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The Coming Multiannual Financial Framework (MFF): Positions and Opportunities

HOW TO FINANCE EUROPEAN TRANSFORMATIONS

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EsadeGeo, in collaboration with the Ministry of Foreign Affairs and European Union (MAEC), organized a workshop in Madrid on The Coming Multiannual Financial Framework (MFF): Positions and Opportunities. The conversation was introduced by international experts **Béatrice Dumont** (College of Europe), **Nils Redeker** (Jacques Delors Center) and moderated by **Juan Moscoso del Prado** (EsadeGeo).

ESADEGEO'S RECOMMENDATIONS

- Reviewing the proposal for National Plans. Conditioning each Member States' spending flexibility on long-term objectives to avoid the risks of fragmentation and short termism.
- Achieving an agreement at the European Council granting the Commission a firm mandate to accelerate the completion of the Capital Markets Union (Savings and Investments Union).
- A European Commission's proposal for the creation of a European debt asset to finance transformations and European Public Goods.
- Opening new sources of fiscal revenue at EU level (new own-resources) capable of financing European public investments (in disruptive technologies, electrical infrastructure, energy, defence).
- Prevent the adverse effects of fragmented, ineffective, and distorting State Aid through greater supervision capacity of EU institutions.
- Increasing in the use of financial instruments in public spending and within the MFF: raise the share of loans, grants, and productive investments from 8% to 20% in the coming MFF.

During the session, the European Commission's proposal for **the upcoming Multiannual Financial Framework 2028–2034 was examined**, analyzing whether the budget aligns with the needs of the current European context and what the negotiating positions of the Member States will be.

This Policy Brief gathers the conclusions of the debate on the budgetary reforms needed to address the EU's current social and economic transformations. The conversation can also be found on our DoBetter Podcast.

The Commission's proposal: Size and flexibility

Regarding size, the European Commission's proposal foresees a Multiannual Financial Framework (MFF) for the period 2028–2034 amounting **to €1.98 trillion in total for the seven years**. This equals **1.26% of the EU's Gross National Income (GNI), or €280 billion annually**. The MFF for the current period (2021–2027) amounted to €1.2 trillion or 1.8% GNI. These accounts represent an increase of nearly double the new MFF.

However, there are two substantial figures that must be included in the equation. On one hand, the new MFF also account for the outstanding payments of the common debt issued to finance the Next Generation EU (NGEU) funds, a payment amounting to €168 billion. Therefore, this figure should be subtracted from the total new MFF, as it will not constitute usable resources. On the other hand, the current MFF (2021–27) must be complemented with the total NGEU funds of €800 billion, which were a very significant addition beyond the original budget. **Once this adjustment is made, the result is a proposed budget that not only does not present an increase, but rather a reduction of €200 billion**, or even €500 billion less if the figures are adjusted for inflation. The new MFF, in real terms, would amount to around 1.15% GNI, compared to 1.8% for 2021–27.

One of the central debates of the new MFF is flexibility, in a volatile global environment, where long-term planning is increasingly uncertain and unforeseen priorities emerge. Nils Redeker recalls that COVID-19 and the invasion of Ukraine forced the activation of budget extensions and emergency instruments not foreseen in the original MFF. This recent example signals **the need to equip the new framework with more adaptable tools**.

The Commission discarded reducing the multiannual scope to five years but strengthens flexibility: the Single Margin Instrument, which previously allowed for deferrals or transfers of commitments with limits of €8, €13, or €15 billion in 2025–27, now eliminates those caps; the possibility of advancing funds within the MFF without exceeding 0.04% of GNI is maintained. It is also proposed to revoke the provision that until now automatically carried unused funds over to the next fiscal year.

At the same time, the proposal leaves the budgetary pillars and spending areas very broadly defined, so that the Commission, in consultation with the Member States, can gradually determine the use of resources through communications and guidelines. Meanwhile, the annual budget, co-decided by the Council and Parliament, will specify the allocations for each fiscal year.

In contrast, other flexibility mechanisms for emergencies will disappear: the SEAR reserve (€1.5 billion), which was used for the 2023 earthquake in Turkey and famines in Sudan and Yemen, will be integrated into the Global Europe pillar. For Member States, a new Civil Protection Mechanism and Union Support for Health Emergency Preparedness and Response Fund is created, endowed with €10.6 billion and strengthened planning under RescUE, Stockpiling for emergencies, and Health (HERA).

Reordering of priorities: Competitiveness Fund, National Plans, and the merger of CAP and Cohesion

The **European Commission proposes a profound reordering of budgetary pillars and major changes to traditional funds, which will be the main subject of negotiations in the Council and the European Parliament**. The proposal reduces the number of headings from 7 to 4, and the number of programs within the pillars from 52 to 16. The new MFF is structured into four main headings. There would be a fifth fund for the repayment of the NGEU debt, although it is formally included in the first heading.

The reorganization seeks to make spending more flexible, simplify programs, and channel resources towards Competitiveness (Heading 2). In line with the Jacques Delors Center "nearly 90% of the budget, 1% of the GNI, is pre-committed for seven years, and almost two-thirds return via the CAP and regional funds." **The risk, however, lies in over-centralization in national governments and the consequent tendency toward immediate spending at the expense of long-term investments.**

Heading 1: Economic, social and territorial cohesion, agriculture, rural and maritime prosperity and security

It integrates the former Heading 2 (Cohesion, Resilience and Values), Heading 3 (Natural Resources and Environment), and Heading 4 (Migration and Border Management).

Heading 1 amounts to **€894 billion** (excluding NextGen payments), representing **45% of the proposed MFF**, and **merging the Cohesion Funds and the Common Agricultural Policy (CAP)**, historically the largest funds (two-thirds of the total). They now total **€453 billion**; the **CAP is reduced by 30%,** and the **Cohesion Funds by slightly less than 20%.** This reduction is expected to face opposition from Germany, France, Spain, and Poland. This heading includes **Interreg (€10 billion)** and a smaller allocation for **borders and migration**.

The management of this heading is transferred to the **National and Regional Partnership Plans (NRPP)** developed by each central government, in consultation with regional authorities. This change **transfers spending capacity to the Member States**, allowing greater **domestic flexibility**. In addition, the heading incorporates the Facility (€66 billion) for new emerging priorities and Catalyst Europe (EU loans to Member States worth €150 billion) for energy, technology or defence.

Heading 2: Competitiveness, prosperity and security

Heading 2 concentrates the **new European priorities** and would represent **30% of the proposed MFF** (compared to the current 18%), focusing on **competitiveness, industrial decarbonization, energy transition, electrification and technological innovation.** It is allocated **€589.6 billion** plus €41.2 billion from the Innovation Fund, merging the current headings Single Market, Digital and Innovation, and Security and Defence.

It also creates the **European Competitiveness Fund (€409 billion),** which unifies **12 industrial programs** and channels around **40% of the heading's expenditure**, structured into **four broad policy areas. The defence and security allocation** almost multiply by five its current size, aiming to boost the European defence industry and innovation in projects of common technological interest. **Horizon Europe** approaches **€175 billion** (up from the current €95 billion). The Connecting Europe Facility increases fivefold to €60 billion, covering transport, electric grids, power storage and digital infrastructure.

- Clean transition and decarbonization (11%);
- Digital transition (22%)
- health, biotechnology, agriculture and bioeconomy - agriculture, food security, nature protection, and biodiversity (10%);
- defense and space - critical raw materials, dual-use infrastructure, and energy systems (52%).

Heading 3: Global Europe

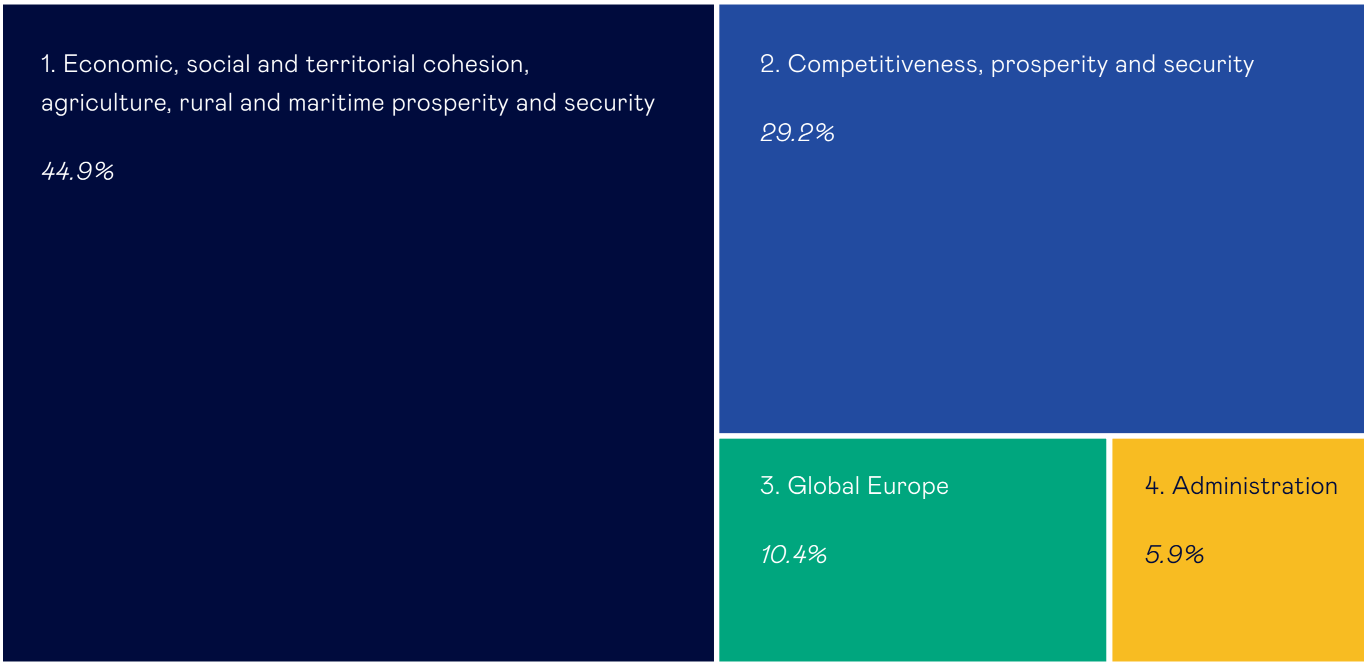
The third heading is dedicated to the **EU's external action**: neighborhood agreements, development cooperation, humanitarian aid, and foreign and security policy. The European Commission proposes an allocation of **€200 billion** and divides it into pillars by geographical areas and a global thematic pillar that brings together neighborhood policy, aid, and diplomacy.

Heading 4:

The fourth heading is dedicated to all **administrative costs of the EU**, with an allocation of €118 billion.

Outside the MFF, the Commission plans a **€150 billion "Catalyst Europe" loan plan**, using its ability to borrow cheaply on capital markets to provide loans to Member States. These loans would finance energy, technology, and defence investments through lower-cost borrowing. It resembles the earlier SAFE mechanism, but with less emphasis on defence. A separate **€100 billion "Ukraine Reserve"** will support reconstruction efforts through the existing Ukraine Facility.

Figure 1. The Headings of the MFF



Source: EPRS | European Parliamentary Research Service Authors: Marianna Pari, Stéphanie Pradier Graphics: Lucille Killmayer Members' - September 2025.

A Budget aligned with the needs?

The Draghi report warned that the amount of European public resources needed to implement sufficiently ambitious reforms **that revive European competitiveness is on the order of €800 billion per year** (or 4.5% of the EU's GDP). **The Commission's proposal falls far short of the spending needs required** to catalyze the private capital to finance competitive transformations: **a total expenditure of €280 billion per year** and a Competitiveness Fund that reaches only 0.3% of the EU's GDP. This comes in a context in which Member States have no fiscal space or budgetary leeway.

The Commission's proposal makes a significant and long-awaited effort to reorganize the budget, aiming to increase spending efficiency in traditional areas and redirect resources toward new productive or necessary investments (such as defence). However, the amount of available resources remains insufficient to achieve the programs' objectives.

Moreover, the new MFF presents a trade-off between flexibility, decentralization, and integration. While the Commission seeks to increase spending flexibility and grant greater autonomy to Member States, **it also risks weakening the EU's capacity as a central budgetary authority and allowing excessive control by national governments over spending**. This is, arguably, a counterproductive outcome, leading to fragmented and inefficient expenditure that loses its overall impact (TEPSA, 2025).

In Global Europe, the proposal almost doubles resources from €105 billion to €200 billion, excluding aid to Ukraine, which remains outside the budget—a signaling of priorities in the current geopolitical context. However, development, neighborhood, and humanitarian aid funds barely increase, weakening a key instrument of the EU's global influence at a time when other states are withdrawing and leaving a vacuum.

If the EU fails to reach consensus on new trade and investment agreements, establish a unified diplomatic voice or boost investment in its instruments of influence, **the long-term cost to its global credibility could become irreversible.**

European Public Goods and how to finance them

An MFF aligned with the new context should have **sufficient capacity to effectively provide European Public Goods, prioritizing expenditures** that are more efficient and generate greater benefits when implemented **collectively** rather than nationally. As Béatrice Dumont (2025) notes:

"Following public finance theory, government intervention is justified only when a market failure exists; EU intervention, in turn, is warranted only when such a market failure coincides with a national public failure, that is, when neither markets nor Member States can deliver efficient outcomes alone, by virtue of the existence of economies of scale, cross-border externalities, or homogeneous preferences across Member States."

This is the economic definition of European Public Goods: **Common goods not provided by the market or by Member States, which require a European scale and exhibit cross-border externalities**. The Commission could therefore develop a dynamic taxonomy of these goods, updateable in line with Member States' preferences and economic changes. As an example, agricultural policy was originally conceived as a European good due to its impact on prices and the single market, but today its continuity responds more to national political dependencies than to efficiency criteria (Dumont, 2025).

→ **In the area of defence**, **defensive capacity** is today a European Public Good that meets these criteria. Individual Member States no longer have sufficient capacity for joint weapons procurement or for the innovation and development of new equipment and technology, mainly due to the scale required to sustain a defence industry. However, the new MFF allocates only €130 billion (less than 0.1% of EU GDP) to cross-border defence projects and industrial supply chains. The bulk of the increase in defence spending continues to rest on national budgets, which have risen by 0.4% of GDP—from an average of 1.6% in 2023 to 2% in 2025. **Increasing investment across 27 fragmented markets will not only be highly inefficient, but insufficient to produce and supply capacities at the necessary scale. The retention of national sovereignty, especially in this area, is counterproductive to the interests of the European citizenry as a whole—both economically and in terms of security.**

→ **The electric grid** is an infrastructure essential for a competitive and decarbonized industry. It is necessary to reduce energy costs by replacing external dependence on fossil fuels with electricity generated from renewable and autonomous sources within European territory. There is capacity to generate 70% of electricity from renewable sources; to unlock it and securely supply industrial production, it is necessary to modernize electrical grids and storage infrastructure. The overload and deficit of European grids have been evidenced by incidents caused by demand and renewable generation peaks—the latest affecting Spain, France, and Portugal in April 2025. The Commission estimates a need for **€600 billion in public–private investment** for grid modernization by the end of the decade. The Projects of Common Interest for cross-border interconnection and the Affordable Energy Plan require public funding at the European scale.

→ **Cutting-edge technologies and digital infrastructure** are another emerging European Public Good. It is evident that Europe's technological sovereignty depends on its ability to develop digital platforms (Public Digital Infrastructure) and other frontier technologies, such as quantum computing centers, data servers, AI servers and EU-owned platforms, semiconductors, and advanced biotechnology components. The stages of research, innovation, development, and commercialization of these technologies require infrastructure and financial support at the European scale, since national markets are too small to provide it—especially when compared with China and the US.

Own Resources and fiscal integration

Although the needs and priorities of the EU have changed considerably over the last decade, **the structure of its own fiscal resources has not changed at all in the past twenty years**. The Commission proposes several new sources of own resources to modestly increase the size of the next MFF and to meet the NGEU repayment obligations. This increase in own resources would amount to around €350 billion for the seven-year period.

Currently, own resources come from four sources: Member States' Gross National Income (GNI) contributions, customs duties, 0.3% of the Value Added Tax (VAT) of each Member State and a contribution on non-recycled plastic packaging. The rationale for increasing the number of sources is to ensure that the MFF depends less on GNI-based contributions from Member States (its main source), which are subject to fiscal pressure and high levels of debt. More types of own resources would also mean greater independence from Member States, which tend to condition negotiations and demand direct reception of funds according to the *juste retour* principle—something that does not always result in the most effective form of spending.

Regarding the new sources of own resources proposed, the following are included:

- **EU Emissions Trading System (ETS1):** It is proposed that 30% of the revenues generated by ETS1 be transferred to the EU budget.
- **Carbon Border Adjustment Mechanism (CBAM):** It is proposed that 75% of the revenues from CBAM be allocated to the EU budget.
- **Levy on non-recycled electrical and electronic waste (e-waste):** Each Member State would contribute a uniform rate of €2/kg of electrical or electronic equipment that has not been recycled, to be channeled into the EU budget.
- **Tobacco Excise Duty Own Resource (TEDOR):** It is proposed that 15% of the revenue from minimum excise duties on tobacco products go to the EU budget.
- **Corporate Resource for Europe (CORE):** A fixed annual contribution per company for firms with annual net turnover ≥ €100 million, established in tiers, which would be allocated to the EU budget. The Commission proposes that this be a tax on income rather than on profit, which raises both economic and acceptability issues, making it the least likely option to be adopted.

The potential sums that these new sources could raise will depend greatly on their technical implementation and on the acceptance of the Member States, since the approval of new own resources requires not only **unanimity in the Council** but also domestic national ratification. In any case, they do not constitute stable revenue sources—at least in the case of the first four options—because the taxes themselves are designed to change patterns of emissions, recycling, or consumption.

The **Commission** estimates total revenues from these new sources at **€350 billion**, approximately **15% of total projected revenues** for the next seven-year period. **However, this amount does not translate into a substantial increase in the overall budget nor** in the **EU's autonomous fiscal and spending capacity.**

Once again, the available own resources do not correspond to the European priorities and objectives (Public Goods) that the Commission has set out. **To reach the €800 billion per year target identified by Draghi, while at the same time preserving traditional funds in order not to disrupt delicate socio-political balances, a path towards fiscal integration is required.** If the EU is to provide an increasing number of common public goods (defence, electric grid, technological innovation), **then it also needs to have tax collection capacity** -by transfer of the Member States- in some areas like transnational corporations, digital platforms, energy or circularity. In the same way it has a revenue collection capacity on the Value Added Tax or on the ETS. This would demand an agreement by the European Council and a subsequent Council decision to activate new own-resource mechanisms—although achieving unanimity remains a nearly unsavable obstacle.

Common currency, common debt: A European safe asset

Considering the current European context and the outlook for the coming decade, a series of pressing socio-economic challenges can be anticipated: demographic ageing, declining productivity, the loss of competitiveness in traditional industrial sectors, external economic dependency, disruption from emerging technologies, and security concerns. At the same time, **Member States face a delicate fiscal situation: low (or negative) growth rates, high debt ratios (above 100% of GDP in many cases), and limited fiscal capacity.** Public spending needs are rising, yet there is **no room for larger budget deficits** or consequent increases in debt ratios (e.g., France). **Meanwhile, there is no social support for higher tax pressure.**

This results in the **low-growth – low-competitiveness – low public investment capacity** cycle. As Draghi notes, a large volume of public capital in the form of strategic and productive investments is required to break this cycle, drive transformations, and reverse the competitiveness and growth outlook. **However, Member States lack both the fiscal space and the borrowing capacity. The EU also does not possess substantial fiscal resources—at least in the short term.**

The EU could, however, increase its investment capacity by considering the issuance of joint debt, backed not by a single state but by 27 economies. Beyond providing a new source of EU revenue, this would constitute **a "safe" or risk-free asset**, highly rated and valued in the market, carrying very low risk and interest rates. It would thus be the **lowest-cost borrowing mechanism** and the **most efficient spending instrument** for all Member States. If issued in significant volume, **this European debt asset would form the foundation of a single capital market and strengthen the Euro as a global reserve currency.**

The **Digital Euro infrastructure**, currently being designed by the European Central Bank (ECB) prior to the regulation governing its implementation, would complement the creation of a European safe asset by deepening financial integration and enhancing the liquidity of the euro. It would be circulated directly to the public by the ECB, complement cash, improve monetary transmission, carry no interest, and offer greater liquidity.

Even with the precedent of common debt issuance during the COVID-19 emergency to finance the NGEU stimulus package, it is difficult to foresee political consensus today for Member States to embark on a similar initiative. Some, such as Germany, face constitutional constraints against using joint borrowing as a regular (non-emergency) instrument. This is likely the reason why the Commission has not included this controversial option in its proposal—to avoid the risk of it failing in the Council from the outset.

How to spend Europeanly? Efficiency, capillarity, Capital Markets Union

It is evident that even with an MFF of €2 trillion approved and endowed with sufficient own resources to finance itself, public capital alone is not enough to undertake the urgent competitiveness transformations required. **This public capital should serve as a catalyst for private capital investment on a much larger scale**. To achieve this, it is essential to increase the share of financial instruments in European spending. At present, they represent only 8% of the budget, while the rest of the expenditure takes the form of grants. However, **guarantees and loans are far more efficient investment forms, both in their deployment and multiplier effect. They encourage the mobilization of private investment** in SMEs and large companies to carry out digitalization, commercialization of technological innovation, or energy efficiency projects. The banking sector (Banking Union) can act as an effective channel to capillarize these public investments in the form of interest-free loans. Increasing the share of the MFF devoted to financial instruments to 20%, directed at the business fabric, could generate a multiplier effect three times greater than that of direct subsidies.

Capital Markets Union

The Letta report identifies the completion of the Capital Markets Union (or Savings and Investments Union) as a key measure to enable continental-scale projects comparable to those in China and the U.S. **The Capital Markets Union (CMU), supported by the Banking Union, is the pathway to efficiently channel savings toward innovation and the growth of large-scale business projects** in energy, biotechnology, mobility, digital platforms, and other strategic sectors.

Today, fragmentation and passivity of private savings persist: **34% of the EU's accumulated savings—about €11 trillion—is held in bank deposits and do not constitute productive capital in European markets**. Moreover, it earns a low return, at times below inflation. According to the Commission, around **€300 billion** of European savings is invested in the **United States** each year,[1] which shows a regular capital outflow due mainly to the higher returns and liquidity of the U.S. market and the low integration of the European financial market. In relation to these effects, the **volume of banking sector assets** amounts to **300% of GDP** in the **Eurozone**, compared with only **85% of GDP** in the **United States**.[2] The size of **accumulated European savings (Eurozone)** is **€33 trillion** (34% of which is in deposits),[3] versus **€103 trillion** in the **United States** (14% of which is in deposits).[4] Moreover, there is a deficit of venture capital, which is ten times smaller than in the U.S. and China.

Accelerating the CMU is a necessary condition for European competitiveness, growth, and socioeconomic transformation, ensuring that private capital flows where it is most productive within the EU. Supported by risk mitigation through public investment leverage and equivalent measures. Another associated instrument is to equip the European Investment Bank (EIB) with a greater risk-bearing capacity and credit provision for projects where public leverage is indispensable to attract private capital. To date, it is estimated that the EIB operates at 60% of its potential capacity compared with other development banks.

State Aid poses the risk of fragmenting the Single Market if national autonomy is expanded within a flexible framework (the Commission has reformed the State Aid framework) without sufficient EU-level coordination. **Uncoordinated subsidies create duplication and imbalances between countries**, benefiting those with greater fiscal capacity (Germany, France) and distorting competition—precisely the opposite of the integration needed. Moreover, **dispersed financing results in less efficient spending and lacks the scale necessary to complete projects that cannot rely on national frameworks alone.**

1 Euronews, European Commission (2025) https://www.euronews.com/my-europe/2025/03/19/eu-commission-unveils-plan-to-channel-10-trillion-of-citizens-savings-into-strategic-inves

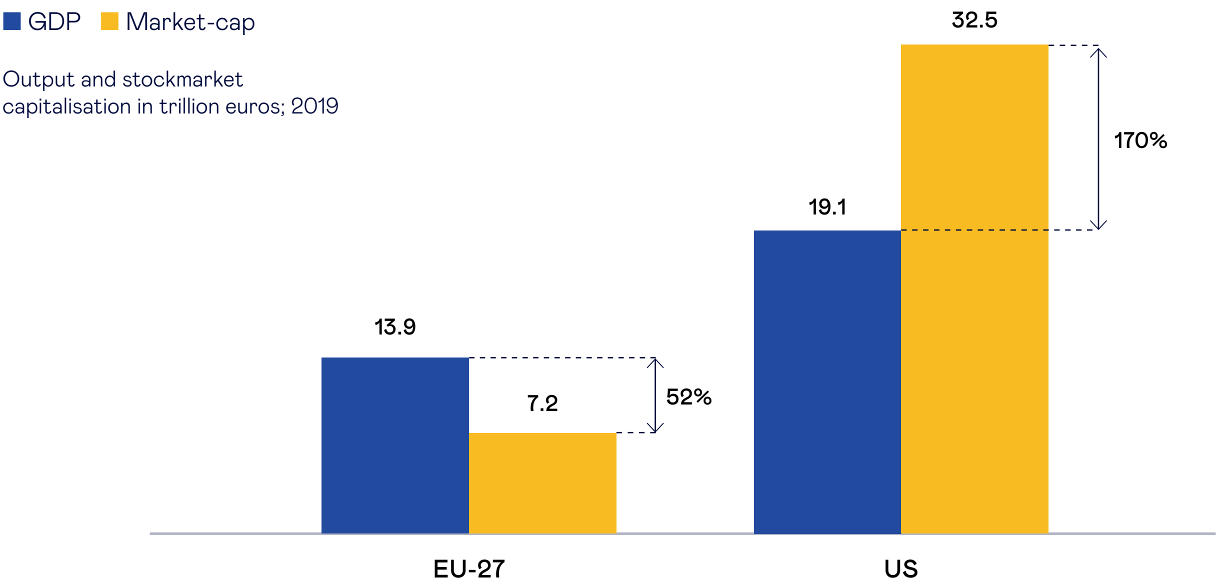
2 IMF (2019). A Capital Market Union for Europe (IMF Staff Discussion Note No. 19/07). International Monetary Fund. https://www.imf.org/en/Publications/Staff-Discussion-Notes/Issues/2019/09/06/A-Capital-Market-Union-For-Europe-46856

3 Eurostat (2022) https://ec.europa.eu/eurostat/statistics-explained/SEPDF/cache/57942.pdf.

4 ElCano (2024) https://www.realinstitutoelcano.org/en/analyses/competitiveness-the-widening-gap-between-the-eu-and-the-us/

Both Letta and Draghi argue that the only effective lever is public financing at the EU level. The NGEU serves as a pilot test: €800 billion joint debt were mobilized and channeled with shared objectives and oversight. Although its execution efficiency was debatable, it achieved a degree of coherence impossible under isolated national programs. **It is therefore necessary to transfer to the EU level the capacity to coordinate public financing for European Public Goods and sectors of common interest, such as technological innovation, joint procurement, electrification, and defence.**

Figure 2. Capital markets in the EU-27 represent just 52% of GDP, while in the US 170%



European Stability Mechanism.

Source: World Federation of Exchanges, International Monetary Fund, US Bureau of Economic Analysis.

Note: Market cap refers to the Market Capitalisation of Listed Domestic Companies. EU-27 are the 27 Member States of the European Union.

Negotiating positions: What outcome can be expected?

The Multiannual Financial Framework (MFF) is adopted through a special legislative procedure. Within one month, the Commission's proposal will reach the Council, which—after negotiations and amendments—must approve it unanimously. The European Parliament cannot introduce amendments but may either accept or reject the proposal. The Danish Presidency of the Council has announced that it will present a first compromise at the next European Summit in December 2025. Although Denmark has distanced itself from the informal group of so-called "frugal countries", it still maintains a position of budgetary precaution.

Other Member States, such as the Netherlands, have already declared that the Commission's proposal is "dead on arrival." Germany and Sweden have also expressed reservations about the reordering of headings, the reduction of the CAP, and the overall size of the proposal. France, for its part, faces a very difficult governance situation due to its high budget deficit and consequent national debt, making it hard to imagine that it will play a decisive role in the negotiation. In general, Member States' position in these negotiations tends to be one of reducing the size of the initial proposal and pushing for budgetary precaution and no new EU resources.

Spain could be one of the exceptions among the large Member States. It currently has the fastest-growing economy in the EU and has been a net beneficiary of both the previous MFF and the NGEU funds. Spain could defend the Commission's proposal, even advocating for the expansion of own resources and European spending through the issuance of a common asset. It is also expected to oppose reductions in the CAP and Cohesion Funds, given the importance of both in the Spanish economic and political context.

In any case, the final shape of the MFF 2028–2034 will depend on negotiations between the Council and the Parliament, which itself is divided in the current legislature. As for the more ambitious elements, such as the new own-resource sources or the possibility of issuing European debt, these would require a Council Decision by unanimity, making it very difficult for such measures to advance within the budgetary negotiation framework. This is yet another argument in favor of reforming the voting system and replacing unanimity with qualified majority voting in matters of budgetary reform.

Figure 3. MFF 2028-2034 Negotiations Timeline (Key Facts)

Source: Assembly of European Regions

Conclusions of the Working Session at Esade Madrid

→ In a changing global context, it is necessary to equip the European budget with greater flexibility and margin instruments for responding to emergencies and growing crises.

→ The Commission's proposal moves in the right direction: reorganizing -but not cutting- traditional funds (CAP and Cohesion) to increase spending efficiency, while allocating more resources to industrial competitiveness - electrification, technological innovation, European supply chains.

→ It is necessary to define the concept of European Public Goods in order to determine which infrastructures should be financed through the EU budget.

→ Increasing the share of financial instruments (loans, grants, investment) in the MFF would represent a much more productive form of expenditure, with capillarity to reach the business fabric (following the InvestEU model).

→ The proposed own resources are neither sufficient nor stable to finance the objectives set for the coming MFF. However, consensus among Member States on new revenue sources or common debt will be highly unlikely.

→ The fragmentation of State Aid and MFF spending in the hands of Member States may be counterproductive and distortive to the Single Market.

→ Trade-off: Size vs Flexibility. A more flexible budget is needed to respond to new priorities and emergencies, but not at the expense of reducing its size. A balance must be found between increasing resources and enhancing spending flexibility.

EsadeGeo's Recommendations

→ **Reviewing the proposal for National Plans**. Conditioning each Member States' spending flexibility on long-term objectives to avoid the risks of fragmentation and short termism.

→ **Achieving an agreement at the European Council** granting the Commission a firm mandate to accelerate the completion of the Capital Markets Union (Savings and Investments Union). Or advance the necessary reforms through a Coalition of the Willing, as happened with the Monetary Union.

→ **A European Commission's proposal for the creation of a European debt asset** to finance transformations and European Public Goods —an asset that would strengthen the euro as a reserve currency and contribute to capital markets' integration.

→ **Opening new sources of fiscal revenue at EU level** (new own resources) capable of financing European public investments (in disruptive technologies, electrical infrastructure, energy, defence).

→ **Changing the proposed own resource** levy on corporate earnings to one on corporate profits.

→ **Developing a taxonomy of European Public Goods** by the European Commission.

→ **Reforming of the EU Council's voting system on budgetary issues** (Treaty reform).

→ **Preventing the adverse effects of fragmented, ineffective, and distortive State Aid** through greater supervisory capacity of EU institutions.

→ **Increasing the use of financial instruments in public spending and within the MFF**: raising the share of loans, grants, and productive investments from 8% to 20% in the coming MFF.

→ **The discussion on the new MFF should not divert attention** from the true necessity of implementing reforms that strengthen business competitiveness and integration, which go well beyond the scope of the multiannual budget.

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