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The future of the EU budget, 2028-2034

In 2025, the European Commission will publish its proposals for the EU's next Multiannual Financial Framework (MFF), the long-term budget package that will last from 2028 until the end of 2034. Unless there is a transformational decision, the shape of the MFF is unlikely to change significantly compared to that of the current package agreed for the years 2021-2027. As Table 1 shows, the headings for natural resources (mostly for agriculture) and cohesion are set at around one third of the budget, while collective investment in the single market, including matters like scientific research, amounts to about one eighth. Concerning the MFF for 2021-2027, in 2018, the Commission had proposed larger sums for the collective investment themes of the single market, migration, borders, security and defence. The final agreement saw these figures much reduced, while those for cohesion and natural resources were protected. The same trend to reduce ambition in collective goods to favour traditional expenditure occurred when negotiating the previous MFF packages in 2013 and 2006. It may reoccur in 2027.

Table 1. Commitments in the MFF of 2021-2027 and in NGEU. Prices of 2018.¹

Heading	Commission proposal, 2018, billion €	MFF, 2021-2027, billion €*	% MFF	NGEU 2021-2024, billion €	MFF + NGEU, billion €*
1. Single market, innovation, digital	166.3	132.6	12.3	10.6	143.2
2. Cohesion, resilience, values	392.0	377.8	35.0	721.9	1099.7
3. Natural resources	336.6	355.7	33.0	17.5	373.2
4. Migration, borders	30.8	24.7	2.3		24.7
5. Security, defence	24.3	14.5	1.3		14.5
6. Neighbourhood, world	108.9	101.1	9.4		101.1

1 Proposal for a Council Regulation, COM/2018/322 final – 2018/0132 (APP): Annex; Council Regulation (EU, Euratom) 2020/2093 of 17 December 2020: Annex I; Council Regulation (EU, Euratom) 2024/765 of 29 February 2024 amending Regulation (EU, Euratom) 2020/2093: Annex I; Council Regulation (EU) 2020/2094 of 14 December 2020: Article 2(2).

7. Administration	75.6	73.1	6.8		73.1
TOTAL	1134.6	1079.5	100	750.0	1829.5
% of GNI	1.11	1.06			
Ukraine reserve*		17.0			17.0

*as amended in 2024.

The major change in 2020 was the agreement of the temporary EU recovery instrument, known as NextGenerationEU (NGEU), in the wake of the pandemic. It is set at €750 billion in 2018 prices and financed through the markets, repayable until 2058.

Looking at the MFF for 2028-2034, much of the language has stayed the same. During the build up to the previous proposal of 2018, the Commission had launched a consultation process for a “Budget Focused on Results”. After her re-election in 2024, Ursula von der Leyen called for “a policy-based budget”. There is talk of a new European Competitiveness Fund, but it is unknown if this will be included within the single market heading of the MFF, or if it will emerge as a fund outside the budget. Before 2020, the old name for the single market heading was “competitiveness for growth and employment”.

The budget’s size, at little over 1% of gross national income (GNI), is difficult to increase for political reasons (frugal member states want to limit the budget’s size) and insufficient to meet the policy demands of Europe. In the context of 2024, with the right and centre-right dominating the European Council, it is impossible to imagine a more expansive budget. However, there is room for some creativity. Since the financial crisis of 2010, past solutions had been to expand the proliferation of funds outside the budget but related to it, when the budget has provided total or partial guarantees to funds based on lending by the financial sector. The most significant of these is NGEU, but others have included the competitiveness-oriented European Fund for Strategic Investments, at up to €500 billion during 2015-2020, and its successor, InvestEU, worth €372 billion, both of which received a guarantee for lenders worth around 6%. Guarantees from the budget for further investment funds for competitiveness and for supporting Ukraine and the defence sector are likely.

Compared to the previous negotiation of 2018-2020, the current debate is even more focused on achieving policy goals, particularly for security and energy challenges presented by the conflict in Ukraine. It is likely that the tight conditions applied under NGEU for the payment of grants through the Recovery and Resilience Facility (RRF) will be carried into the MFF. There is also talk of increasing flexibility in the new MFF. At present and within limits, underutilised funds inside the budget may already be carried over into future years. This may extend to those amounts that are allocated nationally, so that EU expenditure may vary upwards for a particular member state but not for others, to reflect unforeseen challenges limited to one geographical area of the EU. The MFF’s rules already contain some flexibility instruments. These cover general flexibility and emergency aid for EU member states and third countries; they act as reserves and are only paid out if they are needed. They could be increased. Their total of €22.7 billion (during 2021-2027) is not included in the MFF’s figures.

When a new MFF comes into force, an amendment is passed to the EU's revenue base, known as own resources. A larger EU budget would require agreement on untapped sources of revenue. Otherwise, the fallback is that any increase is financed merely from the member states' GNIs. An interesting paper for the European Parliament² lists potential new own resources to help fill the gap. It also proposes more flexible rules to allow borrowing through the MFF, fully supported by own resources. A budget that can incur temporary debt could intervene more rapidly when required.

The conflict in Ukraine, the security implications of Donald Trump's re-election, and the need for preparedness against the unexpected in terms of pandemics, climate change, energy or food supply require a budgetary system that can respond with sufficient speed. If the MFF is kept at 1% of GNI, it is to be hoped that greater flexibility and growth in complementary EU funds outside the core budget, supported by borrowing, will be able to meet the challenges that lie ahead.

2 Thöne, M. (2024) "European Public Goods and the 2028-2034 Multiannual Financial Framework". Policy Department for Budgetary Affairs, PE 766/.171. European Parliament, October.