

Policy briefing: EU budget and the multiannual financial framework

April 2025

Overview

- The multi-annual financial framework (MFF) determines the maximum amount the EU institutions can spend through the EU's annual budget over a multi-year period. It also sets the strategic policy areas, such as climate action, to which spending is allocated.
- The MFF usually runs for seven years. We are over halfway through the 2021–2027 MFF.
- The European Commission will publish its draft proposal for the next MFF (2028–2034) in July 2025. A radical overhaul is expected, including the consolidation and simplification of spending programmes and more emphasis on using public European funds to unlock private investment. Policy priorities are also expected to shift, with a greater focus on EU competitiveness and resilience as well as defence.
- IIGCC will respond to an EU consultation on the next MFF by 6 May, outlining how the framework can best leverage private investment to support EU competitiveness and decarbonisation in tandem.

Background

The EU budget is an investment budget that pools financial resources and directs them towards projects in line with EU political priorities. It comprises all the EU institution's revenue and expenditure. The EU decides on its long-term budget framework, called the multiannual financial framework (MFF), every seven years. The MFF sets the maximum annual amounts (ceilings) for EU spending as a whole and for the main spending areas (headings). The current MFF runs from 2021 to 2027.

The EU budget is funded from several sources of revenue, known as the EU's 'own resources'. These come from a percentage of collected import duties and value-added tax as well as a proportion of Member States' gross national income plus other smaller sources.

The European Commission is responsible for implementing the MFF. The European Investment Bank (EIB) is the Commission's main implementing partner when it comes to using resources from the EU budget to catalyse and mobilise private finance and investment. The EIB also generally seeks to align its broader strategy with the priorities set out in the MFF to ensure it is most effectively supporting Europe's political priorities. In 2024, nearly 60% of all EIB Group

financing supported the transition and climate goals, in line with the Group's commitment to deliver €1 trillion in climate and environmental sustainability investment in the decade to 2030.

The current MFF (2021–2027)

The expenditure ceiling for the 2021–2027 MFF is €1.2 trillion. This total over the seven years was approximately 1.2% of the EU's annual GDP when the MFF was set. The current MFF aims to help build a greener, more digital and more resilient Europe, including by supporting the objectives of the European Green Deal and boosting the EU's recovery post-COVID-19. As such, 30% (€503 billion) of the current MFF was earmarked for climate-related projects.

NextGenerationEU

To support recovery from the COVID-19 crisis, which was ongoing when the current MFF was set, the EU also established NextGenerationEU (NGEU), an additional unique €806.9 billion EU Recovery Instrument. NGEU complements the 2021–2027 MFF, and its centrepiece, the Recovery and Resilience Facility (RRF), provides grants and loans to support reforms and investments in EU Member States in line with the MFF's priorities. For example, each Member State must dedicate at least 37% of its recovery and resilience plan's total allocation to measures contributing towards climate objectives.

To finance NGEU, the European Commission was temporarily allowed to borrow a limited sum on capital markets on behalf of the EU to raise additional 'own resources' – something that is highly unlikely to be permitted again in the context of the next MFF. This means the EU's common public expenditure will likely be lower over 2028–2034 than over 2021–2027.

InvestEU

The main mechanism for mobilising private investment under the current MFF is the InvestEU Fund. InvestEU aims to mobilise at least €372 billion of public and private investment through an EU budget guarantee of €26.2 billion and by supporting implementing partners such as the EIB Group. It also aims to increase risk-bearing capacity. The budget guarantee is divided among four policy windows, including sustainable infrastructure. Institutional investors can use InvestEU guarantee by participating in public-private investment projects. For example, counter-guarantees provided under the InvestEU programme supported a [project with BNP Paribas](#) to increase investment in wind energy projects across the European Union.

As part of the current MFF cycle, InvestEU will only run until the end of 2027. However, the Commission has said that lessons for mobilising private investment from the programme will be applied to the next MFF proposal.

The road to the next MFF (2028 – 2034)

The Commission is in the process of finalising its draft proposal for the 2028–2034 MFF, which is expected to be published in July 2025. In February, the Commission published a [communication](#) on 'the road to the next multiannual financial framework', outlining the key policy and budgetary challenges and providing a basis for dialogue on how to shape the next budget's proposal. Key focus areas include:

- Financing the transition – investing to achieve the EU's decarbonisation goals and removing barriers to the Energy Union are key priorities, offering an opportunity to lower

energy prices, increase energy security and accelerate investment in clean technologies. The Commission aims to streamline financing for cleantech in the next budget, concentrating on the technologies where the EU has an advantage and strong potential for growth.

- Strengthened links with EU policy priorities – current financing of EU policy priorities is driven more by the structure of spending programmes than the policy priorities to spending allocated. More spending programmes are likely to move from payments based on the reimbursement of costs to delivery models that are more focused on the achievement of specific policy objectives. This should help to enhance synergies between spending and policy priorities such as decarbonisation and competitiveness.
- Introduction of an EU Competitiveness Fund – a dedicated Competitiveness Fund will replace multiple existing EU financial instruments with similar objectives and streamline the process for accessing funding. The Fund will support investment in strategic sectors and technologies, including cleantech, industrial decarbonisation and energy infrastructure.
- Greater emphasis on public-private financing mechanisms – the capacity of the EU budget to mobilise private investment through risk-sharing instruments has historically been hampered by the limited risk appetite of implementing partners. The Commission aims to optimise the risk-absorbing capacity of the forthcoming budget, for example, through higher provisioning to support high-risk sectors that face more challenges accessing private finance (e.g. hard-to-abate sectors).

Next Steps – Your Input

The Commission issued a [consultation](#) to gather feedback on how to shape an effective and strategic EU budget, with a deadline of 6 May.

IIGCC is currently preparing our response, focusing on how the budget can mobilise and crowd in private finance towards the twin strategic goals of decarbonisation and competitiveness. We will be gathering feedback from members as part of this process – if you are interested in participating in the consultation or would like to know more, contact Policy Programme Manager [Hajira Kamran](#).

Timeline for the next MFF

February 2025: The Commission published a communication on the road to the next MFF, including proposals for a Competitiveness Fund that will replace existing EU financial instruments with similar objectives.

July 2025: The Commission plans to present its 2028–2034 MFF proposal. This will include provisions with which the annual budget must comply, such as expenditure ceilings, broad categories of spending, and certain financial programmes.

2026–2028: The proposed MFF regulation will be negotiated. It must be adopted unanimously by EU Member States and the European Parliament must also consent.

2028–2034: The next cycle of the MFF commences.