BUSINESSEUROPE

SQUARING THE (BUDGETARY) CIRCLE

PROPOSALS ON THE 7TH MFF (2028-2034)

KEY MESSAGES

1 The seventh Multi-Annual Financial Framework (MFF) that starts in 2028 will play a crucial role in defining the EU's enhanced resilience and regional cohesion, its path towards the digital and green transitions and addressing emerging priorities. Among these priorities is the imperative to bolster EU security in an evolving geopolitical landscape. This framework must address the critical needs and concerns of European businesses, particularly by fostering the conditions necessary for revitalising the EU's economic competitiveness. Attaining this objective is essential to ensuring quality employment opportunities, security, and the EU's continued relevance on the global stage.

2 The EU budget holds the potential to effectively revitalise EU competitiveness while simultaneously advancing its social, environmental, and cohesion objectives. However, achieving this requires rigorous strategic prioritisation. Given the inherent trade-offs, decisive choices are essential to select the mechanisms that maximise the impact of limited resources across programmes, support mechanisms, and the MFF's financing structure, as outlined in this paper.

3 To achieve these goals, resources must not be generated via more business taxation. Given the EU's already high average tax burden compared to global competitors, further tax hikes would risk hindering economic activity, undermining productivity and innovation, and ultimately reducing tax revenue due to lower economic output. Instead, given trade-offs in public funding, the EU must enhance private sector involvement to leverage its multiplier effect. Access to EU funds should be simplified, and private investment prioritized over public spending.

WHAT DOES BUSINESSEUROPE PROPOSE?

BusinessEurope urges EU leaders to prioritise the revitalisation of European competitiveness within the 2028-2034 MFF. This requires a strategic, resource-efficient budget that maximizes impact, avoids increased business taxation, and actively leverages private sector investment. Simplify access to funds, prioritise private investment over public spending, and make decisive choices that foster innovation and growth. By doing so, the EU can secure its global relevance, create quality jobs, and strengthen its resilience in the face of evolving geopolitical challenges.

BUSINESSEUROPE VIEWS ON THE 7TH MFF (2028-2034)

INTRODUCTION: MFF IN TIMES OF POLYCRISIS

The Multi-Annual Financial Framework (MFF), the EU's budget, sets maximum expenditure levels, or "ceilings" for a period of 7 years. First adopted in 1988 as the "long-term financial perspective," it was renamed by the 2009 Lisbon Treaty (Article 312 TFEU). The European Commission (EC) first proposes the MFF, which requires approval from the European Parliament (EP) and a unanimous European Council decision. Since the inclusion of Cohesion policies in 1993, the EU budget has remained slightly above 1% of the EU Gross National Income (GNI).

The current, sixth MFF (2021-2027), including the NextGenerationEU (NGEU) recovery instrument, was adopted by the European Council in July 2020 and influenced by the onset of the COVID-19 pandemic in early 2020. To an MFF ceiling of €1,074.3 billion, a temporary special anti-crisis facility was added, the NGEU, totalling €806.9 billion (2021-2027), comprised of €338 billion in grants, €385.8 billion in loans, and €83.1 billion of NGEU funds used to reinforce several other existing EU programmes

(e.g., Just Transition Fund, Horizon Europe, InvestEU, RescEU, and ReactEU). This facility, backed by the issuance of EU debt and to be used until 2026, was ratified by all Member States on 31 May 2021 and is aimed not only to combat the aftermath of COVID-19 and associated lockdowns but also to support and incentivise structural reforms. Further, the MFF's mid-term review on February 29, 2024, included cuts to Horizon Europe, direct agricultural payments, and Cohesion policy. It also included alongside increased funding for Ukraine (€50 billion for 2024-2027), migration, external action, the European Defence Fund, and special instruments.

The combined 2021-2027 MFF and NGEU totals €2,018 billion, with average early disbursements projected at approximately 1.94% of the EU's 2020 GNI, or almost twice its historical average. Table 1 shows that with the NGEU, funding under the "Cohesion" heading significantly increased, and, conversely, single market and innovation (including Horizon Europe) fell to just 6% of the total budget.

Table 1: MFF 2021-27, expenditure by main areas (%)

	MFF, %	MFF+NGEU, %
1. SINGLE MARKET, INNOVATION AND DIGITAL	12.3	6.0
2. COHESION, RESILIENCE AND VALUES	35.2	56.8
3. NATURAL RESOURCES AND ENVIRONMENT	33.1	28.8
4. MIGRATION AND BORDER MANAGEMENT	2.1	1.0
5. SECURITY AND DEFENCE	1.2	0.5
6. NEIGHBOURHOOD AND THE WORLD	9.1	4.0
7. EUROPEAN PUBLIC ADMINISTRATION	6.8	3.0

Source: EC.

On 11 February 2025, the EC published a Communication on "The Road to the next Multiannual Financial Framework".[1] This document outlines what the European Commission sees as the key policy and budgetary challenges that will shape the design of the next MFF; namely, its financing, the repayment of the NGEU, and proposals for a plan for each EU Member State with key reforms and investments, a "European Competitiveness Fund" possibly aggregating several existing instruments to establish an investment capacity to support strategic sectors and critical technologies, and revamped external action tools. This Communication also proposes extensive consultation mechanisms for different stakeholders, with a target date for the Commission's MFF proposal in July 2025. This date will mark the beginning of a likely long negotiation process between EU bodies: as an example, the previous MFF negotiation lasted for about two and a half years (a period admitted prolonged by the 2019 European Parliament elections, the 2020 COVID-19 pandemic, and complex NGEU discussions).

The MFF's history demonstrates that it systematically adapts to internal and external shocks and developments, albeit constrained by a largely fixed financial envelope and with a certain lag. The current context necessitates further structural revisions, recognising the inevitable trade-offs and that not everything can or should be a priority: illustrating the need for choices, according to the EC, the repayment of the NGEU-related debt could amount to 17% of the average MFF outlays from 2028 onwards, while new priorities (e.g., defence) are added. On the other hand, the EU is already one of the highest taxed regions of the world, so an increase of the MFF that would imply further taxes on EU business (and households) or more government debt would be not only politically complex but self-defeating, as it would fail to leverage the necessary private investments. European business are therefore key counterparts in this discussion.

SECTION 1: GENERAL ASPECTS OF THE MFF

1.1 SIZE AND STRUCTURE

The EU budget benefits all Member States by funding initiatives like innovation and infrastructure, boosting competitiveness and addressing shared challenges like climate change and security, thus ensuring stability, social cohesion and prosperity across the Union. The MFF should be a key tool to allow the EU to leverage its collective power in an increasingly fragmented global environment.

Current challenges: The EU needs sufficient funds to tackle global challenges, address economic fragmentation while securing EU's safety, and fostering innovation, competitiveness and productive investments. The current MFF's rigidity, with its fixed allocations, hinders rapid reactions to emerging opportunities or to unforeseen crises, as demonstrated by the issuance of ad-hoc measures like NGEU.

Recommendations: To ensure the EU can address existing and emerging challenges, the size of the next MFF must be commensurate to the EU's current and additional priorities, as well as to businesses most important concerns, with competitiveness at its core. This must be done taking into consideration the effect of the repayment of the NGEU loans, continued support for Ukraine and a potential enlargement of the EU itself. It should also be re-oriented, prioritising high-impact projects maximising the value reached with respect of resources spent. All its initiatives must support growth and innovation, to achieve the overarching objective of relaunching the EU's economic competitiveness. Greater budgetary flexibility is also needed to fund new priorities promptly, potentially through a dedicated reserve, possibly established re-allocating unused funds, or more frequent reviews of fund allocation. All of this must be flanked by measures to improve the EU's investment climate and reduce regulatory burden.

[1] European Commission (2025), "The Road to the Next Multiannual Financial Framework".

1.2 FUNDING

The next MFF should be transparently financed, via existing own resources, customs duties and VAT collected by Member States, and via direct contributions by EU countries based on GNI.

Current challenges: The EU's economy and its competitiveness are challenged, with reforms necessary in many countries. However, NGEU loan repayments, starting in 2028 and continuing until 2058, plus new priorities like defence add a significant burden on the EU budget. This implies that there will necessarily be funding and reorientation pressures for the next EU budget.

Recommendations: This implies difficult trade-offs with no cost-free alternatives. Taxing businesses further and the introduction of new own resources, e.g., ETS, CBAM or an own resource based linked to company profits should be avoided, given the EU competitiveness challenges. In contrast, incentivising private-sector-driven funding (through CMU – Capital Market Union/SIU – Savings and Investments Union) would maximise efficiency and limits public-sector financial burdens. This could be done by reducing administrative procedures, ensuring regulatory consistency and predictability, and supporting it by targeted public-private partnerships (PPPs).

1.3 OPTIMISATION (THROUGH PROPER EVALUATION)

To ensure taxpayers receive the best value for their contributions, the EU must improve and systematize the evaluation of MFF expenditures. It is essential to understand on what EU funds are being spent, if they are spent well, and if they contribute to the growth of the EU's economy.

Current challenges: The EU budget suffers from significant complexity, hindering a clear understanding of its practical objectives, effects and precluding an effective evaluation. While annual reports tracks spending, they lack assessments of the economic benefits and efficiency, similarly to the European Court of Auditors' reviews. Consequently, the impact of EU funds on countries, regions and individual companies, including their effects on competition, employment, and innovation, remains unclear.

Recommendations: To improve the MFF, programmes and funds should be better structured, have less overlapping and clearer and measurable ex-ante objectives and conditionality mechanisms (like the Recovery and Resilience Facility, or RRF, funds). A systematic ex-post review process should assess program uptake and effectiveness, reallocating funds from underperforming areas based on the empirical evidence.

1.4 PROMOTIONAL FINANCE TO BOOST PRIVATE INVESTMENT

To strengthen the investment landscape under the next MFF, the European Investment Bank (EIB), National Promotional Banks (NPBs), and other promotional banks, such as the European Bank for Reconstruction and Development (EBRD), the Council of Europe Development Bank (CEB), and the Nordic Investment Bank (NIB) must play a pivotal role in mobilising private investment.

Current challenges: The EIB Group[2] and NPBs play a crucial role in addressing market failures and mobilizing private finance. However, their effectiveness is hindered by several challenges, including complexity and bureaucracy, a limited risk appetite, fragmentation, and coordination issues. The risk-averse approach of the InvestEU programme also limits support for high-impact, high-risk ventures. However, the expected end of this program alongside the current MFF in 2027 poses a challenge, as it made EU guarantees also accessible, for the first time, not only to the EIB Group but

[2] The EIB Group includes the European Investment Fund (EIF), of which the EIB is the majority shareholder. The EIF provides funding to SMEs through venture capital and risk finance instruments. The other EIF shareholders are the EC and European financial institutions.

also to NPBs and international financial institutions like the EBRD and CEB. Furthermore, certain strategic sectors still face EIB funding restrictions -in spite of a 21 March 2025 decision in which the EIB expanded the eligibility of security and defence-related investments- thus discouraging private investment.

Recommendations: To improve access to EU funding, the transparency and efficiency of the application process should be increased. Administrative procedures should be simplified, including by adopting user-friendly online platforms for application submissions. The EIB and NPBs should increase their additionality and risk-appetite for investments in innovative companies and strategic projects, potentially with a larger funded equity arm and expanded public guarantees. The current InvestEU €26.2 billion budget guarantee, aimed at mobilizing at least €372 billion in additional investment, has according to the EC[3] so far mobilized €218 billion, underlying its importance, with 65% from private sources.

EU additional investment needs were estimated in the Draghi Report at €750-800 billion annually. Against this background, InvestEU should be extended or replaced, possibly under the umbrella of a newly created Competitiveness Fund, to continue leveraging private investment, with a future programme improving accessibility, efficiency, and alignment with key challenges. Strengthened coordination between the EIB, NPBs, and other promotional banks is also crucial, along with addressing investment gaps, for instance in defence and strategic technologies. Well-functioning Banking and Capital Markets Unions, possibly under the umbrella of a Savings and Investment Union (SIU) are crucial to encourage additional private investment, including from institutional investors like pension funds. Finally, care must be taken regarding possible moral hazards situations, where public funds might shield private investors from taking legitimate risks. Greater conditionality of disbursements, building upon the experience of the RRF, should also be considered.

SECTION 2: SPECIFIC TOOLS AND SECTORS IN THE MFF

2.1 COMPETITIVENESS AND COMPETITIVENESS FUND:

To boost competitiveness, investment promotion across national and EU levels must be coordinated. Strategic priorities should be agreed upon and pursued as far as possible through leveraging private investment, using a mix of national and EU funding, including instruments like IPCEIs and research and innovation (R&I) funding. The next MFF must strengthen and adequately fund competitiveness, the twin transitions, and resilience, including research and infrastructure programmes. Furthermore, EU programmes should be simplified and focused, promoting private sector investment and development, especially for SMEs, while maintaining budgetary flexibility. As proposed in the EC Communication, the next MFF should include a substantial Competitiveness Fund, to address the investment gaps hindering EU competitiveness in a technology-neutral way. The EC Communication states that this fund should support strategic sectors and R&I, leveraging investment in the transitions while reinforcing EU value chains and open strategic autonomy. The organization of the fund should be based on sound principles such as excellence (best projects and innovations), impact (expected impact or cost-efficiency) and simplification, so that funds can be released quickly and contribute to growth. It should also be used in a way that preserves the EU's Single Market cohesion.

2.2 DEFENCE AND SPACE:

The next MFF must support the development of Europe's defence industrial base –including its space dimension, accelerate breakthrough innovation and enhance production capacity and supply chain resilience by building cross-border industrial partnerships. The EU must commit to creating a fully operational Single Market for industrial defence goods, and the notion of "European public goods" should include this sector as well as the participation of the private sector in its definition. Moreover, we welcome the various initiatives stemming from the European Commission and the EIB opening the door to boost the private investment in the defence and space industries by reducing regulatory constraints. Defence and space initiatives, such as the

[3] European Commission (2025), A Competitiveness Compass for the EU.

existing European Defence Fund and the European Defence Investment Program, must receive adequate funding and allocate resources to reduce Europe's strategic dependence on external actors. Given the transformative potential of space technologies, it is crucial to identify key infrastructures and services that can drive Europe's global competitiveness.

2.3 IPCEIS:

IPCEIs are a useful tool for EU industrial development that needs conceptual and procedural improvements in order to unleash their full potential. Current obstacles include the fact that they are based on Member State funding mechanisms and the lengthy timelines from inception to actual investment support (of up to 3-5 years). Critically, the lack of systemic EU budget co-financing creates unequal participation and distorts the internal market. The EU should also improve the governance of the IPCEIs (e.g. transparency and top-down management) and establish strategic priorities and a standard co-funding formula for new IPCEIs from 2028 onwards. Simplifying the IPCEI structure should reduce lead times, enforce a 4-month review ceiling and align its governance with industry needs, and simplify SME involvement.

2.4 R&I FUNDING, INCLUDING THE 10TH FRAMEWORK PROGRAMME FOR R&I:

EU R&I funding in the next MFF should be increased, ring-fenced and strategically aligned with industry needs, focusing on transforming knowledge into a competitive advantage. Application-oriented industrial research should be expanded to attract research-intensive companies. Whether under a Competitiveness Fund or a stand-alone FP10, R&I must be a cross-cutting issue covering the entire innovation chain, with a significantly increased budget as compared to the current EU budget. EU R&I funding needs simpler, company-oriented rules and faster financing instruments adapted to business needs, building on the experience of the Horizon 2020 Fast Track to Innovation. Applied collaborative R&I (Pillar II) must remain essential and receive the same level of focus and increase in funding as the other two pillars of the current programme. While supporting start-ups and deep-tech is important, innovative SMEs, mid-caps and large firms are also key R&I players that must have access to simpler, bottom-up funding mechanisms focused on market impact.

2.5 ENERGY AND CLIMATE:

In order for the EU to maintain competitiveness investments are needed towards reducing energy prices. Europe's ability to mobilise more private investments in necessary production capacity and essential infrastructure will be central to reaching its Net-Zero target. Measures that improve framework conditions for investments in general are fundamental and need to be the primary focus. At the same time, targeted public funding, including from the EU, will be crucial to de-risk and trigger some of the investments needed to massively increase the deployment of energy capacities and infrastructures, and also reduce energy prices (e.g., electricity, hydrogen and carbon infrastructures). This can be done either through increasing the funding for existing EU facilities (CEF-E, Innovation Fund, TEN-E etc.) or setting up new facilities based on competitive bidding, aiming to further develop trans-European infrastructures which will further integrate energy markets and promote the production of clean technologies in Europe. Any new funding facilities may consider time-limited support for operational (OPEX) and capital (CAPEX) expenditures to incentivise private investments in climate-friendly production methods, where market conditions fail to do so.

2.6 TRANSPORTATION INFRASTRUCTURE:

As pointed above, improving cross-border transportation infrastructure is a key EU challenge. However, the current funding at EU and national level is likely significantly short of the investment needs.[4] The next MFF should prioritise multi-modal, cross-border transport connections and infrastructure projects for all transport modes, notably by renewing and increasing the CEF-T envelope and completing key TEN-T corridors. Transport infrastructure design should also connect better the EU periphery, including Accession Countries, to the core TEN-T network. More high-speed rail, connecting urban nodes and all capitals and major cities in Europe, should be supported, subject to the financial viability of routes.

[4] Draghi, M., (2024), Report on the future of European competitiveness, investment needs to realise the TEN-T network.

2.7 DIGITAL INFRASTRUCTURE AND TECHNOLOGY:

On the digital technology front, the next MFF must allocate funds in a way that will maximize their impact, ensuring that finances are accessible and delivering on the promise to establish an ecosystem of excellence and business agility in the EU via a significant reduction of the regulatory burden, while supporting the development and adoption of emerging technologies, and also enhanced cyber resilience. Digital connectivity should be developed in a technology-neutral and market-driven way. A thorough evidence-based approach on the global implications of the regulatory framework must be a prerequisite for any regulatory simplification measure and must accelerate the digitization of essential infrastructures, such as electricity grids, gas and oil pipelines, water management system, transport, and roads. This is needed to ensure the deployment of more advanced digital services leading to greater efficiency in public and private spending.

2.8 CRMA:

The Critical Raw Materials Act (CRMA) strategy needs robust funding at all levels, including national and EU-wide investment incentives for the private sector. Reducing dependencies requires joint efforts across the raw materials value cycle. Public funding should prioritize co-financing and de-risking private funding for domestic and international critical raw materials mining, refining, and recycling projects. Other tools like PPPs and tax incentives could be utilized. Public procurement rules and support programmes should incentivize investment. National incentives should support domestic projects, while R&I in substituting materials, circular economy, and strategic stockpiles could be supported through the MFF and policy banks.

2.9 A STRATEGY FOR MICROELECTRONICS:

The EU's microelectronics ecosystem policy and funding must be strengthened. The EU's 80% dependency on microelectronics digital products and services from non-EU suppliers, and especially its high reliance on risky third countries for key components, necessitates action. Current funding structures are insufficient to reach the 2030 target of a 20% global output share. Resilience should be a key criterion for public support. The next MFF must specify funding for microelectronics more precisely. Beyond existing IPCEIs and the CHIPS scheme, further support is needed. This funding should focus on supporting private sector efforts to reducing vulnerabilities, increasing technological sovereignty, and establishing leadership in advanced production, testing, innovative chip designs, foundries, quantum, and AI chips. Close coordination between the EU AI and quantum strategies is also required.

2.10 ENLARGEMENT:

BusinessEurope reiterates its position in favour of enlargement in the light of a merit-based approach that depends on the progress of each candidate country vis-à-vis the fulfilment of the Copenhagen criteria. It is expected that potential new EU members will be net beneficiaries under the MFF, especially in Cohesion and Common Agricultural Policy (CAP) funds. Although the exact impact and timing is difficult to calculate at this stage, it is anticipated that certain countries that are currently overall net beneficiaries of the MFF could become net contributors. The EU must ensure that the benefits of enlargement will be felt in all current Member States and the new ones, while safeguarding the integrity of the Single Market. It is therefore important that potential issues are identified and addressed at an early stage during the accession negotiations. In this respect, MFF discussions need to take into account the prospect of enlargement.

2.11 LIFE SCIENCES (HEALTHCARE, PHARMACEUTICAL, BIOTECH/BIOMED, MEDICAL DEVICES):

Life science is an important economic sector for the EU. There is a primary need to lighten the regulatory and approval burdens faced by EU companies in the sector, and this action should also be complemented with specific support interventions to respond to the increasing competition coming from other regions, which are providing substantial incentives to attract investment. To increase its resilience, the EU must enhance domestic production and secure its supply chains for both healthcare goods and services. It is therefore necessary to increase investment and foster a competitive market for both public and private healthcare providers, enabling the EU to address crises (e.g., pandemic) and long-term health challenges (e.g., ageing population) effectively.

SECTION 3: COHESION POLICY, ITS SIMPLIFICATION AND ACCESS TO FUNDING

Cohesion policy, representing roughly one-third of the MFF (€392 billion out of €1.1 trillion for 2021-2027), aims to reduce regional disparities and ensure all regions benefit from the EU Single Market. While it has significantly transformed many regions, challenges remain. Administrative complexity hinders efficiency, and evaluating its impact is difficult, as many regions still face economic stagnation despite decades of support. However, isolating cohesion policy's specific impact is, like in most EU instruments, very complex due to other influencing factors. Reassessing the policy is therefore crucial for delivering more tangible benefits. From a business perspective, Cohesion policy is vital for balancing convergence and competitiveness. Companies benefit from a well-functioning policy that fosters stability and innovation. To effectively contribute to EU strategic objectives and regional competitiveness, cohesion policy under the next MFF requires not only adequate funding but its' modernization, including simplification, stronger private sector and regional involvement, and ensuring funds are invested in quality projects.

3.1 MAJOR SIMPLIFICATION

Despite repeated attempts, a simplification of EU cohesion policy has failed, instead increasing complexity. The OECD describes how the number of documents and number of pages of cohesion-related have increased (the later by a factor of 8) in the last twenty years.[5] Future policy design must prioritize genuine simplification, not just consolidating rules. Lessons from the RRF, which disburses funds based on conditionalities, milestones and targets rather than incurred costs, should be applied cautiously, considering the long-term nature of cohesion projects, taking into account the quality of spending and how structural reforms may support those.

Key simplification measures include streamlining guidelines, controls, and burdens on beneficiaries; efficient application, reporting, and compliance processes; a single point of contact for beneficiaries; expeditious rules for eligible expenditure, including digital solutions; expanded use of simplified cost options; faster fund disbursement, postponing any more detailed verifications;[6] national-level simplification; simplification of state aid rules and procedures; increased cooperation among managing authorities and intermediate bodies; more coordination among different funds in order to overcome possible overlaps; and simplification in the application of principles that could represent a burden for companies.

3.2 FOCUS ON LEVERAGING PRIVATE INVESTMENT

Private sector involvement in EU Cohesion policy is under-studied, despite evidence suggesting that regions with higher private sector project involvement perform better.[7] Currently, the public sector dominates, and the private sector is often excluded from program design. Greater business partnership is crucial for improving policy efficiency and impact. Strengthening administrative capacity and governance, along with greater social partner involvement, is also vital. If the policy's architecture remains unchanged, businesses will be less willing to participate due to complex and burdensome requirements. Companies need clearer objectives and processes. Conditionalities for companies further dilute support for private companies. While grants should remain available for certain projects (e.g., innovative, risky, or infrastructural), grant dependency should be cut in other areas, and the use of financial instruments, with EIB Group involvement, needs to be improved.

[5] Pina, Á. and Sicari, P., (2021), "Enhancing regional convergence in the European Union", OECD Economics Department Working Papers, No. 1696, OECD Publishing, Paris.
[6] BusinessEurope (2024), "Priorities for the future of the EU state aid framework".
[7] Darvas, Z., Mazza, J. and Midões, C. (2021), 'European Union cohesion project characteristics and regional economic growth', Working Paper 02/2021, Bruegel.

3.3 CHANNEL FUNDS INTO QUALITY PROJECTS

EU cohesion policy investments must prioritize high-value projects that boost regional competitiveness. This requires streamlining objectives, currently too numerous and sometimes incompatible. Access to structural funds should be based on investment quality and economic impact, recognizing the crucial role of mid-caps and large enterprises alongside SMEs.[8] As clearly stated by the European Court of Auditors, there are insufficient financial incentives for good performance,[9] which should instead be a key focus. Links with European Semester recommendations should be strengthened, as this also provides another way to support the implementation of Cohesion-supporting structural reforms.

While Cohesion policy should offer flexibility for crisis response, a separate and ring-fenced mechanism would be needed for major shocks (e.g., a "flexibility reserve"), preserving cohesion's long-term focus. Cohesion policy should address the transformation needs of all regions, including those currently performing well but facing future or systemic challenges, such as those with energy-intensive industries and with a strong automotive industry, and peripheral regions such as island states, island and outermost regions suffering from insularity. The next MFF should include the capacity to leverage existing Just Transition Fund projects into an economic ecosystem and building lasting links to it.

On the social side, the European Social Fund (ESF+), as part of Cohesion funds, should focus on upskilling, reskilling, and labour market access, linking funds to implemented reforms and policies from the European Semester. Following a Draghi report recommendation, ESF+ resources have to be allocated more effectively to achieve greater impact, and be subject to strict accountability and impact evaluation. 50% of ESF+ resources should be earmarked for re- and upskilling, targeting the EU's 2030 adult training participation goal, with 15% of that earmarked for employer training incentives. Skills mismatches should also be addressed within Erasmus. The ESF+ should promote modern vocational education and training systems, supporting infrastructure, apprenticeships, and strong social partner involvement. Capacity building for national social partners should be supported, with a differentiated approach between them and NGOs. Employers and social partners must be closely involved in the early stages of the ESF+ program design and implementation. This principle extends to the upcoming implementation of the Social Climate Fund. Social partners need to be engaged from the outset in the development of social climate plans to ensure efficient fund allocation for structural reforms and cushioning measures that incentivize the labour market and support competitiveness.

BusinessEurope calls for a focus of the available EU financing for labour market reform support to the Member States in areas that will support Europe's competitiveness, e.g. productivity growth drivers such as improved skills development and policies addressing labour and skills shortages. BusinessEurope also supports policy coordination efforts at EU and national level aiming to foster cooperation between research, education and innovation, the so-called "knowledge triangle". The announced EU coordination tool on competitiveness is an opportunity to make progress in this direction.

EU cohesion policy debates should also acknowledge the situation of regions and countries that are facing difficulties retaining and attracting a talented and competitive workforce. BusinessEurope supports circular mobility as a way to foster skills and knowledge development and sharing, and as a way to underpin socio-economic development across the EU's Member States and regions. In this context, the available resources at EU level, e.g. the ESF+ and the European Regional Development Fund, should be mobilised in an effective and fair way for the Member States, and in a spirit of mutual understanding and cooperation and with a view to support labour mobility and the competitiveness of companies.

External financing instruments

With a rise in global geopolitical fragmentation and cuts in many bilateral development aid budgets, the EU needs to carefully (re)consider its position and the role it wants to play in the world, with a greater need for developing deeper and more diverse strategic alliances, as many parts of the world need and look forward to a strong and engaged EU as a strategic partner.

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[8] The EC's Cohesion Policy Mid-Term Review, published on 1st April 2025, opened new opportunities for larger companies to access Cohesion funds already in the current MFF.

[9] https://www.eca.europa.eu/Lists/ECADocuments/BRP_Performance_orientation_in_Cohesion/BRP_Performance_orientation_in_Cohesion_EN.pdfEuropean Count of Justice (2019), "Delivering performance in Cohesion".

For that, the EU must achieve better coordination of external financing instruments to de-risk private investment. Considering the risks posed by investing and the necessity to leverage private investment, governments have increasingly turned to blended finance and innovative financial instruments aimed at achieving greater additionally and mitigating risks for investors. Under the Global Gateway programme, the European Fund for Sustainable Development+ (EFSD+) notably offers a variety of risk-sharing instruments and institutions, including unfunded guarantees and blending to mobilise public and private sustainable investments in EU partner countries.[10]

In addition, the 'Team Europe approach' to initiatives intends to increase the size and attractiveness of investment packages by pooling the resources of the EU, Member States' development finance institutions, the EIB and the EBRD.[11]

BusinessEurope has welcomed the Global Gateway initiative and the increased focus of EU development policy on private sector involvement. The focus must now be on making the EU's strategy and instruments work effectively for the private sector. Improving access to information on projects and instruments remains a key priority. The EU should offer more visible and streamlined possibilities for businesses to engage in the definition of new projects and apply for support from Team Europe implementing partners. More effective consultation mechanisms, including simplified application procedures, maximum periods for answering applicants, enhanced coordination and best practices on collaboration with the private sector would further facilitate the cooperation between Team Europe members and European businesses.

CONCLUSIONS

The next MFF will be a crucial tool for the future of the EU, and European business needs and concerns must be reflected in it. This is especially true when it comes to competitiveness - the most glaring shortcoming of EU economic performance. This position paper reflects it.

Choices will have to be made as to programmes, modalities of support, the overall size of the MFF and how financing. Trade-offs, compromises and reorientation are inevitable, as not everything can or should be a priority. The true test will be how effective a new MFF is in supporting the EU economy, while bearing in mind that the primary focus of EU actions should be improving the investment climate and reducing the regulatory burden for the European private sector.

[10] European Commission, 'European Fund for Sustainable Development Plus'.
[11] European Union, 'Team Europe Initiatives and Joint Programming Tracker'.

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BusinessEurope is the leading advocate for growth and competitiveness at the European level, standing up for companies across the continent and campaigning on the issues that most influence their performance. A recognised social partner, we speak for enterprises of all sizes in 36 European countries whose national business federations are our direct members.

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