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The EU's Multiannual Financial Framework for 2028–2034: New Conflicts of Interest

The tension between flexibility and predictability in spending policy

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In July 2025, the European Commission presented its proposal for the EU's multiannual financial framework (MFF) for 2028 to 2034. Since then, the member states have been seeking consensus within the Council of the EU. Ideally this should lead to agreement among the heads of state or government before the end of 2026. The new MFF is intended to comprehensively modernise the budget and prepare the EU for new tasks and challenges. Making the next MFF more flexible is a key aspect. Both the member states and the European institutions support the aim of making the EU's spending policies more flexible in order to enable it to act more effectively, particularly in unforeseen situations and crises. However, this plan conflicts with the key strength of the seven-year budget, namely its predictability and plannability. In addition to resolving the traditional disputes between net contributors and net recipients, an agreement will also have to be reached on making the MFF more flexible and associated institutional issues.

Reaching agreement on European Commission's MFF proposal involved lengthy and at times chaotic negotiations within the College of Commissioners. The proposal comprises two comprehensive legislative packages, presented in July and September 2025. These in turn comprise 25 legislative acts, along with supplementary documents – totalling more than 2,000 pages. The acts included proposals for a new MFF Regulation, a new Own Resources Decision, and new funding programmes and instruments. The Commission is seeking an ambitious

budget “that is simpler, more flexible and more strategic”.

At the same time, the Commission had to address the organisational challenges the EU will face in the coming years and the extremely difficult political and complex economic environments. Furthermore, in the next MFF the EU will have to start repaying the loans it took out for its Covid recovery programme, NextGenerationEU (NGEU). The Commission anticipates additional annual budget costs between €25 and 30 billion.



A deteriorating geopolitical and geo-economic environment spurred the Commission's determination to modernise the MFF. It proposed far-reaching changes in three key areas:

1. *The structure of the MFF*: To simplify and flexibilise the budget, the financial framework is to comprise only three major headings instead of the current six, plus a separate heading for administrative costs. The number of specific funding programmes is also to be significantly reduced. Heading 1 is dedicated to promoting cohesion, prosperity and security. Within it, a "mega-fund" will bring together the major cohesion and agricultural programmes — 14 funds and instruments in all, as well as direct payments under the Common Agricultural Policy (CAP) — and the migration policy instruments, which fall under home affairs and justice policy. The main funding instrument under this heading will be 27 national and regional partnership programmes (NRPPs), which will bring together the more than 530 existing national and regional funding programmes.

The heart of the new Heading 2, "Competitiveness, Prosperity and Security", will be a major new European Competitiveness Fund (ECF), bringing together existing programmes for competitiveness, the energy transition, resilience, digitalisation, health, the environment and biotechnology, and industrial policy and security. Under Heading 3, "Europe in the World", the various funding programmes relating to the Common Foreign and Security Policy and the enlargement funds will also to be consolidated into a single large fund.

2. *The total volume of the new MFF*: The Commission argued that the European Union must become more independent and that the size of the EU budget must increase to match its growing responsibilities. To this end, it proposes a multiannual budget with a total volume of €1,984 billion (at current prices). That would represent to 1.26 per cent of the EU's gross national income (GNI), compared with 1.13 per cent for the period 2021–2027.

According to the European Court of Auditors, this would represent a 59 per cent increase (in current prices) over the previous MFF for 2021–2027. However, the Court of Auditors excluded additional and one-off funds from the NGEU programmes, while including the funds required to repay the NGEU loans. Without these repayments, the MFF ceiling would rise to only 1.15 per cent of GNI.

3. *New own resources*: The Commission wishes to create additional own resources to finance the increase in total MFF volume and to repay loans taken out in connection with the Covid-19 pandemic. It is proposing a whole range of new revenue sources: a levy on non-recycled electronic waste, a corporate tax on companies with an annual turnover exceeding €100 million, as well as a share of national revenue from tobacco duty, the CO₂ border adjustment mechanism and revenue from the expanded EU Emissions Trading Scheme.

Potential new own resources were already on the table in 2020, during the negotiations on the current MFF for 2021–2027. At that stage the member states were unable to reach agreement, despite years of wrangling. In the prospects for the current negotiations are not much better.

The European Parliament's position

On 15 April 2026, the Committee on Budgets of the European Parliament (EP) adopted a comprehensive interim report on the Commission's MFF proposal. The report, in which MEPs set out their fundamental position for the upcoming budget negotiations with the Council, was adopted by a large majority in plenary on 28 April 2026.

Under the EP's proposals, the total volume of the EU budget would increase to 1.27 per cent of GNI, or around €2 trillion, and the costs of repaying NGEU-linked debt would fall outside the MFF ceilings. This would put the total MFF budget approximately 10 per cent above the Commission's proposal. The EP supports provision of

adequate funding for new priorities such as defence, competitiveness and innovation, but without weakening the traditional policy areas of agriculture, cohesion and social policy. The EP expressly rejects any renationalisation or centralisation of agricultural and cohesion policy. To fund this, MEPs are calling for new own resources to generate around €60 billion annually, as well as floating options such as a uniform levy on capital gains from cryptocurrencies or a tax on online gambling.

Negotiations between the member states

Negotiations between the member states are traditionally characterised by conflicts between net contributors and net recipients. Whilst net contributors such as Germany and the Netherlands immediately criticised the Commission's proposal as "unacceptable", a Spanish position paper in February 2025 had already called for a significant increase to at least 2 per cent of GNI, through joint borrowing and new own resources. The French government put forward a similar argument in March 2025.

After the Commission presented its proposal in July 2025, negotiations in the Council of the EU began during the second half of the year under the Danish Presidency. By the end of 2025, the Danish Presidency had already drafted an initial "negotiating box" setting out the key horizontal issues, such as priorities and structure.

The second negotiating box, presented in June 2026 by the subsequent Cypriot Presidency, already contained initial proposals for specific budgetary allocations. It confirmed the new structure of the future MFF as outlined by the European Commission, thereby reaffirming the four main budget headings and the new funds and instruments. However, the proposal only suggested reducing the Commission's MFF total by about 2 per cent, or €37 billion, and met fierce criticism from the net contributors.

The member states also agreed on a whole series of points concerning key elements of

the new MFF, including the National and Regional Partnership Plans (NRPPs), the Competitiveness Fund (ECF) and the new External Relations Fund ("Global Europe"). These limited agreements established the Council's negotiating positions for the forthcoming negotiations with the European Parliament. However, they did not cover crucial issues concerning the actual financial allocation for expenditure programmes and key horizontal issues relating to the MFF. These outstanding points remain subject to overall consensus being reached in the European Council.

Making the MFF more flexible

With its comprehensive package of proposals, the Commission aims to prepare the European Union for the new and very challenging international environment. It has made flexibility a central element of the negotiations and a key criterion for the modernisation of the MFF. Greater flexibility is "central to ensuring that the EU budget is future-proof, responsive and relevant for its whole duration". Greater budgetary flexibility will permit the EU to reallocate funds to new priorities as needed, enabling it to respond swiftly to unforeseen developments or crises.

The member states agree in principle with the Commission on the need for budgetary flexibility, in order to reprioritise resources within and between programmes in response to external threats and internal needs.

The proposed instruments

The Commission now intends to significantly improve budgetary and administrative flexibility, and is proposing a number of instruments for the 2028 – 2034 MFF:

1. The first of these is to reduce the number of MFF headings to four, to simplify reallocation. The fewer headings the MFF contains, the easier it to reallocate funds and change spending priorities during

the annual budget negotiations, without having to renegotiate the MFF itself.

Furthermore, large, comprehensive funds are to be established within each heading, and the total number of funding programmes is to be substantially reduced. This is intended to facilitate reallocation within and between individual funding programmes. It is also proposed to make it easier to reallocate unspent funds to new tasks and priorities. Until now, unused funding has been repaid to the member states or offset against their financial obligations.

2. There are also plans to significantly reduce the proportion of European funding that is already committed to specific tasks or programmes at the start of the MFF period. In the new mega-fund for agricultural, fisheries and cohesion policy, 25 per cent of each member state's allocation from the EU budget is to be retained as a flexibility reserve and will not be allocated in advance to a specific funding programme or region. Three-fifths of the flexibility reserve are to remain unallocated until the mid-term review; another fifth is to be retained for crisis response; and the final fifth is to be earmarked only in or after 2031.

3. Flexibility instruments are to be provided for each MFF heading. Additional resources for crisis situations and larger margins within the existing expenditure headings will enable the EU to respond more swiftly to unforeseen challenges.

A new so-called "EU Facility" is to be created in Heading 1, with a budget of around €72 billion. The Commission intends to use this to finance a separate flexibility reserve and specific measures at EU level, as well as supporting member states in implementing their NRPPs through additional loans from the EU budget. In effect the EU Facility represents a discretionary funding instrument through which unearmarked funds can be used for measures at EU level and to supplement national and regional funding programmes. As examples, the Commission cites funding measures within the framework of maritime policy or to promote social infrastructure and the social economy. The Commission

wishes to retain the power to determine how these funds are used.

The Commission also provides for a flexibility reserve in Heading 3, covering EU foreign and security policy. The new "Europe in the World" fund will provide €14.8 billion for new challenges and priorities in European foreign policy.

4. Outside the MFF — and thus above the ceilings of the financial framework — the Commission intends to continue the two existing flexibility instruments:

a) The "Single Margin Instrument", receives unspent funds from the previous year's EU budget as "a last resort" for unforeseen expenditure. Its annual volume is to be capped at 0.04 per cent of the EU's GNI.

b) The Flexibility Instrument can also be used to finance unforeseen expenditure. Its volume is to be more than doubled, to €15.7 billion over the seven years.

5. Finally, the Commission is pressing for an expansion of the EU's borrowing capacity. The New Generation Covid recovery programme opened up the possibility of large-scale joint borrowing for the first time. The Commission now wishes to make this option permanent. To improve crisis preparedness, it is proposing two additional loan-financed instruments outside the MFF ceilings:

a) A new instrument named "Catalyst Europe" is intended to promote investment in the defence industry, energy infrastructure and strategic technologies, channelling EU loans to member states to supplement investment under the National Recovery and Resilience Plans (NRPPs). A total of €150 billion in new EU loans is proposed over the seven years.

b) The second instrument would be a new, comprehensive crisis mechanism designed to address potential risks and mitigate the consequences of acute, severe crises and emergencies. In an emergency, the EU would be able to raise additional "negative revenue" — that is, take out loans — which it could then pass on as loans to affected member states. The Commission envisages a total of €395 billion for this new mechanism over the

seven years, equivalent to 0.25 per cent of the EU's GNI.

Overall scope and graduated flexibility

If one adds together the margins and reserves within the MFF, as well as the instruments outside it (flexibility and crisis instruments, funds for Ukraine, loan-based instruments such as Catalyst Europe) almost €800 billion would be available for unforeseen expenditure over the seven years.

In essence, the Commission is proposing two changes to improve flexibility in the MFF: firstly, larger funds and support programmes with generously resourced flexibility instruments, and secondly, a significantly increased overall MFF envelope, to enable the EU to tackle new tasks and challenges without making excessive cuts in existing areas.

The Commission has indicated that it intends to deploy these flexibility instruments in stages. First of all, existing budget funds would be reallocated to new priorities. Should further funding be required, the second step would be to utilise uncommitted funds within the MFF and designated financial buffers. Additional instruments and funds beyond the MFF ceilings — such as the new flexibility instrument — represent step three. Finally, as the fourth and final option, the new loan-financed crisis mechanism may be deployed.

Institutional concerns

These proposals to make the EU budget more flexible have also met with objections and reservations. While the European Parliament's interim report of April 2026 emphasises that greater flexibility is essential for responding to unforeseen challenges, it stresses that this expansion must not be “used at the expense of accountability, predictability, transparency and policy coherence”. The EP underlines that reallocations were already possible — and did occur — under the existing Financial

Regulation, and rejects any restriction on its budgetary rights. Any reallocation or mobilisation of reserves would require the Parliament's consent. The member states also insist on “appropriate involvement” in the planning and application of flexibility instruments. The European Court of Auditors, for its part, criticises that the Commission has neither quantified the required flexibility instruments nor listed the types of event to which they should respond. In other words, the Court of Auditors is calling for the applications and scope of flexibility instruments to be specified in more concrete terms, while the Parliament insists that budgetary flexibility requires an equivalent strengthening of democratic oversight.

Flexibility in the annual budgetary procedure

Budget flexibility is inevitably associated with reductions in predictability and planability. Expanding flexibility instruments, reducing firm commitments and accelerating reallocations will inevitably diminish the specific advantages of the multiannual financial framework and the multiannual funding programmes. The easier it is to reallocate European funding to new priorities, the less secure — or the more short-lived — the funding commitments from the EU budget become, and the more complicated it becomes to plan multi-annual funding and development programmes.

The current MFF negotiations therefore also involve finding a suitable balance between flexibility and predictability that is accepted by all stakeholders. On the one hand, there is a recognised need to ensure flexible budgetary management, enabling swift and decisive responses to change. On the other hand, European funding policy must be predictable and binding to allow funding recipients to plan with confidence. The multiannual development programmes, which protect structural activities from the volatility of day-to-day politics are a defining feature of existing European funding policy.

To address this conundrum and tackle the inherent conflict of goals, the Commission proposes bringing the various flexibility instruments under the annual budgetary procedure, under which the Council and the Parliament can negotiate to amend the annual budget proposed by the Commission. Until now, this process has always been constrained by the MFF, which set firm ceilings and allocated EU funds to specific programmes. In future, decisions and reallocations under the new and significantly expanded flexibility arrangements will be negotiated during the annual budgetary procedure. The two instances with budgetary authority, the Council of the EU and the European Parliament, will adopt a decision on the modalities of the flexibility instruments on the basis of a proposal from the Commission.

In order to manage that process, the Commission is proposing a new steering procedure involving itself, the Council and the European Parliament. In order to allow changes, new spending priorities and the allocation of flexible budgetary resources to be discussed in good time and decided during the annual budgetary procedure, it intends to present an annual “integrated strategy report” as early as possible. That report will consolidate the specific strategy procedures and reports that the Commission already produces, such as reports on economic policy coordination under the European Semester and others relating to climate and environmental policy coordination. The integrated strategy report will set out political priorities as well as emerging policy and funding needs, and will be discussed in the Council and the Parliament.

The Commission’s proposal for a new political steering mechanism for the annual budgetary procedure remains a matter of debate amongst the member states. However, there are indications that the annual budgetary procedure will be guided by an EU strategy document of that kind from the Commission (which is likely to be adopted by the European Council). Whether this new instrument will make it easier to reach consensus and quantify new expenditure

remains to be seen. It seems unlikely that the conflicts between net contributors and net beneficiaries can be resolved by such a strategy report, which is likely to be rather general in nature.

New questions of legitimacy

Greater flexibility in European budgetary policy touches on the fundamental principles of legitimacy, transparency and oversight. The proposed changes raise questions of legitimacy and institutional issues: How can the rights of the two budgetary authorities be adequately respected without unduly slowing down the decision-making? How can the predictability of the MFF be ensured without unduly restricting flexibility? Who will define the EU’s political priorities, objectives and tasks with sufficient precision to enable budgetary estimates and detailed spending programmes to be quantified? And might one of the budgetary authorities even reject flexibility margins, reallocation and reprioritisation altogether?

These questions point to the possibility new institutional tensions arising between the institutions involved in EU budgetary policy. These issues go far beyond the traditional conflicts between net contributors and net recipients.

Concerns about centralisation of decision-making and de facto weakening of the legislature colour the discussions about budgetary flexibility. Placing decisions about allocation and reallocation in the hands of a single EU institution is undoubtedly the fastest and most efficient option, and could significantly reduce the political and financial transaction costs. As a rule, the political decision-making centre — the executive — has a greater interest in budgetary flexibility, while the legislative branch usually attaches importance to extensive and timely involvement in setting spending priorities. Budgetary accountability grants the legislature the political influence.

Within the EU's multi-level system, the search for an appropriate balance between executive and legislative affects all levels of decision-making. The implications of this endeavour are therefore felt at European, national and, to some extent, regional levels, as well as within the executive and parliamentary bodies at all three levels.



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