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Paper series: An MFF fit for purpose

The missing middle: strengthening Member State accountability and regional inclusion in the next MFF

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1. A new governance moment for EU funding

The European Commission's proposal for the 2028–2034 Multiannual Financial Framework (MFF) marks a major shift in how the EU budget will be governed. Seeking a budget that is 'simpler, more flexible and more strategic', the Commission aims to consolidate multiple funding instruments under new structures such as the European Competitiveness Fund (ECF) and the National and Regional Partnership Plans (NRPPs).[1]

The NRPP framework would merge cohesion, agricultural, fisheries and home affairs programmes into country-specific plans negotiated directly between the Commission and national governments. Funding would be released only once agreed milestones and reforms are achieved.

This performance-based model, inspired by the Recovery and Resilience Facility (RRF), would replace the current multilevel system of shared management among local, regional and national authorities, and shift power towards national governments and the Commission.

Proponents see an opportunity for greater coherence and accountability, while critics warn of recentralisation and weaker democratic oversight, reducing the European Parliament's role. The design and governance of the NRPPs will therefore be crucial in determining whether the next MFF delivers a more strategic and effective budget supporting a just and inclusive transition, or risks concentrating control at the expense of inclusiveness and transparency.[2]

Initial debates between the European co-legislators have shown that governance reform is a delicate part of the MFF negotiations. If designed well, the new governance model can bridge the persistent gap between EU-level ambition and local delivery, but only if Member States assume genuine accountability for reforms and investments that turn common objectives into tangible results.

2. Member State accountability: the missing middle in the EU transition

Europe is entering a decisive decade for its climate and industrial transformation. Negotiations on the 2040 climate target under the EU Climate Law and the forthcoming update of the EU's Nationally Determined Contribution (NDC) will define the pace of decarbonisation through mid-century.

At the same time, companies and investors are being asked to translate these long-term goals into operational reality. Thousands of firms are preparing transition plans that map out how they will align business models, investment decisions and value chains with a net-zero trajectory.[3]

This dual movement, from the top and from the bottom, is essential but incomplete. The Member State level, which holds the core policy and fiscal tools for delivery, remains the missing middle of Europe's transition architecture.

1 European Commission, 'A dynamic EU Budget for the priorities of the future - The Multiannual Financial Framework 2028-2034', July 2025

2 E3G, 'Steep politics will shape the next EU budget and its climate implications' July 2025

3 CDP, Climate Transition Plans, June 2024; Science Based Targets Initiative, 'Climate Action Milestone: 6,000+ Companies Adopt Science-Based Targets', July 2025

Delivering the scale of systems transformation required for climate neutrality – how we produce, consume, invest and govern – demands clear and predictable governance framework that align ambition and implementation.[4] Member States must provide this connective tissue between EU targets and real economy change. Governments shape the energy mix, regulate infrastructure and markets, and channel public investment, yet few provide the clear direction or accountability frameworks needed to guide businesses and investors. The result is a disjointed landscape: strong ambition at the EU level, growing planning discipline at entity level and uncertainty in between.

Credible national planning has become an economic necessity, providing the right signals for industries and sectors. Clear trajectories reduce uncertainty, direct private investment and enable governments to align infrastructure, workforce and innovation policies.

The National Energy and Climate Plans (NECPs), intended to translate EU climate goals into credible national strategies, have struggled to fulfil this role. According to CAN Europe (2025), the final NECPs collectively would reduce emissions by roughly 54% by 2030, just short of the EU's 55% target, and only if fully implemented. Yet most plans lack robust financing strategies, credible policy measures or clear enforcement mechanisms.[5]

Only about half of the assessed NECPs include policy scenarios aligned with the required emission reductions in key sectors such as agriculture, transport, buildings and waste. In energy efficiency, most Member States fall short of the Energy Efficiency Directive's minimum contributions, leading to an estimated EU-wide shortfall of 8.1% in energy savings.[6] Meanwhile, national budgets continue to support fossil fuel subsidies and delay long-term investments.[7] Denmark remains one of few countries with a comprehensive plan to phase out fossil fuel subsidies and establish a Green Fund for the transition.[8]

The result is a persistent credibility and implementation gap, which also risks widening social and regional inequalities. While companies and financial institutions are now required to produce verifiable transition plans under the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD), national transition planning remains largely voluntary. Without binding milestones, independent verification and transparent reporting, Member States remain the weakest link between EU ambition and business action. With the 2040 climate target on the horizon, the implementation of NECPs represents a critical opportunity to close this gap. Embedding them in RRF-style conditionality within the new NRPP framework can reinforce this accountability, turning Member State delivery into a structural feature of the EU's climate and competitiveness strategy.

3. Lessons from the RRF: accountability gains, inclusion gaps

The RRF offered a powerful prototype for Member State accountability within the EU budget, by directly linking financial support to the implementation of structural reforms outlined in the Country-Specific Recommendations of the European Semester.[9] For the first time, funding was tied to verified performance: reforms, milestones and measurable outcomes, rather than pre-allocated envelopes. This marked a major departure from traditional cohesion and agricultural spending and provided a template for the performance-based logic now proposed for the NRPPs.[10]

This design delivered several important benefits. Performance-based conditionality improved credibility, giving the Commission leverage rarely seen in other spending programmes. By making financial support contingent on the implementation of agreed reforms, the RRF provides the EU with leverage to encourage Member States to tackle persistent policy challenges. Regular assessments and milestone tracking have improved visibility on delivery, allowing the Commission to intervene when progress lagged, while the addition of REPowerEU chapters demonstrated the model could adapt to new crises without losing coherence.[11]

However, the RRF also exposed significant weaknesses that the next MFF must address. Disbursement has been slow and uneven: by the end of 2023, less than one third of the €724-billion envelope had been transferred to Member States, and fewer than 30% of milestones were achieved.[12]

4 Cambridge Institute for Sustainability Leadership (CISL), 'Competing in the Age of Disruption', April 2025

5 CAN Europe, 'NECPs: NGOs call for stronger implementation to close gaps in National Energy and Climate Plans', May 2025

6 CAN Europe, 'NEW REPORT (NECPs) - Blueprint or bust: Europe's climate targets hinge on implementation', June 2025

7 European Environmental Agency, 'Fossil fuel subsidies | Indicators (all countries) | Europe's environment 2025, September 2025

8 European Climate Neutrality Observatory, '2024 Report: State of EU progress to climate neutrality', July 2024

9 FEPS Europe, 'Governing the Recovery and Resilience Facility', June 2023

10 European Court of Auditors, 'Special report 26/2023: The Recovery and Resilience Facility's performance monitoring framework', October 2023

11 ZOE Institute, 'Briefing: A single rulebook for EU funds?' February 2025

12 European Court of Auditors, 'Special report 26/2023: The Recovery and Resilience Facility's performance monitoring framework', October 2023

Some Member States had received no funds at all. Moreover, most local and regional governments had minimal say in plan design, and centralised governance often sidelined cities and regions.[13] The European Parliament, too, was insufficiently involved, lacking both an oversight role and a clear overview of fund beneficiaries.[14] Building on this critique, the forthcoming NRPPs under the proposed governance architecture risk repeating the same shortfalls in transparency and democratic scrutiny.[15]

These shortcomings do not discredit the model. The EU should maintain performance-based conditionality as a core feature of the new MFF, while simplifying verification, strengthening transparency and tailoring administrative support to national capacities. Country experiences underline this point. Greece's 'Greece 2.0' plan achieved rapid implementation and visible reforms through clear governance and central coordination.[16] Italy's plan, by contrast, made early progress on public procurement and competition reforms but struggled with deep-seated structural changes.[17] Implementation capacity, political ownership and administrative coordination determine success or failure far more than the funding model itself.

The lesson for the next MFF is that a credible governance system must combine accountability with inclusiveness and administrative realism.

4. Reconnecting the regional and local level

A central question for the next MFF is how the regional and local levels will be involved in shaping and delivering EU funding. For decades, cohesion policy gave regions and cities a formal role in planning, allocating and implementing structural funds, reflecting the partnership principle embedded in EU legislation since 1988.[18] However, cohesion spending, despite its inclusiveness, has often delivered fragmented and slow results, with limited alignment to climate goals. Only about 3% of cohesion funding in 2021–2027 is directly earmarked for climate adaptation, despite growing regional vulnerabilities.[19]

The proposed shift to country-based plans departs from this model, but also weakens that multilevel governance, thus sidelining the actors who are closest to implementation on the ground.[20] Key areas, such as energy efficiency, climate adaptation and housing, depend on local authorities' action and capacity. Without structured coordination, EU funds risk becoming misaligned with local realities, resulting in weaker ownership and slower delivery.[21]

Yet the proposed NRPPs include only a vague mechanism for stakeholder consultation. This diminishes their influence over investment priorities and turns multilevel governance from a practical principle into a procedural formality.[22] Evidence from the RRF supports this concern: local authorities were often marginally involved in the design and monitoring of national recovery plans. This resulted in limited territorial coherence, overlapping projects and missed opportunities for synergies between local initiatives and national reforms.[23]

This 'democratic deficit' undermined transparency and legitimacy, particularly in areas where regional needs diverged from national priorities.[24] Recent amendments to the NRPP-proposal suggested by the European Commission are a step in the right direction. These include the strengthening of the partnership principle and regional checks, designed to ensure the involvement of relevant regional authorities in the preparation, implementation and evaluation of the NRPPs.

The case of Budapest illustrates why territorial safeguards matter. Despite strong climate ambition from the city's progressive leadership, access to EU funds has been constrained by national politics. The Hungarian government cut municipal revenues and excluded Budapest from ERDF and RRF programmes following the 2019 election of an opposition mayor.[25]

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13 European Committee of the Regions, 'Opinion on the mid-term review of the post-COVID European recovery plan (Recovery and Resilience Facility)' December 2024

14 European Parliament, 'Discharge: MEPs sign off EU budget for 2023 while highlighting persistent issues', May 2025

15 European Parliament, 'Budget proposal "simply not enough" to meet Europe's challenges, lead MEPs say', July 2025

16 European Commission, 'Recovery and Resilience Facility Annual Report 2025', October 2025 ; Parapolitika, 'Greece leads EU in Recovery Fund implementation with "Greece 2.0', October 2025

17 CEPR, 'Policy Insight 130: Is Italy's RRF plan working, or is it just another waste of money?' May 2024

18 Council of the EU, 'Council Regulation on the tasks of the Structural Funds and their effectiveness and on coordination of their activities between themselves and with the operations of the European Investment Band and the other existing financial instruments', July 1998

19 European Parliament, 'Climate adaptation using Cohesion Policy. Fostering adaptation, regional resilience and economic sustainability' October 2024

20 Assembly of European Regions, 'Policy Briefing | MFF 2028 – 2034: Regional Development at Stake' September 2025

21 Local Alliance, 'Shared governance of strategies, priorities and policies for an efficient use of EU Budget and implementation of EU priorities', May 2025

22 Assembly of European Regions, 'Policy Briefing | MFF 2028 – 2034: Regional Development at Stake' September 2025

23 RED-SPINEL, 'The recovery and resilience facility: success model or democratic deficiency? Lessons learned on the parliamentary involvement in the RRF in the Netherlands and Italy'

24 Ibid.

25 Political Capital, 'Seizing An Unparalleled Opportunity To Meet The Eu Strategic Objectives - The Case for Cities' Increased Direct Access to EU Funding', June 2023

Dedicated territorial chapters, as in the Just Transition Fund, can help prevent such blockages by earmarking resources for local priorities within national frameworks.[26]

To strengthen multilevel governance, the NRPPs should:

- **Institutionalise structured participation**, ensuring regions, cities and civil society are involved in design and monitoring; the partnership principle must be clearly defined and strengthened in the NRPP regulation, as the European Commission proposed in its amendments to the NRPP regulation.
- **Introduce dedicated territorial and/or urban chapters** with ring-fenced funding for locally led projects.
- **Invest in local capacity** through technical assistance and simplified procedures.
- **Ensure vertical and horizontal alignment between local, national and EU objectives**.

Reinforcing multilevel governance is not only a matter of EU credibility and democratic legitimacy but also of cohesion, fairness and effective delivery. The regional and local levels are where most of the investments under the Clean Industrial Deal will materialise. The MFF must enable regions and cities to act as equal partners in an inclusive and just transition, not passive implementers.[27]

5. Ensuring MFF coherence: NRPPs and the European Competitiveness Fund

The governance challenge is not only vertical (EU, national, local) but also horizontal across funding instruments. The European Competitiveness Fund aims to consolidate industrial, innovation and decarbonisation spending, yet its link to NRPPs remains unclear.

A coherent framework should align ECF and NRPP objectives, milestones and reporting systems. Shared monitoring and transparent indicators would help track how industrial investment, skills development and regional spending contribute jointly to EU climate and competitiveness goals. The bulk of EU funds (around €784 billion) will be implemented through NRRPs. With the right reforms, these plans can become robust national investment strategies for a competitive, climate-aligned transition. Notably, the ECF InvestEU's proposed Member State compartment can serve as a bridge, offering higher leverage, lower borrowing costs and administrative simplification through financial instruments.[28]

Aligning the ECF and NRRPs is not a technical adjustment but a governance necessity. A well-coordinated, efficiency-driven model would turn Europe's strategic autonomy and green industrial ambition into coherent national and local delivery.

26 Eurocities, 'Budapest report calls for cities to directly access EU funds', November 2023

27 Local Alliance, 'Shared governance of strategies, priorities and policies for an efficient use of EU Budget and implementation of EU priorities', May 2025

28 Climate Strategy & Partners, 'Towards an evidence-based and efficient design of climate and competitive investments in the next EU Budget 2028–34' 2025

Policy recommendations

To ensure that the 2028–2034 MFF becomes a genuine engine for Europe's green and industrial transformation, the governance of the new NRPPs must strengthen accountability, inclusiveness and coordination. The following recommendations outline the key elements of a credible and effective framework.

1. **Anchor accountability at Member State level**: Each NRPP should include binding milestones and transparent progress indicators aligned with EU climate and industrial goals.
2. **Integrate performance-based conditionality**: Link disbursements to verified results while simplifying monitoring and reporting.
3. **Ensure credible national transition planning**: Align NECPs and NRPPs with financing strategies and 2040 trajectories.
4. **Reinforce multilevel governance and the partnership principle**: Institutionalise structured participation and include mandatory territorial or urban chapters.
5. **Tailor administrative support to national capacity**: Provide technical assistance for smaller administrations.
6. **Coordinate with the ECF**: Align indicators and milestones to ensure industrial and territorial investments reinforce one another
7. **Strengthen transparency and democratic oversight**: Ensure open access to data on spending and outcomes. Enhance European Parliament scrutiny and independent evaluation by the European Court of Auditors.

As Europe enters a new MFF cycle, the challenge is to bridge the missing middle, transforming national accountability into a driver of long-term transition while preserving local ownership. If designed well, the next MFF can move beyond the old binary of 'Brussels versus regions' and create a new model of shared responsibility – one where the EU, Member States and regions co-design and co-deliver Europe's transformation, aligning climate ambition with social cohesion and long-term competitiveness.

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

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