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BLOG POST



MFF negotiations: What to expect from the October European council

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Negotiations over the EU's 2028-2034 Multiannual Financial Framework (MFF) are entering a decisive phase. EU leaders will meet in Brussels at the end of this week to discuss a new negotiating box prepared by the Irish Presidency, aiming to narrow differences ahead of a possible agreement by year-end.

Responding to strong pressure from the five 'frugal' countries, the Irish Presidency has put on the table an 8% cut in real terms to the Commission's €2 trillion MFF proposal. Not surprisingly, agriculture and cohesion spending are spared from cuts, with the bulk of reductions falling on foreign aid (−17.4%), the European Competitiveness Fund (−10.5%) and support for trans-European infrastructure (−14.4%). Particularly severe cuts are proposed to the EU Solidarity Fund (−55%) and the EU Civil Protection Mechanism (−35%), two EU-level mechanisms that have demonstrated their added value in responding to crises.

The Irish proposal reflects familiar battle lines: net contributors pushing for a smaller budget and beneficiaries of cohesion and agricultural spending resisting cuts to these policies. Yet the backdrop has changed considerably since previous negotiations. National public finances are under greater strain than in December 2020, when the current MFF was adopted. NextGenerationEU is coming to an end just as repayment of its common debt begins, while a more hostile global environment demands greater EU capacity for joint action on security, competitiveness and resilience. This new reality shapes all actors' positions. Each camp has a legitimate case, but each also overstates it.

I • Why frugals are so insistent in asking for cuts?

Net contributors argue that the Commission proposal would entail a significant increase in their national contributions at a time when governments need to keep public finances under control. There is some truth to this argument. The European Court of Auditors (ECA) estimates that contributions from national budgets could rise by as much as 48% in the next MFF. But comparisons between what governments pay today and what they would pay after 2027 can also be misleading.

The ECA report takes into account not only the amounts directly paid by the national budgets but the losses in revenue that would otherwise be collected by the member states(such as the ETS own resouece or CBAM). Moreover, the current MFF was agreed in 2020, and its ceilings have since evolved on the basis of a fixed 2% annual deflator. As actual inflation has been considerably higher, the EU budget has gradually shrunk relative to the European economy. Initially adopted at a size equivalent to around 1.12% of EU GNI, its real value dropped to around 1.02% of EU GNI.

This erosion has also translated into lower national contributions than originally anticipated. Thus, part of the expected increase in national contributions after 2027 reflects a genuine expansion of the EU budget, but another part reflects the relative erosion of the current MFF. Put differently, national capitals are currently paying less to the EU budget than they originally signed up for.

II • Why are other countries so reluctant to cut cohesion and agriculture?

There is an equally understandable concern on the other side of the negotiation. The Commission's MFF proposal increases the overall size of the budget but reduces the amounts reserved for cohesion and agriculture.

Compared to the current MFF, these envelopes would be reduced by 10-15% in real terms. Moreover, this reduction comes just as NextGenerationEU funding disappears. For countries that have received large amounts of both cohesion and Recovery and Resilience Facility (RRF) funding, EU-supported investment after 2026 may decline substantially.

Net contributors invoke constrained public finances to justify limiting their contributions. But many beneficiaries face precisely the same constraint when asked to compensate for lower EU transfers. France, for instance, with a deficit around 5% of GDP and rising borrowing costs, is hardly in a comfortable position to replace significant CAP cuts with national funding.

III• Can Own Resources square the circle?

This explains why António Costa puts so much emphasis on finding new Own Resources. Frugal countries are right to point out that these are not a panacea. Many of the Commission's proposals are essentially national contributions calculated differently (e.g. on the basis of uncollected e-waste or tobacco consumption); others would divert revenues otherwise retained by Member States (e.g. the Emissions Trading System, ETS, or the Carbon Border Adjustment Mechanism, CBAM).). According to the Court of Auditors among the proposed new Own Resources only CORE (the new EU tax on big corporates) and some minor changes to the EU customs duties constitute genuine additional revenue.

Still, new Own Resources offer important advantages. They can allow the EU to collect revenue according to Member States' efforts to pursue common goals, moving beyond the logic of 'rich countries paying for poorer ones' and allow the Union to reap the benefits from policies decided at EU level (ETS, CBAM).

They can also provide greater stability to EU finances. Unlike the MFF, the Own Resources Decision does not expire every seven years. Once a resource is agreed unanimously and ratified nationally, it remains in place until a new decision replaces it. This provides a more predictable revenue base, particularly valuable now that the EU has long-term obligations to repay NextGenerationEU debt.

IV• Where could a compromise lie?

A final deal will inevitably require movement on both sides. A possible landing zone could combine moderate expenditure reductions with meaningful new Own Resources. Reprofiling the repayment of NGEU debt could also be part of the final deal, even if 'frugals' have so far rejected this option and it is absent from the Irish negotiating box. As shown by a recent Spanish proposal, this could free up around €70 billion over the 2028-2034 MFF without extending the final repayment deadline of 2058..

Reaching an agreement will also require reframing the negotiation as a multi-dimensional bargain rather than a zero-sum game.

The increasingly common opposition between "old" policies (cohesion and agriculture) said to benefit poorer countries, and "new" priorities such as competitiveness, defence or energy infrastructure, said to benefit richer ones, is misleading.

EU funds managed by Member States generate significant cross-border effects. Commission estimates, for instance, suggest that Germany is the largest beneficiary of the spillovers generated by RRF investments in other Member States. Conversely, Poland has an obvious interest in EU investment helping German industry remain competitive given the strong integration of their economies. And countries such as Spain or Greece, with high solar energy potential, have much to gain from EU investment in cross-border grids even when those infrastructures are built elsewhere.

Distributional effects will always matter in EU budget negotiations. But the MFF is more than a mechanism for redistributing money between national treasuries. A compromise will be easier to reach if governments look not only at how many euros return home, but also at what they gain when those euros are spent elsewhere in an integrated European economy.

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