EUROPEAN COMMISSION

SECRETARIAT-GENERAL

SEC(2025) 153

Brussels, 11 May 2025

SENSIBLE[*]: *Cabinets*

OJ 2525 – point 9

ORIENTATION DEBATE ON MFF:

‘Note de cadrage’ distributed under the authority of
the PRESIDENT and Mr SERAFIN

[*] *Distribution only on a ‘Need to know’ basis - Do not read or carry openly in public places. Must be stored securely and encrypted in storage and transmission. Destroy copies by shredding or secure deletion. Full handling instructions https://europa.eu/!db43PX*

College Orientation Note

With its Communication of 11 February 2025 on *'The road to the next multiannual financial framework'*[1], the Commission launched a strategic discussion to shape the future EU budget in a challenging financial and political landscape. The Communication made clear: **the status quo is not an option**.

With the need to finance new priorities, the start of NextGenerationEU repayments, and given a difficult fiscal position in Member States, we must make the most of every euro and need new sources of revenues. The Union needs a **simpler, more focused and more flexible** financial framework – one that enables us to act when needed, invests in long-term priorities and protects our values.

Over the last months, the Commission has conducted **extensive outreach** to the European Parliament, Member States, regional stakeholders, and through a broad public consultation as well as a citizens panel. Discussions at political and technical levels have helped sharpen key choices. This note outlines the core orientations and identifies issues requiring further political guidance before finalising the Commission's proposal.

1. Flexibility as a core principle of the next multiannual financial framework

Our finances must be able to support the needs and priorities of today and tomorrow. In a rapidly changing world, **flexibility must be a defining feature of the next financial framework**. It is central to ensuring that the EU budget is future-proof, responsive and fit for its duration.

The next long-term budget therefore needs a **better balance between investment predictability and flexibility** to adjust spending focus. This includes a simpler architecture with fewer programmes, a higher share of unprogrammed amounts, as well as mechanisms and in-built reserves allowing for a better, faster and less disruptive response to evolving needs.

Flexibility is not at odds with accountability. On the contrary, it will be underpinned by **robust governance and transparency**, involving the European Parliament and the Council in guiding investment priorities for EU programmes.

A new **political steering mechanism** will guide the allocation of flexible resources: building on the work done in the context of relevant sectoral processes, most prominently the European semester, an integrated strategy report would provide the basis for orientations from the European Parliament and the Council, that will subsequently feed into work programmes and a meaningful annual budgetary procedure.

Any reflection about a better balance between investment predictability and flexibility will also include the **duration of the financial framework**. Maintaining a 7-year horizon would in the current context of change only be conceivable if significantly greater flexibility can be achieved within the financial framework and its programmes.

Finally, **flexibility should not be confused with crisis management**. In-built flexibility in programmes and a meaningful annual budget will be essential to allow for quicker and targeted responses to evolving policy needs. However, given the magnitude and speed of changes in the global environment, these alone will not be sufficient. In past years, the EU budget has

[1] COM(2025) 46.

repeatedly been called upon to respond to large, complex, and increasingly frequent shocks (Covid-19, Russia's invasion of Ukraine, energy crisis, security and defence challenges) and has often lacked the scale and agility required. Existing instruments were rapidly depleted, and responses often relied on time-consuming, ad hoc solutions or repurposing resources intended for long-term investment. To ensure a more structured and effective EU response to crises, a dedicated crisis response mechanism is needed.

2. National and regional partnerships for investments and reforms

The current long-term budget contains a variety of funds pre-allocated to Member States, under cohesion policy, agriculture, climate, fisheries and home affairs, which require national/regional programming. Any changed/new objectives necessitate legal amendments, which renders these funds rigid. This results in complexity for the national and regional administrations that do the programming, lengthy and complex administrative procedure for their validation, unexploited synergies, weaker policy steer towards EU objectives and inevitable rigidities.

Bringing the actions financed under these funds under **national and regional partnerships for investments and reforms across the spectrum of EU policy objectives and priorities would bring efficiencies to beneficiaries, reduce overlaps and considerably increase the flexibility, hence impact of our budget**.

The partnerships would promote reforms and investments **supporting Union objectives**, e.g. removing barriers to the Single Market or contributing to the green and digital transition or preparedness. Member States and their regions will be able to design their plans according to their specific needs.

Instead of a multitude of separate and non-synchronised programming exercises, the national and regional partnerships would gather all investments and reforms relevant to achieve EU priorities. This would create synergies among policies and investments, **simplifying the implementation of EU funds** and drastically reducing administrative costs.

Support will promote rule of law objectives but will be subject to conditionality[2] and **rules to protect the EU financial interests**, notably to ensure robust audit and control systems in Member States.

Regions will remain at the centre, based on the partnership principle, ensuring that regional and local authorities benefit from funding and participate at all stages of programming and implementation. Each Member State will be able to choose regional and/or national chapters for some or all areas, depending on their organisation and traditions. **This is the same choice they have today to draw up national or regional programmes under cohesion policy**.

The inclusion of both pillars of the **Common Agricultural Policy** in the partnership will allow to maintain an integrated CAP whilst reducing the burden on farmers and benefiting from synergies with other strands. This will enable to tackle the agricultural challenges in the wider EU objectives of ensuring a vibrant food sector, while maintaining the specific features of the policy, notably to ensure a fair standard of living for farmers.

[2] See section 5 below.

The partnerships would ensure value for money through a performance-based delivery model. Payments against the **fulfilment of investment and reform milestones** would allow to speed up disbursements and increase the efficiency of EU spending to achieve more results with the existing resources.

3. Competitiveness Fund

Europe has several programmes successfully contributing to competitiveness. This includes for example Horizon Europe, the Digital Europe Programme, the Innovation Fund, the European Defence Programme, the Space Programme, etc.

However, the support provided by these programmes remains **fragmented and incomplete**, with overlaps, gaps, and different rules creating complexity for users, in particular SMEs. Moreover, while Europe continues to produce high-quality research, it is often failing to scale up and capitalise on the knowledge it produces.

It is therefore essential to join and scale up the tools of existing programmes to become a true European Competitiveness Fund, providing **coherent support along the investment journey**, from research, through scale-up, industrial deployment, to manufacturing. The Fund must achieve **significant simplification for users**, which will have one gateway to apply and one set of rules.

Increased coherence in support along the investment journey, will be accompanied by a clear **focus on EU priorities**. An advisory board, gathering representatives from industry, research and private investors would be established to provide advice on the priorities of the Fund and feedback on its operations.

The Fund should support areas critical for the EU competitiveness. It would be structured in a **small number of sectoral windows**, revolving around key objectives, such as the clean transition; the digital transition; resilience, defence and space; health and biotech, funding projects from applied research to manufacturing. A common financial toolbox would be available to all windows, allowing to offer support tailored to the need of each project (grants, guarantees, equity, auction as a service, etc.).

A **specific window dedicated to research** would continue to fund bottom-up and world-class innovations across the board, building on existing structures.

The **clean transition window** would include the Innovation Fund, allowing for synergies with activities currently financed under different programmes. The ETS revenue currently assigned to the Innovation Fund would be assigned to that window.

4. Global Europe

The EU should be able to support its interests abroad and reacting to evolving needs. To achieve this, a **Global Europe Fund** will allow for a tailor-made response to each region and partner country, creating comprehensive partnership packages for each geographical zone, enhancing the impact and visibility of EU external action abroad. These packages will reinforce the link between external action and internal priorities, such as energy security, the supply of critical raw materials, climate action, connectivity, migration and defence. Strategic packages will be designed for candidate countries, to speed up their accession.

The Fund will **overcome the current financial and operational barriers** between standalone instruments with pre-earmarked allocations. It will incorporate policy tools currently covered under the Neighbourhood, Development and International Cooperation Instrument such as development cooperation and international partnerships including on migration; investments/global gateway; and peace, security and conflict prevention actions. It will also include pre-accession assistance, structural conditional assistance (introduced in the Western Balkans Facility or the Ukraine Facility) and macro-financial assistance. Humanitarian aid would draw on the envelopes of the Fund, while continuing to function with its existing Regulation.

Indicative financial allocations will be made per macro-region such as Sub-Saharan Africa or the Middle East and North Africa. The enlargement region will be a separate geography under the Global Europe Fund. Global actions will be covered under a global pillar. Flexibilities within and between geographies will be introduced.

Given the magnitude and unpredictability of the needs for **Ukraine's reconstruction**, the funding could come from a special instrument above the ceiling of the financial framework.

5. Strong safeguards on the rule of law and the Charter of Fundamental Rights

Respect of the rule of law is a must for all EU funds. Experience with NextGenerationEU shows that the EU budget can be used to promote reforms that strengthen the rule of law in Member States. The **Conditionality Regulation**, which is not time bound, will continue to apply to all EU programmes and protect the EU budget from breaches of the principles of the rule of law.

The national and regional partnership agreements will therefore require that Member States respect **the principles of the rule of law and the Charter of Fundamental Rights**, and give the opportunity to promote reforms related to the rule of law, taking a preventative approach. This allows to address issues before resorting, if needed, to the Conditionality Regulation. This will build on features of the Common Provisions Regulation and the Recovery and Resilience Facility.

In the next financial framework, there should be, as today in NextGenerationEU, a possibility to block all payments in case of systemic deficiencies linked to the rule of law, or apply a proportionate approach when breaches only affect parts of the plan, i.e. suspending the financing linked to education institutions in case there is a problem with the fundamental right linked to academic freedom.

Possible reforms included in the national and regional partnership agreements will allow to build a **closer link between the recommendations in the Rule of Law Report and financial support** under the EU budget. It will also be important to ensure that EU funding be dedicated to national measures, for example on fighting corruption and to protecting the EU financial interests.

An additional issue to be addressed is the **consequences for final recipients** in case EU payments are suspended, taking into account legitimate interests of final beneficiaries and enforcement challenges in cases where there is no legal commitment between the Member State and the final beneficiary.

6. Key EU priorities addressed across different instruments

While the next MFF will be structured around the three main pillars – Member States' plans, competitiveness, and external action, a limited number of self-standing programmes will remain essential. These programmes operate effectively as distinct instruments due to their legal basis or implementation logic.

Together, the three pillars and self-standing programmes will form a coherent system to deliver on key priorities. For example, strengthening Europe's **defence** industrial base will be supported through national plans, a dedicated window in the Horizon Competitiveness Fund, and investments in dual-use infrastructure via the Connecting Europe Facility. **Skills** development will be addressed through a reformed **Erasmus+ programme**, Member States' plans aligned with country-specific recommendations, and advanced skills funding under the Horizon Competitiveness Fund. **Cross-border infrastructure** will continue to be driven by the **Connecting Europe Facility**, complemented by national and regional investments under the plans and supported by strategic external connectivity initiatives under Global Europe.

At the same time, targeted self-standing programmes will continue to play a vital role. For example, the future **Erasmus+** should preserve its core mission of fostering mobility, cooperation, and skills development across borders, while integrating the European Solidarity Corps to strengthen synergies and streamline delivery. A renewed **Creative Europe** programme will continue to effectively support Europe's cultural and creative sectors, ensure media pluralism, support civil society and house initiatives such as the European Network of Factcheckers.

The next financial framework should also support the Preparedness Union Strategy. This will include a strengthened **Union Civil Protection Mechanism (UCPM 2.0)**, providing EU-level preparedness and response across different areas, including health; reforms and investments to enhance preparedness in the Member States' plans, as well as unallocated thematic reserve to respond to unexpected events; crisis preparedness, management and response in third countries via humanitarian aid and other tools (e.g. macro-financial assistance).

This integrated architecture will ensure that all EU funding instruments — pillars and programmes alike — work together to deliver on Europe's strategic priorities in a more agile, visible, and effective way.

7. Modernising the own resources system

There is broad agreement that new own resources with significant revenue potential are an essential element for resolving the difficult budgetary equation we are facing. However, there are substantial diverging preferences regarding 'candidates'. Nevertheless, a budget fit for our ambition will require additional sources of funding to cater for the repayment of NextGenerationEU – as per the political agreement among institutions, which paved the way for the current financial framework.

Against this backdrop, while remaining realistic and mindful of geopolitical and economic circumstances, it is necessary to strengthen the existing own resources system by adapting the existing package on the table with additional proposals. Among the possible 'candidates' there is a digital levy/tax, given the difficulties in reaching agreement on the proposal based on pillar 1 of the OECD agreement (in line with the European Council statement of 25 March 2021). It could be complemented by a tax on e-waste, not collected or recycled. This will contribute towards preserving critical raw materials found in e-waste, while creating a positive environmental impact.

Finally, we should pursue work on a recalibration of the ETIAS fees and fees on small packages, which would – as other revenues to the EU budget – decrease the need for national contributions by Member States.

Questions:

1) ***Do you agree that increased flexibility would better reflect the Union's faster policy cycles and need for responsiveness? Should a shorter duration of the financial framework be considered in addition?***
2) ***What are the elements needed for a strong but fair and proportionate conditionality system? Should such a system: i) associate Member States to the decision-making process; ii) allow to suspend also pre-financing; iii) include adequate mechanisms to shield final beneficiaries (regions, students, civil society, researchers)?***
3) ***What own resources package should the Commission propose that is agreeable and balanced, while delivering sufficient revenue?***

Annex: Overview of the Financial Framework Proposals

The financial framework package will be composed of the following elements:

1. Political Communication
2. Staff Working Document accompanying the package.
3. Regulation laying down the multiannual financial framework
4. Interinstitutional agreement on budgetary matters
5. Decision on the system of own resources
6. Regulation establishing a performance and monitoring framework
7. Relevant sectoral proposals