sovereignty,' with no explicit mention of development. This is the same coalition pushing hardest for overall MFF cuts, and one strand of Council discussion has floated a migration spending target the Commission itself never proposed (see Section 1). Worth watching is whether this translates into a push to reshape not just the size of GEI but its content, tilting spending further toward migration- and security-coded activity, against the EP's ODA and thematic ring-fencing asks. A competing narrative, centred on the EU's development identity and its credibility as a long-term investor in resilience and crisis prevention, could in principle find an equally organised set of Member State champions. Whether it does is, at this point, an open question rather than a settled fact.

The narrative that ultimately will prevail across Member States about the meaning of the EU global ambition will shape both the headline figure and the objectives and design of GEI.

4. What to watch next

- **13 Oct. 2026:** General Affairs Council, first exchange of views on the Irish negotiating box.
- **15 Oct. 2026 (foreseen):** AFET and DEVE vote on the joint Gahler/Biedroń report on the GEI. A plenary vote on Parliament's negotiating mandate is expected in November.
- **15 Oct. 2026:** European Council meeting on the MFF, based on the new negotiating box from the Irish Presidency.
- **12–13 Nov. 2026:** European Political Community summit and informal meeting of EU heads of state or government in Dublin. The informal meeting may be used to pave the way towards an MFF deal.
- **17–18 Dec. 2026:** European Council, prepared by the General Affairs Council of 15 December. Costa's stated target for agreement on the MFF, consistent with the June European Council conclusions committing to a deal by end-2026.

Whether this timetable holds will depend on whether the autumn negotiations can narrow the still-substantial differences over the GEI's overall budget size and structure, and the balance between traditional and new priorities.