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The European Union's next long-term budget

Complicated negotiations ahead

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Summary

- As the EU is under growing pressure to strengthen its geopolitical role, the recently begun negotiations on its long-term budget for 2028–2034 acquire key political relevance.
- As usual, the negotiation process for the next Multiannual Financial Framework (MFF) is expected to be complex and slow. With all member states and the European Parliament wielding veto power, common goals often become secondary to conflicting national and institutional interests.
- Key disputes include the overall size of the budget, the introduction of new tax-like own resources, and the reallocation of funding from traditional agricultural and cohesion spending to new strategic priorities. In addition, a proposed governance reform – which would introduce national spending plans to be negotiated between national governments and the Commission – has raised concerns in the European Parliament about politicisation and a loss of parliamentary oversight.
- Based on past experience, the negotiations are likely to ultimately result in a compromise solution. However, if the Commission's original ambitions are watered down too much, the new MFF may fall short of adequately addressing the challenges facing the Union today.

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Introduction

As authoritarian actors are on the rise and global strategic competition increasingly turns into great-power rivalry, the pressure is growing on the European Union to establish itself as a liberal geopolitical and geoeconomic force.[1] But it will hardly be able to meet these expectations without the necessary financial capabilities. Economic analyses such as the 2024 Letta and Draghi reports[2] have emphasised the need for more EU-level public investment to bolster competitiveness. European money is necessary to support strategic industries like defence or green tech, boost research and innovation, build up transnational transport and energy infrastructure, prepare candidate countries for accession, and keep an economically heterogeneous Union together.

That is the benchmark against which the EU's next long-term budget must be measured. Although the current Multiannual Financial Framework (MFF) remains valid until the end of 2027, negotiations for the next one are already underway. This is by no means too soon: adopting the long-term budget is one of the most difficult and daunting of all EU processes, and two years is more likely to be on the short side of how long it will take to reach an agreement.

This is not due to the actual amount of money at stake. The last long-term budget, adopted in December 2020, amounted to only 1.12% of the EU's total gross national income (GNI) – a tiny fraction of the approximately 50% of GNI spent by public authorities across the EU as a whole. The national budgets of the member states move much more money than the EU does with much less political fuss; even the budget of the City of Helsinki makes up a higher share of Finnish GNI than the EU budget does of the Union's.

The real difference lies in the procedure. While national budgets are usually approved simply by a majority of the members of the national parliament, the European long-term budget requires the agreement of the European Parliament (EP) as well as all member states: more than two dozen veto players, all of whom want to be able to claim some victory in the negotiations.

This leads to very lengthy negotiations, in which common goals often take a back seat to conflicting national or institutional interests. Debates over the budget's size and member states' net contributions are often highly politicised and closely followed by national publics. Other contentious questions include the sources of revenue, the spending priorities, and the general governance structure of the EU budget. This Briefing Paper outlines the legal procedure and timeline for adopting the EU's next long-term budget and analyses the key issues that will shape the discussions between member states and EU institutions in the coming months and years.

A protracted procedure

The EU's long-term budget consists of two main legal documents: the Multiannual Financial Framework (MFF) Regulation and the Own Resources Decision (ORD), each of which is supported by several accompanying or implementing legal acts. Legally separate,

1 Helwig, Niklas and Juha Jokela (eds.) (2025) "The EU in an age of empires: A liberal geopolitical force in the making?". *FIIA Briefing Paper* 410, April 2025, Finnish Institute of International Affairs. https://fiia.fi/en/publication/the-eu-in-an-age-of-empires.

2 Letta, Enrico (2024) Much more than a market: Speed, security, solidarity. Empowering the Single Market to deliver a sustainable future and prosperity for all EU Citizens. Brussels 2024. https://single-market-economy.ec.europa.eu/news/enrico-lettas-report-future-single-market-2024-04-10_en; Mario Draghi (2024) The future of European competitiveness: A competitiveness strategy for Europe. Brussels 2024. https://commission.europa.eu/topics/eu-competitiveness/draghi-report_en.

the two documents are nevertheless politically closely connected. The MFF covers the budget's expenditure side, in particular the main spending categories ("headings") and the maximum amount the EU can spend on each ("ceilings"). The ORD, on the other hand, deals with the revenue side of the budget, i.e. the sources from which the EU obtains its funding.

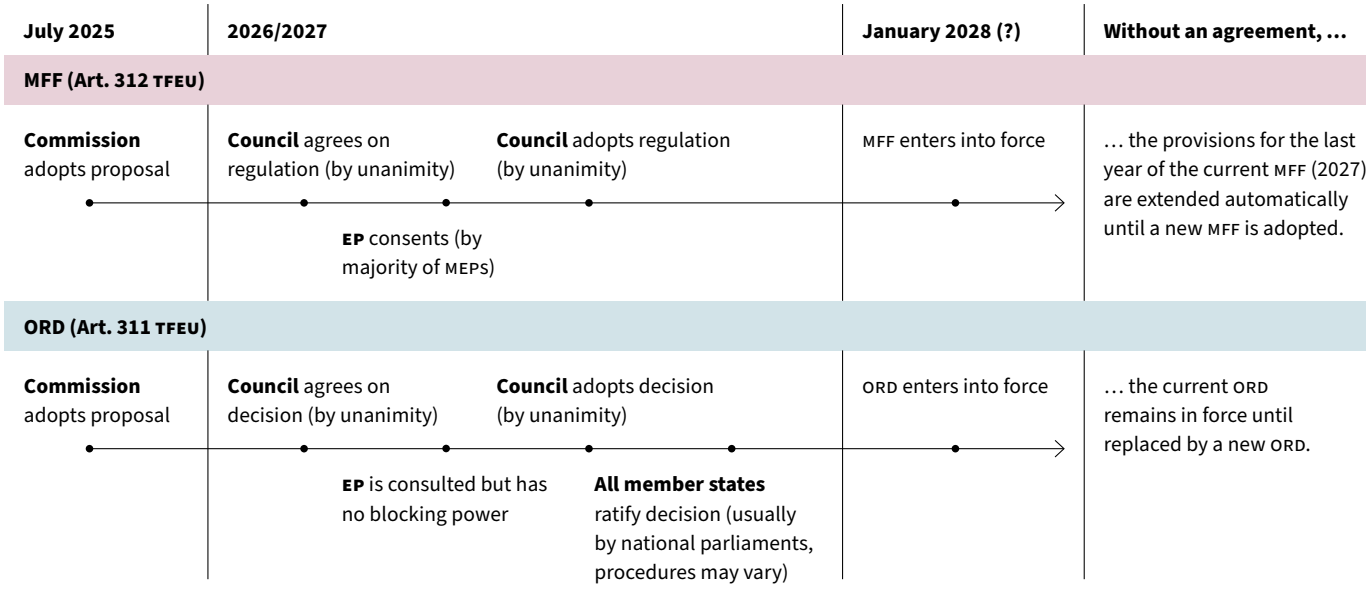
The procedures to adopt the two documents are also formally distinct but politically intertwined (see Figure 1). The MFF is approved by a unanimous decision of the Council and requires consent from the European Parliament. For the ORD, the EP is only consulted, but the decision must be ratified by all member states' national parliaments. In addition, the MFF is adopted for a limited time (at least five years according to the Treaties, seven years in political practice), whereas the ORD remains in force until it is replaced by a revised one.

In practice, the negotiations run in parallel, forming one overall package in which nothing is agreed until everything is agreed. This means that all national governments, national parliaments, and the EP have veto power. Unlike with some other EU decisions, it is also not possible to circumvent the unanimity requirement through "differentiated" approaches. For a new MFF to enter into force, the support of all member states is absolutely necessary.

This negotiation setting typically results in lengthy discussions and late agreements. In past negotiation rounds, the 2014–2020 MFF was agreed in summer 2013, and the 2021–2027 MFF in December 2020, with the ORD ratification completed only in May 2021. Based on this pattern, the negotiations for the 2028–2034 MFF are likely to continue until the second half of 2027.

Some key leaders, including European Council President António Costa and the current rotating Council presidency from Denmark, have recently expressed a desire to "fast-track" the talks and reach a decision by the end of 2026.[3] This would

3 Sorgi, Gregorio (2025) "EU aims to 'Le Pen-proof' its budget with swift deal by 2026". *Politico*, 22 September. https://www.politico.eu/article/eu-aims-france-marine-le-pen-proof-budget-deal-2026-election-far-right/.



Several accompanying and implementing legal acts, usually requiring a qualified majority in the Council and a majority in the European Parliament (ordinary legislative procedure or consent procedure)

Figure 1: Procedure for the adoption of the EU's long-term budget.

provide swift clarity on the EU's financial outlook and also prevent the final stage of negotiations from coinciding with national elections in several member states – notably the French elections in spring 2027 and the Polish elections in the following autumn, both of which could result in far-right governments taking power.

In reality, however, a final agreement in 2026 is highly unlikely. High-stakes EU negotiations in which national vetoes cannot be bypassed regularly lead to attempts at political blackmail by some member states. The prime exponent of such behaviour is Hungarian Prime Minister Viktor Orbán, who, in fact, has already stated that he will veto the new MFF unless the Commission releases funds that have been frozen due to Hungary's rule-of-law infringements.[4] Other member states may ultimately succeed in pressuring Hungary to abandon this demand, but this will certainly delay the conclusion of the negotiations.

"In reality, however, a final agreement on the budget in 2026 is highly unlikely."

Even without such tactical power plays, there are many genuine conflicts of interest that the member states and the EP must resolve. These conflicts show up in four key issues: the size of the budget, the new own resources, the spending priorities, and the governance structure of the MFF. The first three issues reflect long-standing divisions between member states, so the discussions around them mirror at least partly those of past long-term budget negotiation rounds. The fourth issue is new and has created a new line of institutional conflict.

Issue 1: Size of the budget

Despite the relatively modest size of the EU budget, disputes about its scale are commonplace and follow a similar pattern with each new MFF: the Commission usually proposes a slight increase, which the European Parliament sees as too timid, while some member states – particularly net contributors, who pay more into the EU budget than they receive in funding – criticise it as too ambitious. Proponents of a larger budget point to the growing expectations and responsibilities of the EU, which require adequate funding. Conversely, critics view the EU budget as a burden that is difficult to justify to national publics when member states themselves are facing budgetary constraints. This is also the case this year: Germany, the largest net contributor, has already demanded across-the-board cuts to the Commission's proposed figures.[5]

The usual controversy surrounding the budget size is further complicated in this round of negotiations due to disagreement over the relevant figures. During the Covid-19 pandemic, the EU took on a significant amount of debt for the first time through the NextGenerationEU (NGEU) recovery programme, which was adopted alongside the regular MFF in 2020 and allowed for limited EU-level deficit spending. This spending will end in 2026, and the EU will start to repay the accumulated debt in 2028. A significant portion of the new MFF will therefore be allocated to debt servicing rather than new expenditure.

This opens the door to competing interpretations of the size of the MFF proposed by the Commission. If the NGEU repayments are included, it reaches 1.26% of the EU's GNI – a significant increase from the current 1.12%. If, however, the NGEU debt service is not taken into account, the volume of the proposed new MFF is only 1.15%, a much more moderate increase. And if the focus is on the EU's overall spending capacity, the end of NGEU deficit spending means that the EU will have considerably less money at its disposal under the Commission's proposed new MFF than it had in recent years (Figure 2).

In any case, controversies about the volume of the MFF often make the headlines, but they are not necessarily the most difficult issues to resolve. In past negotiations, the final agreement has usually been lower than, but close to, the Commission's initial proposal. This is also likely to be the case this time, as any significant reduction would jeopardise the EU's ability to respond to the demands of the current situation.

4 Reuters (2025) "Hungary's Orban says he will not back EU budget unless funds released". *Reuters*, 26 July. https://www.reuters.com/en/hungarys-orban-says-he-will-not-back-eu-budget-unless-funds-released-2025-07-26/.

5 Hoppe, Till (2025) "EU budget proposal: Berlin demands across-the board cuts". *Europe.Table*, 19 September. https://table.media/en/europe/topic-of-the-day/mff-proposal-berlin-demands-cuts-with-the-lawnmower.

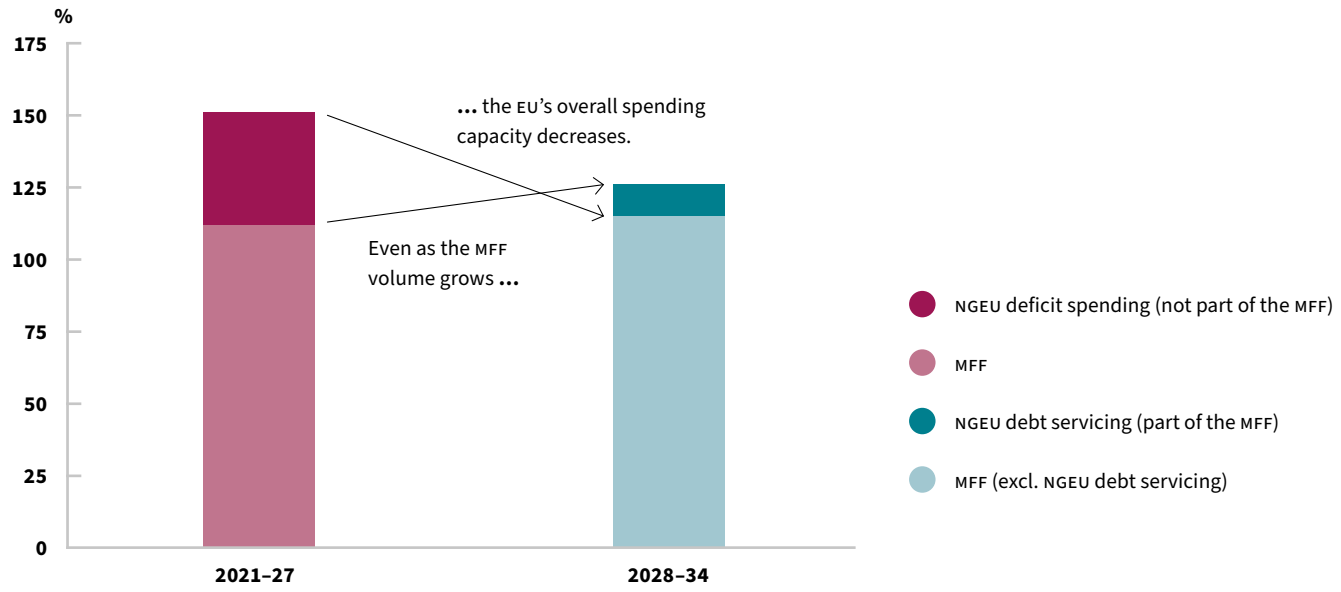


Figure 2: Volume of the current and proposed MFF in % of EU GNI (2020/2025), with and without NGEU. Own visualisation based on calculations by Romy Hansum et al., Ripe for Reform: What's in the EU Budget Proposal and What Should Come Next, Jacques Delors Centre, 2025, p. 3, https://www.delorscentre.eu/en/publications/detail/publication/ripe-for-reform-whats-in-the-eu-budget-proposal.

Issue 2: New own resources

Another issue of conflict in the negotiations is how the budget is funded. In the past, the EU has had four main types of revenue, known as "own resources":

- "traditional own resources", which are mainly import custom duties;
- a share of the value-added tax (VAT) levied in each member state;
- national contributions proportional to each member state's GNI; and
- other revenue, such as fines or EU officials' income taxes.

While the volume of both the traditional and VAT-based own resources has declined over time, the GNI-based contributions have increased in order to balance revenue and expenditure. Today, they account for more than 60% of the budget and are by far the EU's most important source of funding. Because they reflect the different economic strengths of member states, some consider the GNI-based contributions to be a particularly fair financing instrument. However, their resemblance to a national "membership fee" also perpetuates the problematic public perception of the EU budget as a zero-sum game between net contributors and net recipients. In addition, GNI-based contributions lack any political steering effect that could contribute to EU policy goals.

To mitigate these problems, the Commission has long supported the introduction of "new own resources", which would resemble taxes at the national level. As a first such step, a new own resource on non-recycled plastic waste was introduced in 2021. Currently, this EU plastic tax amounts to some 5% of the EU budget.

In the new draft ORD, the Commission proposes a number of other tax-like sources of revenue. These include:

- revenues from the European Emissions Trading System and a new Carbon Border Adjustment Mechanism;
- a contribution based on non-collected electronic waste;
- a share of national tobacco excise duties; and
- a levy on large European companies.

Overall, the Commission expects these new own resources to cover almost 25% of the EU budget, which would allow for a corresponding reduction of member states' GNI-based contributions. But while the EP strongly supports new own resources, some

member states either reject the Commission's specific proposals or are generally reluctant for the EU to become involved in tax policy. As the ORD also requires the approval of all national parliaments, reaching an agreement on this issue will be challenging.

Potentially even more controversial is the Commission's proposed new "Catalyst Europe" programme. Under this proposal, the EU would borrow money from credit markets and lend it to member states, which could then use it to invest in EU-defined projects such as defence or energy infrastructure. This mechanism would give economically weaker member states access to cheaper funding and encourage EU-wide investment. However, it would also mean that the EU would regularly take on debt – an idea that some governments reject outright.

Issue 3: Spending priorities

Arguably the most consequential issue in the budget negotiations is the new MFF's spending priorities. Historically, the EU's two largest areas of expenditure have been agriculture and cohesion policy, both of which imply considerable financial transfers between member states. With each new MFF, the Commission regularly advocates new, more forward-looking priorities – such as investments in decarbonisation, digitalisation, research, and security.

This has always been controversial among the member states. The governments of countries with a strong agricultural sector, as well as the net recipients of cohesion policy, usually form strategic alliances to defend these spending areas. By contrast, many net contributor countries – in particular Germany and the Northern European "frugal" states – publicly support the Commission's reprioritisation but tend to place greater emphasis on reducing the overall size of the budget. In past MFF negotiations, this has often resulted in compromises that maintained relatively high levels of agricultural and cohesion spending and made savings in other areas such as climate protection and research. Consequently, the share of the new spending priorities in the final MFF has usually been lower than in the Commission's original proposal.

So far, the current debate on the priorities of the next MFF is following a similar script. Once again, the Commission has proposed significant cuts to agricultural and cohesion spending while increasing the budgets for the Horizon Europe research programme and for investment in energy and transport infrastructure, defence, and other strategic industries. But even before the proposal was officially published, a group of fourteen Baltic, Central-Eastern, and Southern member states responded to these plans with a non-paper defending cohesion spending.[6] The centre-right EPP group in the European Parliament has also demanded that new priorities like security and competitiveness should not come at the expense of cohesion and agriculture. Meanwhile, Germany and the Nordic net contributor countries like Finland and Sweden have supported the new priorities but have focused more on criticising the overall budget size.[7]

This familiar pattern does not bode well for the next MFF's ability to adequately address new geopolitical challenges. In this context, particular attention should be paid to enlargement policy. In its proposal, the Commission has recommended a substantial increase in spending to support Ukraine and other candidate countries. The extent to which member states are willing to accept this is an indicator of how serious they are about the accession of new countries – which, after all, would lead to even greater financial transfers and transform some of the current cohesion policy recipients into net contributors.

Issue 4: Governance structure

These discussions around budget size, own resources, and spending priorities are typical features of MFF negotiations and, to some degree, follow well-trodden paths. Beyond them, this year's Commission proposal has also led to new controversies around an innovation to the governance of the EU budget.

Until now, the EU budget has been organised around a variety of specialised funds (such as the European Agricultural Fund for Rural Development or the Asylum, Migration and Integration Fund), each with its own issue-specific spending rules. In its proposal, the Commission suggests merging most of these funds into a single "European Fund for

6 Soler, Paula and Dominika Cosic (2025) "Fourteen member states oppose the Commission's EU budget overhaul". *Euronews*, 2 July. https://www.euronews.com/my-europe/2025/07/02/fourteen-member-states-oppose-the-commissions-eu-budget-overhaul.

7 E.g. YLE News (2025) "PM Orpo criticises proposal for massive EU budget increase". *YLE*, 17 July. https://yle.fi/a/74-20173057.

economic, social and territorial cohesion, agriculture and rural, fisheries and maritime, prosperity and security". Money from this new superfund would be allocated to the member states according to so-called National and Regional Partnership (NRP) Plans, which would be negotiated individually by each member state with the Commission and then approved by the Council. This proposed new governance model is very similar to the one used for NGEU spending, in which member states had to draw up national Recovery and Resilience Plans (RRPs).

While the Commission is presenting its reform proposal as a way to make spending rules simpler and more flexible, its main effect would be to give member states more leeway to set their own national priorities when using EU money. At the same time, it would also empower the Commission itself, which could make its approval of a member state's NRP plan conditional on compliance with certain economic reform agendas. For instance, national governments could be required to implement the country-specific recommendations (CSR), which the EU has adopted annually since 2011 but member states have widely ignored so far. Similarly, NRP plans could also include political conditions such as compliance with the rule of law.

This additional leverage to pressure member states into reform agendas could contribute to a more streamlined European economic policy. It would also make it easier to cut funding for member states that do not uphold the EU's common democratic values. However, it also implies a strong politicisation of the EU budget: with fewer common rules for all and more negotiations between the Commission and the member state governments, decision-making power would shift from parliamentarians to executives. National plans would weaken the sense of a common European identity, and there is even a risk that the Commission would not treat all member states according to the same criteria when negotiating with them – or, at least, that Eurosceptic parties would be able to exploit such an impression to fuel national resentment.

The Commission proposals have therefore been met with strong criticism from the European Parliament. The main pro-European groups – the centre-right EPP, centre-left S&D, and liberal RE – have all rejected the proposed new structure, with the EPP explicitly stating that "[n]either the EPP Group nor the European Parliament will approve a budget that promotes individual national plans".[8] Member states, on the other hand, are more open to the proposed governance reform, and Germany has even announced that it will oppose any increase in the budget if the reform is *not* implemented.[9]

In past MFF negotiations, the EP has often yielded on material issues like the budget size and spending priorities to avoid an institutional crisis. However, it is less likely to easily concede on a structural reform that affects parliamentary control over EU spending rules. This makes a fast-track overall agreement by the end of 2026 even more implausible.

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Conclusions

Part of the grand ritual of EU budget negotiations is that they have never failed outright, ending instead with some sort of compromise. This compromise, however, is likely to come at the very last moment, and it will require a lot of political fudging, last-minute side deals, and questionable concessions to (quite literally) buy the support of individual member states. The result will look more like patchwork than a grand achievement, the Commission's original ambitions will be watered down, and many citizens will be left with a vague feeling that they are being asked to pay without receiving a clear and convincing explanation of what the new budget will achieve.

That the negotiations are so cumbersome, and their outcome so predictably unsatisfactory, are unavoidable consequences of the veto-ridden procedure. If member states wanted less protracted and more straightforward negotiations that could produce a more ambitious and coherent long-term budget, they would have to abolish the unanimity

8 European People's Party (2025) "EU budget: No to 27 separate shopping lists". Press release, 16 July 2025. https://www.eppgroup.eu/newsroom/mff-no-to-27-separate-shopping-lists.

9 Foy, Henry (2025) "Richer EU capitals threaten to cut budget if lawmakers vote against reform". *Financial Times*, 9 October. https://www.ft.com/content/ad6b011d-7afa-44b6-a079-256162a121c6.

requirements. In fact, the European Parliament has formally proposed such a move for the MFF (albeit not the ORD) in its 2023 treaty reform proposal.[10] This, however, would require an EU treaty convention – arguably the only type of negotiations that member state governments consider even more difficult and daunting than the MFF itself.

Without the necessary institutional reforms, discussions about the EU long-term budget will remain as inefficient as they are today. In the coming months and years, internal conflicts over budget size, new own resources, spending priorities, and governance structures, as well as the occasional attempt at political blackmail by certain member states, will consume a great deal of energy from both national governments and EU institutions. It is only to be hoped that the parties involved will not lose sight of the main goal: equipping the EU with the financial capabilities it needs to fulfil its tasks in an increasingly challenging political climate. ⬢

10 European Parliament (2023) Proposals of the European Parliament for the amendment of the Treaties. 22 November 2023. https://www.europarl.europa.eu/doceo/document/TA-9-2023-0427_EN.html.

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