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Why the next Multiannual Financial Framework will define Europe's capacity to act

The negotiations on the next Multiannual Financial Framework will determine the future of Social Europe at a time when multiple challenges are straining budgets across the Union and its member states. This chapter examines how proposed structural changes – centralising funding and weakening parliamentary oversight – risk undermining cohesion policy, the European Social Fund and regional participation. It argues that safeguarding parliament's role is essential to prevent renationalisation, protect social investment and ensure European Union funds continue to deliver tangible, citizen-focused benefits, including through the introduction of new own resources.

The EU budget reflects what the Union stands for. As debates on the next Multiannual Financial Framework (MMF) unfold, this chapter shows how proposals to centralise funding and weaken parliamentary oversight risk undermining cohesion and Social Europe – and why unity in parliament is the precondition for a budget that citizens can trust.

Politics is about delivering concrete results to citizens. In European Union (EU) politics, concrete results are achieved by adopting and enforcing pan-European rules and standards, as well as providing financial support for specific measures and projects. The MFF is therefore more than just numbers on a spreadsheet. It functions as a mirror of the Union's political priorities, reflecting how solidarity is organised, which policies are valued and where power ultimately resides. It embodies the collective choices and the solidarity the 27 member states are providing for each other via the EU.

Looking back at the currently running MFF period of 2021 to 2027, it becomes clear that the Union's financial capacity is structurally limited in two ways: EU expenditure is capped at the total upper spending limit of 1.12% of the EU gross national income, while the use of financial means is further segmented into rigid categories of expenditure, each with its own ceiling, which amounts to a pre-commitment of nearly 90% of the current Union budget. This dual limitation significantly restricts the Union's fiscal flexibility and weakens its total 'fire power'. At the same time, the range of challenges that require supranational coordination and that member states have delegated to the European level has expanded markedly – from mitigating major economic crises, such as the Covid-19 crisis, to strengthening Europe's defence and security capacities. The result is a growing mismatch between political expectations placed on the Union and the budgetary instruments available to meet them. It is against this background that we must view the debate on the next MFF – as a political choice about whether the Union equips itself with the means to act collectively and credibly.

Moreover, whilst during the currently running MFF period the EU established a debt-financed fund for the recovery of Europe's economy after the Covid-19 pandemic, the repayment of debt borrowed to finance this fund of around €25 billion annually will start in 2028 at the beginning of the coming MFF period and has to be borne by the Union budget if the EU does not introduce new own resources to cover the repayments.

The challenges that the next MFF has to face are hence enormous: beyond its traditional responsibilities in the area of the common agricultural policy, territorial and social cohesion, and research, the EU is expected to strengthen the continent's defence and security capacities, incentivise investments to boost competitiveness and economic resilience, and ensure the timely and orderly repayment of the Next Generation EU fund. These challenges must be addressed at a time when member state budgets are under severe strain, and when the appetite of national finance ministers to increase the Union's revenue base is thus, to put it mildly, low. In this context, the European Commission has presented its proposals for the next MFF, which were received with much criticism.

At the heart of a progressive criticism of these proposals lies the ruthless attempt of the Commission to exploit the widely acknowledged need for MFF reform to install a system that sets parliaments (both the European one and the national ones) aside when defining and controlling the use of EU money, while putting the executive elite in the European Commission and in the ministries in national capitals in the lead. By dissolving the current programmes – which are defined by the co-legislator – into a single overarching fund, the Union budget risks being transformed into an enormous 'golden whip' for enforcing the Commission's policy priorities.

The Commission's plan to freeze the budget in real terms and merge core funds, such as cohesion, agriculture and fisheries, into single national envelopes is a political signal. It signals a distrust of regions, a narrowing of social ambitions and a sidelining of parliament. In short, it signals a Europe that reduces the Union's capacity to deliver outcomes at the citizen level.

Cohesion, social rights and the risk of renationalisation

Cohesion policy is the backbone of the Union, the mechanism through which solidarity is translated into tangible improvement in people's lives. Take Germany, for instance: under the cohesion policy for 2014-2020, roughly €19.2 billion was invested nationwide, from formerly lagging eastern *Länder* to developed regions, helping create tens of thousands of jobs, spawning thousands of new companies, and financing thousands of renewable-energy and infrastructure projects. Rural states such as Lower Saxony have leveraged cross-fund strategies that blend regional development, the green transition and social inclusion – a model that would collapse if funds were merged into opaque national envelopes. That is exactly how cohesion turns solidarity into concrete improvement for villages and rural towns, and the current MFF proposal threatens to weaken precisely this backbone. By concentrating decision-making at the national level, the Commission risks turning EU funds into mere transfers to member states, detached from regional realities. Rural areas in particular depend on instruments such as LEADER and 'community-led local development', which empower local communities to shape development strategies themselves. While these programmes remain formally possible under the Commission proposal, their actual continuation would depend entirely on national priorities – again undermining local ownership.

The Commission's exclusive focus on 'less-developed regions' aggravates this problem. Transition regions, such as those found in Germany, risk falling through the cracks. Their socio-economic profiles do not fit neatly into statistical aggregates; yet they require targeted, ongoing support to manage industrial transformation, demographic change and the green transition. Ring-fencing for less-developed regions only is insufficient; transition regions must receive a dedicated and predictable share of the EU budget.

As social democrats, we must not allow this to happen. A Europe that loses its cohesion is a Europe that fails its citizens. The parliament's oversight must be anchored in the approval processes of national plans and in its power to adjust funds in response to evolving needs. This is the necessary democratic safeguard that ensures EU funds reach the people they are intended to help.

Equally concerning is the treatment of the European Social Fund (ESF+). Social progress is a non-negotiable *acquis* of the Union. Without explicit visibility and purpose-bound allocations – for youth employment, a comprehensive child guarantee and qualification programmes – ESF+ risks being absorbed into anonymous national funding pools. This would undermine one of the EU's most effective tools for promoting equal opportunities and its only tool for tackling poverty. Ring-fencing and increasing the ESF+ budget are essential to ensure active labour market policies, gender equality, education and training, social inclusion, and health support do not become afterthoughts in a renationalised framework.

Conditionality and the technocratisation of EU money

The national and regional partnership plans, as currently proposed, threaten to merge policy objectives under national discretion, paired with vague 'reform' requirements. If left in their current form, they eliminate the central partnership provisions that anchor regions, municipalities and regional actors in the planning and implementation of EU funds. What the Commission presents as simplification would, in practice, strip regions of planning security and reduce their role to that of stakeholders consulted at the discretion of national governments. In a federal system like Germany's, this represents not only a procedural step backwards but a structural weakening of regional autonomy, which is particularly dangerous in the context of tight domestic budgets and uncertain political developments. For transformation and transition regions, this would mean fewer tailored instruments and greater dependence on the national capital's shifting priorities.

Equally problematic is the emerging shift toward performance-based, 'cash for reforms' funding logic. Such mechanisms create intransparency, privilege large administrations capable of meeting complex reporting demands, and risk excluding smaller regional actors and civil-society providers. Funding should follow needs not macroeconomic reform agendas negotiated behind closed doors.

Where does the money come from?

The Commission proposal foresees only a modest increase in the EU's spending power, to 1.26% of EU gross national income (GNI). Once the portion earmarked for repayment of the debts incurred under Next Generation EU is deducted, the effective increase in the MFF for the next period shrinks to a mere 0.03% of EU GNI. This limited increase would have to be financed through a combination of member state contributions and the Union's own resources. Yet this comes at a time when public investments in the green and digital transformation of our economies, in the guarantee of social security and redistribution, and in strengthening our capacity to defend ourselves against security threats are direly needed. In this context, member states' national budgets have little capacity to also increase their contributions to the Union's spending power.

Avoiding a false trade-off between European interests and national spending priorities, therefore, requires the introduction of new own resources for the EU. Even the proposed modest increase in the Union's spending power will already necessitate additional revenue streams. While the allocation of 30% of ETS-1 revenues and 75% of the proceeds generated from the Carbon Border Adjustment Mechanism represents an important step, it will not, however, be sufficient. Progressive forces should therefore also push beyond these instruments and advocate for raising own new resources that reflect the economic realities of the internal market, such as a financial transaction tax and a digital tax, targeting large multinational actors that benefit directly from European integration.

Why parliament matters – and why we must stay united

Here is what the mirror of the EU budget truly reveals: the MFF is not just about euros and cents – it acts as a measure of how much trust the Union places in its only directly elected institution – and by extension in its citizens. Every decision regarding approvals, flexibility instruments or adjustments to evolving needs reflects who holds power in this Union. They determine whether democratic accountability remains anchored in parliament or whether control moves upward, away from citizens and regions, toward the executive in national capitals and in Brussels. When parliament's role is reduced, democratic oversight is weakened with it. The result is a Union that becomes more distant, less accountable and less capable of responding to the real needs of people.

This is why the central issue in MFF negotiations is the preservation of parliament's institutional role. Parliament is not a procedural formality; it is the institutional safeguard that ensures EU funds serve common European objectives rather than short-term national preferences. It is the forum where regional needs become visible, where cohesion policy is defended as a European principle and where the social dimension of the Union can be upheld against purely intergovernmental pressures.

For this reason, unity among the democratic forces in parliament is not a matter of tactical convenience but of institutional responsibility. The far right has demonstrated its willingness to exploit fragmentation to shift the centre of gravity away from parliamentary oversight. If they succeed in replicating this in MFF negotiations, the result will be a budget that weakens cohesion, deprioritises social investment and reduces EU funding to a transactional tool of national governments.

The strength of the European Parliament is the strength of European democracy. Every fragmentation within the democratic centre reduces parliament's leverage; every hesitation provides another opening for those who seek to renationalise and deregulate the Union by parliamentary means.

A strong parliament is not an institutional formality; it is the condition for democratic accountability in the Union's finances. When parliament acts with coherence, it ensures that the MFF remains aligned with Europe's core commitments – social investment, territorial cohesion and the protection of citizens' rights. When it fractures, space opens for intergovernmental bargaining that sidelines regional realities and weakens the Union's capacity to act. The stakes in the upcoming negotiations are therefore structural rather than tactical: only a united parliament can preserve a budgetary architecture that reflects European values, sustains public trust, and enables the union to deliver on its social and economic mandate.

Conclusion

The next MFF needs to meet the demands of the coming years. It must trigger public investments in the green and digital transformation so that the continent's competitiveness can be ensured and help to build up Europe's capacity to defend itself. The MFF must not enter into a zero-sum game where spending on defence is played against territorial, economic and especially social cohesion. Repayment of commonly issued debt must not be at the expense of the EU's capacity to spend at least at the current level. This will require an increased budget with new own resources. It will require flexibility without compromising predictability. Progressive forces need to ensure a budget that delivers for all citizens, has a clear social profile, has proper own resources, and where the democratic say in the definition and control of the use of the EU taxpayer's money is ensured.