Why the next Multiannual Financial Framework will be decided by priorities, not by volume

Every seven years, the European Union performs the same liturgy. The European Commission opens with the assurance that the times urgently demand a more ambitious budget, the European Parliament, reliably, bids higher still. Then the Member States speak, and the consensus evaporates in two directions: the richer countries reach for the brakes, while the poorer ones quarrel not with the level but with the structure. What has changed is the environment in which this ritual is performed. And it is this environment that will decide the outcome.

The ritual and its new arithmetic

On 16 July 2025, the Commission proposed a multiannual financial framework (MFF) for the years 2028–2034 of just under €1.76 trillion in 2025 prices, equivalent to 1.26 % of EU gross national income (GNI) against 1.12 % agreed for 2021–2027. The Parliament raised the bid in April 2026 to some €1.94 trillion, equivalent to 1.38% of GNI.

The Member States then split along the familiar fault lines. The net contributors — Germany, Austria, Denmark, Finland, the Netherlands and Sweden — met in Berlin in August 2026 and called for cuts of "several hundred billion euro". The sixteen Friends of Cohesion[1] dissented on composition rather than level, protesting that cohesion and the CAP are "the only policies facing reductions in real terms". The Council's negotiating box published under the Cypriot Presidency in June 2026 came in at barely 2 % below the proposal by the Commission, a proposal equivalent to 1.23 % of GNI.

[1] Bulgaria, Czechia, Estonia, Greece, Spain, Croatia, Hungary, Italy, Lithuania, Latvia, Malta, Poland, Portugal, Romania, Slovenia and Slovakia.

The Irish Presidency tabled its version this October, with an agreement targeted for the end of 2026.

Why the 2020 blueprint has expired

The agreement on the current MFF in 2020 rested on two conditions that no longer hold today: acute pandemic emergency, with real uncertainty about the fallout of the pandemic and a plausible risk of a second euro crisis; and easy finance, with long-term EU borrowing costs between zero and one percent, which made a €750 billion debt-financed second budget look almost free. Consensus was cheap: the institutions obtained a growing budget, the cohesion countries transfers and subsidised loans, and the frugal states a burden that was deferred and close to costless in real terms.

Europe's problems today are, if anything, larger: lost competitiveness, a widening gap in the digital and AI economy, an aggressive Russia imposing a cruel war on a sovereign European country, eroding American security guarantees, and a worsening climate crisis with a lack of global cooperation in climate policy. But this urgency is chronic rather than acute, and chronic urgency does not generate the political adrenaline of March 2020. Nor is the money cheap: in late September 2026 ten-year German federal bonds traded at around 3.6 %, EU bonds at 4.1 % and French government bonds (OAT) at 4.8 %, the highest since 2008. The Union has learned this the expensive way — interest on NextGenerationEU, budgeted at €14.9 billion for all of 2021–2027, has turned out roughly twice as high, and from 2028 interest and principal together could absorb some €22–27 billion a year.

New own resources: relabelling the national burden

The Commission's answer is a package of five new own resources: EU Emissions Trading System (ETS1) revenue (around €9.6 billion a year), Carbon Border Adjustment Mechanism (CBAM) (€1.4 billion), non-collected electrical and electronic waste (€15 billion), tobacco excise (TEDOR) (€11.2 billion), and a lump-sum Corporate Resource for Europe (CORE) (€6.8 billion) — together some €58.5 billion annually (European Commission, 2025).

The elegance is deceptive. None of these conjures new money into existence; each claims a base that Member States already use or could use themselves. If ETS revenue moves to Brussels, it is lost to national budgets. In Germany, the Climate and Transformation Fund is largely financed from the revenues of the CO2 price. What the European level takes from a national base, the national level loses; the same holds for CBAM, the waste base and tobacco duties. CORE is the weakest link: a Commission that has made European competitiveness its priority proposes a levy on corporate turnover rather than profit. This is effectively a tax on corporate substance, which Member States would predictably need to offset by trimming national corporate taxes. The incidence lands, once again, on national budgets, and a tobacco resource would burden poorer Member States disproportionately, as the share of poor countries' EU tobacco consumption is far above their share in GDP. Own resources of this design do not weaken the fiscal constraint. They relocate it and may at best (from the perspective of policy makers) conceal the burden due to increasing intransparency.

EU debt: the gap between rhetoric and use

Could common debt do the job instead? That depends on what European debt instruments are actually used for, not on what they are said to be for. Outstanding EU liabilities stood at roughly €810 billion at the end of 2024 and will reach €1,148 billion

by 2030 on existing commitments alone. Of that stock, 57 % consists of loans passed through to national budgets and 24 % of grants to Member States; 14 % is assistance to third countries, overwhelmingly to Ukraine, and just 5 % finances EU programmes. Take-up tracks sovereign ratings: Member States with top ratings barely touch these lines, exactly what one expects if the operative motive is the interest advantage rather than the European purpose.

This is why one should listen carefully when Eurobonds are demanded. They are rarely demanded to debt-finance European programmes, but to debt-finance loans to national treasuries. Every Member State paying higher interest rates than the EU gains by substituting EU loans for national bonds, against an uncompensated guarantee from the remaining high-rating states. The appetite for a repeat performance is correspondingly limited. In 2020, solidarity in jointly financing national debts was supported by a symmetric external shock; the French and Italian debt problems of 2026 are largely self-inflicted, and market pressure towards sustainable budgets is desirable rather than a deficiency. On top of this, the political polarization undermines the willingness for more mutually guaranteed EU debt. It is hard to imagine that Swedish or Dutch fiscal guarantees for French debt can still be an option with a French president from the radical right or left – a realistic scenario after the French elections 2027.

Scarcity as an opportunity

None of this is comfortable for the European institutions, but it is not bad news either. With no large expansion of own resources available and no second NextGenerationEU debt package in prospect, the frugal states enter this negotiation with far better arguments than in 2020, and the ceiling will settle nearer the lower end.

One number deserves a second look. Of the 0.14 percentage points of GNI by which the Commission would raise the ceiling, 0.11 points — €149 billion — is NextGenerationEU debt service. This is offered as a reason why the ceiling must rise: an inherited interest bill, so the argument runs, should not crowd out programmes. Every finance minister in the Union will read that with interest. They are told, correctly, that a higher interest bill must be absorbed by spending less on something else; the headline deficit criterion, which counts interest in full, imposes precisely that logic on every Member State. It is what the burden of public debt consists of: rising interest payment crowd out other spending programmes. Only at the European level does yesterday's borrowing arrive as an entitlement to a bigger budget rather than as a claim on the existing one. That's odd. A Union that wishes to borrow like a state must also be willing to feel the cost of borrowing like one.

Almost everything Europe wants to do more of after 2028 must therefore be financed by doing less of something else. The Commission has sketched the direction: €131 billion for defence and space, roughly five times the current level, alongside €175 billion for Horizon Europe. Yet it has ring-fenced at least €300 billion for agricultural income support inside an €865 billion envelope of National and Regional Partnership Plans, which ultimately implies protecting the past before financing the future. The Parliament's answer is to unbundle the plans and top up cohesion and the CAP; the Friends of Cohesion's is to raise Heading 1 outright. Neither is prioritisation. Both are the reform backlog, refinanced.

What makes a good fiscal European

If money is scarce, the case for European public goods becomes stronger, not weaker. Defence, digital infrastructure and AI, decarbonisation and

cross-border energy networks, and the financing of Ukraine share what justifies European rather than national provision: economies of scale, cross-border spillovers, and free-riding problems national budgets fail to solve. Agricultural income support and the redistributive core of cohesion policy share none of them. They are largely an inheritance, defensible in the last century, anachronistic in 2028.

Refocusing on this scale demands political courage, since it means cutting, in real terms, two policies with well-organised constituencies and a Treaty-based claim to permanence. It also demands giving up a comfortable habit of European rhetoric. Fiscal Europeanism is not measured by the willingness to finance an unreformed budget with ever more money, nor by enthusiasm for debt instruments whose principal effect is to lower somebody's national borrowing costs. The good fiscal European is the one prepared to consolidate and prioritise at the European level too, and who accepts that a smaller budget spent on European public goods delivers more Europe than a larger budget spent on national envelopes.

For the EU budget has no independent source of wealth. Every euro is ultimately carried by Europe's firms and citizens, whether it arrives as a GNI contribution, as ETS revenue diverted from a national climate fund, as a levy on companies already struggling to compete, or as interest on debt somebody must service. Those who bear the load are entitled to ask what they receive in return, and the only honest answer is European value added.

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