Paper series: An MFF fit for purpose

Green priorities for a better EU budget

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With the Multi-Annual Financial Framework (MFF), the European Union defines its long-term budget — and with it, its political priorities for the years to come. In July 2025, the European Commission published its proposal for the MFF 2028–2034, and long and protracted negotiations will follow. Policy makers now have the opportunity to scale up ambition and deliver on climate, social, economic and security objectives.[1]

With this article, we define key policy needs that the MFF must address and define criteria regarding how to assess the future of the EU's budget. This article is accompanied by, and builds on, a series of in-depth analyses by key experts, aiming to determine what is needed to equip the EU's budget to address the wide range of challenges and opportunities ahead.[2]

The European Union is facing a wide range of challenges: Increasing security threats and international uncertainties require strong European responses. At the same time, Europe's economic position is weakening in terms of output, innovation and productivity growth. Member States are struggling to deliver on both their climate commitments and broader social ambitions such as the eradication of poverty. A wide range of studies[3] has shown that to address these challenges, the European budget will need to grow in size — in particular in light of the upcoming Next Generation EU (NGEU) debt repayments, which would otherwise bring about an austerity budget if the overall volume of the budget remained unchanged. Quantity is indeed part of the exercise; however, so is quality. Streamlining and updating spending priorities, governance structures and the very design of the budget is equally critical in the development of a financial framework that is truly fit for purpose — today and until 2034.

To address these challenges systematically, we structure this assessment around three key issues. In the first section, we examine the needs the MFF must address and consider the implications for its overall volume, before outlining criteria for new EU own resources. In the second section, we explore which spending priorities should be reflected in the proposal. The third section turns to the structure and governance of the MFF and considers how the new framework could lay the groundwork for more transparent, inclusive and resilient implementation structures.

1. Why the numbers matter

One defining question for this MFF is simply about the numbers. Will it offer enough investment space to achieve the key policy goals of the EU? Fulfilling the objectives of the European Green Deal, managing the digital transition and reaching the EU's objectives under the European Pillar of Social Rights, whilst ensuring a competitive economy and providing long-term security to citizens, requires substantial investment.

Through a granular assessment of the EU public spending needed to achieve the green transition (in sectors such as energy systems, buildings, transport, environmental measures and climate finance), the digital transition and defence readiness, Darvas et al. (2025) estimate that an additional €149 billion to €157 billion of EU public funding — approximately 0.8% of EU GNI — is required annually.[4]

1 This text is written at the beginning of the budget negotiation process and therefore addresses a moving target. Rather than providing a full assessment of the MFF proposal, we aim to set out benchmarks that will help guide future analysis and political debate as the negotiations evolve.

2 We want to thank Till Eichler, Roderick Kefferpütz, Chantal Kopf, Tsvetelina Kuzmanova, Eva van de Rakt, Margit Schratzenstaller and Réka Tunyogi for their valuable comments on this paper. Any mistakes remain those of the authors.

3 Bruegel, Bigger, better funded and focused on public goods: how to revamp the European Union budget, July 2025

4 Ibid.

Even though these calculations have inherent uncertainties and complex methodologies, complicating any authoritative claim on funding needs, it is clear that large investment gaps remain in the EU budget. Given the proposed budget increase from 1.12% to 1.26% of GNI, these investments cannot be met, especially since a significant share of the proposed increase will go to repayment of NGEU debt.

The MFF at a glance

The EU's budget is structured in a two-fold way: the Multiannual Financial Framework on the one hand, and annual budgets on the other.

Within this system, the MFF serves three main functions: it defines the categories of expenditure; sets spending ceilings for those categories; and lays down provisions for the adoption of the annual budget (Art. 312 TFEU).

In doing so, it not only shapes the Union's multi-year policy agenda, but also frames key governance mechanisms, such as the application of 'rule of law' conditionality, and delineates the roles of Member States, the European Commission and regions in the EU's budgetary procedures.

Despite its technical form, the MFF is therefore a key piece of legislation that determines the EU's strategic direction.

Accordingly, the MFF has significant impact on countless areas of national policy-making, rendering it a crucial and wide-ranging piece of EU legislation.

The European Commission's proposal at a glance

Four elements within the 16 July 2025 proposal stand out:

1. An increase in volume at 1.26% of EU GNI (up from 1.12%) — including about 0.11% of EU GNI that is earmarked for NGEU debt repayments.*
2. The structure is simplified and more flexible with fewer headings and programmes, as well as new National and Regional Partnership Plans (NRPPs) that would see budget lines for cohesion, agricultural policy and fisheries merged, significantly consolidated and disbursed via country-specific plans, which require completion of reforms to access funds.
3. A €450 billion European Competitiveness Fund (ECF), under direct management of the Commission, to deliver on investments in research and innovation, clean tech, and defence.
4. A proposal to lift the own resources ceiling to 1.75% of EU GNI and add approximately €58 billion annually through levies on emissions, tobacco, e-waste and corporate revenue.

*Note: figures are shown in current prices (adjusted for inflation) throughout this publication.

This public funding gap cannot be closed without additional resources from the Union for a number of reasons. From a practical point of view, Member States, due to strict European fiscal policy, are simply unable to address spending needs. And even if we leave the EU's fiscal surveillance out of the picture, European countries have varying fiscal space, due to different access to capital, borrowing costs and internal fiscal frameworks. Even more importantly, however, and as laid out in the introduction, is the broader political and societal context. The challenges that need addressing all over Europe are overwhelmingly cross-border in nature. Amidst a historic reshuffling of the world order and a raging climate crisis, the only compelling responses for Member States are European. As such, the need for a strong MFF is not simply about shifting funds to Brussels, but about enabling cross-border green investments with EU value added through coordinated European instruments.[5]

Yet, high EU-level investment needs are not the only issue for this MFF. The end of the Next Generation EU programme will mean fewer available funds, whilst its debt repayment will put additional burden on public spending. If — as proposed by the European Commission in line with the agreement on NGEU debt servicing — the repayments are covered by the 2028–2034 budget, this comes with major repercussions for the delivery of EU priorities through that same budget.

The next long-term EU budget will have to be able to react to changing economic and political environments, and unforeseen externalities. One such variable is the inflation rate. As such, it is key to ensure that the annual inflation adjustment of total EU expenditure — currently fixed at 2% — follows the de facto inflation rate. In phases of high inflation under the current MFF, the mismatch of real inflation and the budget deflator led to a de facto decrease in the real budget of the Union.[6]

Own resources to overcome Member States' zero-sum thinking

Any increase in budget will be highly contested by Member States, whose main lens to assess the EU budget remains one of considering money contributed compared to money received from the EU — making clearly defined pre-allocations necessary for Member States' logic.

5 Heinrich-Böll-Stiftung, Shaping the EU's Financial Architecture for the Future, July 2024

6 ECDPM, The multiannual financial framework after 2027: Financing the EU's global ambitions, December 2024

To break this logic and to ensure that an increase of the Union's budget is feasible, a pathway to new own resources needs to be part of the picture.[7]

The fate of the European Commission's previous proposal for a basket of own resources — currently at a political impasse in the EU Council — shows how big of a challenge successful implementation is. Member States — especially the German government — will need to foster constructive negotiations.

We argue that to achieve a compromise, own resources will need to fulfil several criteria. First, they should strategically contribute to EU objectives by providing steering effects, such as reducing emissions or inequalities. Second, they should focus on measures implementable only at EU level — such as the Carbon Border Adjustment Mechanism (CBAM) — rather than simply replacing national contributions. Third, they must lead to genuine budget increases, not just substitution of existing funding.

A full assessment of the proposed own resources by Dr. Margit Schratzenstaller from the Austrian Institute of Economic Research can be found here.

2. Spending priorities

The MFF, by defining maximum spending ceilings, sets an indicator for the EU's priorities for the years to come. The European budget will need to address a whole range of issues, including the EU's global role in promoting Europe's principles and values internationally and domestically, funding for a thriving civil society and democracy, investments into Europe's industrial competitiveness, and Europe's security.

The European Commission's proposal includes several horizontal principles for the MFF, specifying two spending targets on climate and biodiversity and social spending. Therefore, we want to focus on these two questions: how does the budget address the climate crisis, and how does it help to advance Europe's social agenda?

Climate and environment

The MFF will need to deliver on an ambitious climate agenda that grounds the competitiveness of European economies in the objectives of the European Green Deal. The current MFF dedicates 30% of its spending to climate-related measures, with another voluntary 10% spending target for biodiversity and environment. This two-fold definition led to a practice of double counting — where investment under the 'biodiversity' category is also counted towards climate.

With estimates on the biodiversity funding gap going as high as €200 billion[8] and the prominent role of EU funds within biodiversity finance, as well as the well-documented public spending needs in the climate sector,[9] the next MFF needs to increase the genuine spending in both climate and biodiversity protection. Important to delivering this is a fact-based and targeted methodology. As negotiations pick up on the basis of the European Commission proposal for the 2028–2034 budget, a common environmental target (of 35%) has been put on the table. In case this is taken forward, its practical definitions and implementation will be critical to its relevance.

As we are set to move to a revised structure of the MFF, with notably the European Competitiveness Fund and the National and Regional Partnership Plans, energy and climate spending targets will have to take centre stage throughout the different vehicles. In both major programmes (ECF and NRPPs), the European Commission has proposed targets — it will ultimately be up to the negotiators to secure ambitious final numbers that can keep the EU on track with its competitiveness agenda rooted in a clean economy and building on the European Green Deal.

Furthermore, the current MFF provides us with important learnings with regards to spending outside dedicated categories. In the past budgetary cycle, harmful subsidies have outpaced nature-positive spending.[10] To tackle this issue, spending targets need to be accompanied by reliable and enforceable Do-No-Significant-Harm (DNSH) criteria that systematically rule out activities that are detrimental to climate and nature. The new proposal of the European Commission already includes a general application of DNSH throughout the budget, but negotiators should incorporate additional securities and safeguards to ensure thorough reflection of the principle in the actual spending of Member States.

7 Heinrich-Böll-Stiftung, New EU own resources to strengthen Europe's long-term budget, November 2025

8 WWF EU, Biodiversity funding in the EU's next long-term budget: Opportunities and risks of introducing national plans, March 2025

9 Institute for Climate Economics, The State of Europe's Climate Investment 2025 edition, June 2025

10 Bruegel, Finance for nature: how to improve funding for the protection of biodiversity, December 2024

A full assessment of the European Commission's proposal on climate and environment by Till Eichler from Transport and Environment can be found here.

Social spending

Social goals should not be a secondary objective to competitiveness, climate or security. Widening inequalities between and within Member States in childcare, housing and skills risk undermining both cohesion and support for EU integration. Ensuring that social priorities are given equal weight in mainstreamed areas such as the NRPPs, as well as in the ECF, is therefore critical.

At the same time, the growing demands for defence and security spending pose risks of zero-sum trade-offs. Civil society and trade union actors have warned against repurposing cohesion or European Social Fund plus ESF+ resources to fund military expenditure, noting that such an approach would weaken trust in EU solidarity and erode regional legitimacy.[11] Safeguards are needed to ensure that new security envelopes do not displace funding for the European Pillar of Social Rights, child poverty reduction or just transition.

The next MFF should therefore also strengthen the use of conditionalities when it comes to this social dimension. Building on the DNSH principle applied to climate, the EU will need to figure out how to assess social justice alignment of all funding. To deliver a fair and future-proof economy, the budget needs to be matched with robust social conditionalities: compliance with labour standards, adequate minimum income, fair wages, collective bargaining, gender equality and non-discrimination measures. Applying such conditions systematically would ensure that investments financed under the MFF advance Europe's competitiveness and further social welfare.

An in-depth assessment on social spending in the MFF proposal by Réka Tunyogi from the Social Platform can be found here.

3. Structure and governance

Increasing the EU's budget and setting key priorities are crucial for the MFF 2028–2034, but the way the European budget is governed will require substantial reforms to deliver for Europe's future. The past five years have clearly demonstrated the need for a budget that enables the EU to react to changing environments. They have exposed that the structure of the MFF has been too rigid, limiting the EU's ability to react to new challenges. This is partly due to the high share of pre-allocated funds, with over 90% of funding of the current MFF earmarked for specific purposes, leaving little flexibility to react to new pressing needs.[12]

Furthermore, an ever-increasing number of funding headings and programmes — the current MFF 2021–2027 consists of 52 programmes — has diluted funds with unclear priorities. At the same time, 62% of the budget is currently allocated to the Common Agricultural Policy (CAP), with its hectare-based subsidies and cohesion funds showing a mixed track record. Combined, these characteristics have limited the space to set clear priorities for the EU.[13]

These drawbacks underscore the need for structural reform. However, several factors — most notably a high threshold for reform of the own resources system,[14] entrenched net-position ('juste retour') thinking[15] and strong lobbying efforts (e.g. from agribusinesses)[16] — have all but petrified the status quo.

The European Commission has now attempted to address some of these issues through various proposed changes and simplifications to the framework's structure and governance. Most notable among them are country-specific, performance-based NRPPs negotiated between the European Commission and national governments that combine national allocations for cohesion, CAP, fisheries and migration (thereby merging some 11 programmes).

Following EU Council approval, the plans would require (partial) completion of reforms for the disbursement of funds. The proposal also injects flexibility into the framework in two ways: one, by leaving significant amounts of funding unallocated; and two, by giving Member States more leeway to shift funding as they see appropriate through minimal ear-

11 Social Economy Europe, Defence is also about defending Europe's Social Values: Call for action, July 2025

12 Jacques Delors Centre, Ripe for Reform – What's in the EU Budget Proposal and What Should Come Next, August 2025

13 Ibid.

14 European Commission, Study on the Potential and Limitations of Reforming the Financing of the EU Budget, June 2016

15 Schratzenstaller, Reform Options for the EU's System of Own Resources, 2014

16 Corporate Europe Observatory, Internal documents reveal agribusiness lobby to keep status quo CAP and derail 'Farm to Fork', October 2020

marking of funds. The proposed governance revisions build momentum to focus more clearly on EU priorities, provide flexibility to address changing environments and simplify an increasingly complex budget structure.

Yet, they have been met with fierce resistance, not least because estimates show that they would entail real-term cuts for cohesion and agricultural policy of about 15% and 10% each. Beyond that, the concentration of power in the European Commission and related weakening of the European Parliament's role, the increased discretion for national governments to allocate funding, the cash for reforms approach, and the lack of ring-fencing and unattractive co-financing requirements for agri-environment climate actions (AECAs) under CAP have all sparked criticism.

An in-depth assessment of the governance reforms in the MFF proposal by Tsvetelina Kuzmanova from the Cambridge Institute for Sustainability Leadership can be found here.

Addressing the need to reform and modernise the EU's budget whilst integrating some of the key points of criticism levelled against the proposal will require clearly defined priorities and targeted interventions during the forthcoming negotiations. As a starting point, we see the need to address three main areas:

1. Strong multi-level governance mechanisms and democratic legitimacy

(1.1) Ensure that regional interests and competences are adequately safeguarded and not dependent on national political volatility.
(1.2) Consider a diverse array of stakeholders beyond national governments and regions, and bring civil society to the table when designing NRPPs.
(1.3) Secure a strong oversight capacity for the European Parliament to ensure democratic legitimacy.

2. Robust conditionalities for the receipt of EU funding

(2.1) Strengthen the conditionality between the receipt of EU funding and the respect for rule of law, and ensure that it can be enforced.
(2.2) Prevent the European Commission from linking the disbursement of funds with unrelated structural reforms.

3. Impactful spending with EU added value to deliver on climate and social objectives

(3.1) Prioritise EU-level spending on shared public goods with European added value.
(3.2) Include strong and enforceable ring-fencing of funds for less developed regions, climate and environmental actions, and biodiversity, as well as social spending in NRPPs, to maintain cohesion and climate policy objectives.
(3.3) Shape NRPPs into an effective vehicle to deliver a CAP that financially incentivises climate and environmental actions and fairly compensates farmers for the provision of public goods.

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Check out our web dossier: eu.boell.org/new-MFF