Background note

Session III: The new EU Multiannual Financial Framework – a perspective on the EU's challenges

Introduction

On 11 February 2025, the European Commission published a communication titled 'The road to the next multiannual financial framework'[1], launching the formal development process of the next long-term budget of the European Union for 2028-2034. The Multiannual Financial Framework (MFF) is not only a technical budgetary planning tool, but is also the cornerstone of the Union's strategic objectives, guiding its socio-economic development and responding to emerging external and internal risks. It guarantees stability and predictability of funding for long-term EU policies and facilitates the annual budgetary procedures. In the face of increasing geopolitical uncertainty, migration, the need for energy and digital transformation, and challenges pertaining to security and competitiveness, the Commission calls for the new EU budget to be more ambitious, crisis-proof and better adapted to a rapidly changing global environment.

The process of developing the MFF for the period 2028-2034 is based on extensive consultations with Member States, EU institutions, NGOs, social partners and citizens. The European Parliament has announced that it will prepare its own resolution concerning this matter, based on national consultations and other sources of information. Other actors are also involved - the European Court of Auditors, the Committee of the Regions, the European Economic and Social Committee and numerous implementing bodies, including regions and local authorities. The engagement of citizens through democratic mechanisms, such as the public consultations portal and citizen panels, which gives the whole process a more participatory character is an important innovation. Sectoral discussions on the future of individual policies - including cohesion, competitiveness, migration, agriculture and defence - are already underway in the Council of the European Union, which will also have a direct impact on the shape and priorities of the future budget.

The process is therefore not only a technical budgetary exercise, but also a strategic reflection on the future of the European Union. In the context of increasing geopolitical tensions, resource scarcity, climate and transition challenges as well as demographic shift, it is necessary to redefine the approach to EU finances to better support the objectives of sustainability, community and competitiveness. In this vein, it is important to look at the main challenges that are shaping the debate on the Union's future financial framework.

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[1] COM(2025)46 (final): https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52025DC0046

Current challenges

The new financial framework will have to address a whole spectrum of challenges of a political, economic, social and institutional nature. The most crucial priority is the difficult geopolitical situation, which necessitates the definition of new priorities in the areas of security and defence. The growing external threats, the conflict on the Union's eastern border and global instability make it necessary for the EU to build a stronger common defence policy, which will require stable and predictable sources of funding. Existing instruments, such as the European Defence Fund and support for Ukraine, must not only be maintained but also expanded. At the same time, there is a need to ensure an appropriate balance between new strategic objectives and the maintenance of existing policies, such as Cohesion Policy and the Common Agricultural Policy (CAP), which can generate tensions between states.

What is more, the European Union has to deal with the declining competitiveness of its economy, especially in the context of technological challenges and green transition. Public spending on research and development in the EU continues to fall short of the goal, with just 2.22% of EU's GDP in 2023, compared to the intended 3%. In addition, European industry, particularly high-tech sectors, is lagging behind competitors from the United States and China. The Commission proposes the creation of a European Competitiveness Fund to support investment in innovation, digitalisation, new technologies, the defence industry and strategic infrastructure. Strengthening the production capacity and resilience of supply chains is becoming a prerequisite for maintaining the EU's economic sovereignty.

Another fundamental challenge is the need to increase the flexibility of the EU budget. Recent experiences - from the COVID-19 pandemic and the energy crisis, to the aftermath of the war in Ukraine - have shown that the current framework is too rigid and ill-suited to responding to unpredictable events. The Commission points out that an increase in the budget of around 25-30 billion euro per year is needed, both to repay the debts resulting from the Next GenerationEU facility and to increase the crisis response capacity. To this end, it presented two draft changes to the decision on own resources (the so-called two baskets), which were not supported by the states. Consequently, further work will focus on identifying alternate proposals, such as digital levies, taxes on corporate profits or mechanisms related to cryptocurrencies.

The issue of own resources and repayment of the EU's shared debt is becoming one of the most controversial topics in the budgetary debate. The European Parliament presented three possible scenarios - increasing national contributions, reducing spending on other policies, or introducing new sources of revenue. While the latter is preferred, its implementation requires unanimity and ratification by all states, which can significantly delay the process.

In addition, the debate on the future of Cohesion Policy and the Common Agricultural Policy reveals a growing divergence of interests among Member States. Some states call for maintaining the integrity of both policies and oppose their further centralisation. The need to simplify procedures, shorten the decision-making process, increase the role of the regions and reduce bureaucracy is often emphasised. Another controversial proposal concerns making the Cohesion Policy funding dependent on indicators and reforms listed in the national recovery plans, which could disrupt cohesion and be a hit to less developed regions.

The social challenges, such as ageing population, labour shortage in key sectors, an exodus of young people from rural areas and limited access to financing for SMEs are also of essence. The energy and digital transformation, while necessary, raise social costs that must be taken into account in the design of future programmes and funds. The need for sustainable development, while maintaining social cohesion, requires taking into account regional and geographical discrepancies, which are too often overlooked in the design of central financial mechanisms.

Finally, transparency and efficiency on spending remains an important topic. The Commission and the European Court of Auditors point to the need to simplify funding rules, increase transparency and reduce excessive reporting requirements. The European Court of Auditors pointed out significant problems in the implementation and monitoring of the Reconstruction and Resilience Facility (RRF), a major component of the NextGenerationEU plan. In this context, there are calls for an extension of the eligibility periods for expenditures and a greater diversity of financial instruments adapted to the specificities of the beneficiaries.

Questions for discussion

1. What is the progress of discussions in national parliaments on the European Commission's proposals for the new MFF for the period 2028-2034? Is the vision of a centralised approach considered appropriate?
2. How is the process input (report) of the European Parliament and other institutions evaluated?
3. What are the results of the extensive public consultations? Are they representative in relation to the population of the state concerned?
4. Which variant of the MFF funding is closer to the state's vision - a bigger or a leaner EU budget? In which areas is the budget expected to increase and decrease?
5. What type and size of new EU own resources are individual states able to support?