

EU BUDGET 2028-2034:

INVESTING IN EUROPE'S COMPETITIVENESS

BusinessEurope calls on EU leaders to ensure that the size of the next MFF is commensurate with the EU's existing and emerging challenges, reflects its current and new priorities, and addresses the most pressing concerns of European businesses, with competitiveness at its core. As the negotiations on the next MFF advance, budget allocations and programme governance must reflect the EU's priorities, starting with competitiveness. The agreement should also come in time for the new programmes to start without delay in 2028. This paper sets out BusinessEurope's key recommendations on the overall budget, the European Competitiveness Fund and cohesion policy.

Cuts proposed in the Council negotiating box of the President of the European Council compared with the Commission proposal

EUR million, 2025 prices	Commission proposal	Negotiating box 21/11	Change
Total MFF	1,763,056	1,582,516	-10.2%
Heading 1 – Cohesion, agriculture, rural and maritime, prosperity and security	946,404	898,288	-5.1%
Heading 2 – Competitiveness, prosperity and security	522,205	437,683	-16.2%
of which ECF (incl. Horizon Europe, excl. Innovation Fund)	362,283	300,963	-16.9%
of which Horizon Europe (within the ECF)	154,882	140,000	-9.6%
of which Connecting Europe Facility	72,251	61,859	-14.4%
Heading 3 – Global Europe	190,000	150,138	-21.0%

1. **No disproportionate cuts to competitiveness.** The ambition proposed by the Commission for Heading 2, in particular for the European Competitiveness Fund (ECF), Horizon Europe and the Connecting Europe Facility, should be preserved. Any reduction in the overall size of the budget should not fall disproportionately on some of the programmes that drive innovation, investment and industrial resilience.

2. At the same time, **cohesion policy**, which balances the need for convergence with competitiveness, should continue to receive adequate funding, with its resources increasingly targeted towards competitiveness.

3. **Swift agreement.** An early agreement is essential so that the new programmes, such as the ECF and the National and Regional Partnership Plans, can be prepared in time and funding can flow from January 2028. The 2021-2027 period showed the cost of delay: the late adoption of the legal framework led to a slow start of the programmes and low absorption in the first years, delaying much-needed investments, reducing predictability, and increasing the opportunity cost for the potential beneficiaries.

4. **No new levies on companies.** New EU levies on companies, whether broad-based like the Corporate Resource for Europe (CORE) or targeted at digital services, would place a further burden on companies at a time when the EU is seeking to relaunch its competitiveness. BusinessEurope welcomes the removal of CORE from the latest negotiating box and calls for it to remain outside the final agreement. Tax policy should be driven by sound tax principles and competitiveness considerations, not by the revenue needs of the EU budget. Changes to the taxation of the digitalised economy should be agreed at global level, within the OECD Inclusive Framework, to ensure a level playing field and minimise the risk of trade retaliation.

5. **ETS and CBAM revenues should support industry's transition.** Any reallocation of revenues from the Emissions Trading System (ETS) and the Carbon Border Adjustment Mechanism (CBAM) to the EU budget should be avoided given the EU's competitiveness challenges. These revenues should be earmarked for the decarbonisation efforts, technological innovation and cost compensation of the companies that already contribute through these mechanisms; otherwise, they would simply represent further business taxation.

6. **Simplification and accessibility.** The reduced number of programmes and the single rulebooks must translate into real simplification and easier access to funding for companies of all sizes, especially SMEs. Simplification must be measured from the perspective of the final beneficiary. It must result in fewer data requests, shorter application procedures, proportionate documentation requirements, faster decisions and payments, and one audit instead of multiple controls. EU-level simplification must not be offset by additional national requirements or gold-plating.

7. **A proportionate and investment-friendly application of DNSH.** The "Do No Significant Harm" (DNSH) principle should be applied consistently and proportionately across all EU funds, in line with the MFF's competitiveness and decarbonisation objectives. To this end, the Performance Regulation should establish a common framework, providing for harmonised technical guidance and a clearly defined list of harmful activities, with sufficiently flexible carve-outs, adopted through secondary legislation. Its application should not lead to automatic sectoral exclusions or restrict access to EU funding for investments supporting industrial transformation, innovation and decarbonisation. More generally, access to EU funding should not impose additional social or regulatory conditionalities beyond applicable legislation or unrelated to the funded project, as these would increase complexity, restrict access, especially for SMEs, and undermine the competitiveness impact of EU spending.

EUROPEAN COMPETITIVENESS FUND: GOVERNANCE AND THE LINK WITH HORIZON EUROPE

The ECF can deliver only if its governance is simple, fully integrated with Horizon Europe and gives industry a real voice. As negotiations on the next MFF advance, BusinessEurope calls on the institutions to take the following points into consideration.

1. **Excellence and open competition as the cornerstone.** ECF funding should be allocated through open competition, following the criteria of excellence and highest relevance for European competitiveness. In limited cases, targeted exceptions, such as capacity-building or resilience actions and synergies with cohesion policy, can ensure a minimum degree of geographical balance. Funding under Horizon Europe Pillar II should be assigned solely on the basis of excellence. We welcome the addition of Article 9a, by both the Council and the Parliament, that sets general award criteria based on the quality and impact of proposals.

2. **A Stakeholder Board with a real mandate.** The Board should play a meaningful strategic role in setting priorities and shaping the work programmes, rather than remaining purely consultative. Its members should be selected through a transparent process, with a balanced representation of large companies and SMEs and across sectors. The Board should ensure effective alignment with existing and new industrial value chains and competitiveness needs, while staying out of individual funding decisions. We are therefore strongly concerned that the European Parliament's ITRE report replaces the Stakeholder Board, as proposed by the Commission and further specified by the Council, with a Stakeholder Group limited to non-binding advice on the design of calls. The report would also move strategic advice to an Advisory Council of independent experts, with no industry representation.

3. **One integrated investment journey with Horizon Europe.** We support the approach of the Commission and the Council: one integrated work programme per policy window, covering both the ECF and the corresponding part of Horizon Europe Pillar II, in which collaborative, business-led research keeps its place. We also support the joint sessions of the ECF General Committee and the Horizon Europe Committee on collaborative research, at ordinary meetings and at the strategic meetings held before the first work programme and three years after the start of the programme, as well as the multiannual strategic document covering both the ECF and collaborative research under Pillar II. We are concerned that the Parliament's approach, which replaces collaborative research with "Horizon Europe Pathway actions" and separates the programming of the two programmes, would leave the link between the two programmes purely theoretical and hinder the deployment of innovation. In addition, the multiplication of new bodies, such as the Stakeholder Group and the Economic and Technological Advisory Council, risks fragmenting responsibilities, undermining the role of the Programme Committees and making access to funding more complex.

4. **Industry involvement in each policy window.** Permanent, specialised bodies should be established for each policy window, with balanced public-private participation and a composition reflecting the necessary technical and business expertise, including industry knowledge of key technologies, to translate ECF strategies and work programmes into concrete calls and instruments. In this respect, we support maintaining the Stakeholder Board and the thematic platforms per window, as foreseen by the Commission and the Council.

5. **Flexibility with predictability.** Greater flexibility to redeploy funds is welcome, provided that clear priorities are defined and that research and project planning retain a sufficient degree of predictability. Reprogramming must not retroactively alter funding conditions, reporting

obligations or co-financing requirements for ongoing projects, so that beneficiaries can rely on stable rules throughout the full project lifecycle.

6. **Grants as a last resort is a red line: a balanced funding mix and a stronger InvestEU.** BusinessEurope is concerned by Article 12(6) of the Parliament's ITRE report, which would treat direct grants as a last resort, in strict complementarity with private capital. The ECF should allow its funding instruments (grants, equity, loans and blended finance) to be combined to support projects across the different phases of the investment lifecycle. Targeted public funding can help de-risk investments and accelerate the deployment of key infrastructure and time-limited support may be necessary where market conditions remain insufficient. This does not call into question the role of financial instruments, but a one-size-fits-all approach would risk reducing effectiveness and slowing implementation, an unacceptable outcome given the scale and transformative potential of the ECF. The ECF InvestEU Instrument, with a reinforced guarantee, is key to leveraging private investment, and the sources of the guarantee beyond the minimum contribution should be clarified. We welcome the Parliament's proposal to increase the funding allocated to InvestEU, as well as the higher maximum guarantee in the President Costa negotiating box. However, we are concerned that the minimum support from the ECF delivered through InvestEU remains below the Commission proposal. We call for a meaningful increase in InvestEU, while keeping a balanced mix of financial instruments and grants.

7. **Keep the business-oriented instruments.** EU Tech Frontrunners and the other industrial policy tools, such as the Single Market Value Chains Builder and the Production Ramp-up Actions, as well as top-ups for IPCEIs and dedicated SME support should be preserved. EU Tech Frontrunners is a market-driven, business-led tool that supports industry-driven consortia of European lead companies, SME suppliers and start-ups through a flexible two-stage bottom-up process. We therefore oppose its deletion from the ECF in the Parliament's ITRE report. Top-ups for IPCEIs, conditional on national co-funding (and private co-funding for follow-on projects), would reinforce investment in strategically significant initiatives. We also reiterate the importance of enhancing support for companies, particularly SMEs, start-ups, scale-ups and Small Mid-Caps. In this respect, we fully support the Council's approach, which strengthens the dedicated SME support under Article 29 of the Commission proposal, including calls reserved for or tailored to SMEs, dedicated contributions for budgetary guarantees and financial instruments, and measures under the industrial policy coordination instruments.

COHESION POLICY AND THE NRPPS

Cohesion policy remains a core EU policy that balances convergence with competitiveness. To deliver for all regions and companies, the National and Regional Partnership Plans (NRPPs) need genuine partnership, a stable long-term outlook, a clear competitiveness focus and real simplification. As negotiations on the next MFF advance, BusinessEurope calls on the institutions to take the following points into account.

1. **Adequate funding for cohesion policy and for all regions.** Cohesion policy under the next MFF requires adequate and predictable funding, so that all categories of regions (less developed, transition and more developed) can address their specific territorial challenges. Structural challenges are not confined to less developed regions: regions that are economically strong today also have to transform and become more resilient, and Europe's industrial value chains link regions of every category. Cohesion policy should therefore strengthen the competitiveness of all regions while continuing to reduce disparities between them. The guaranteed amount for less developed regions is an important safeguard. The requirement for Member States to justify allocations to transition and more developed regions that fall below 75% of current levels should be preserved in the negotiations and applied rigorously.

2. **Genuine partnership with social partners and business.** The NRPPs will reflect the needs of each territory only if they are designed and implemented with those who know it best: regions, social partners and the private sector. This requires full respect for the European Code of Conduct on Partnership, with consultation that starts early enough to shape priorities and continues throughout implementation, the mid-term review and any reprogramming. The Recovery and Resilience Facility (RRF) has shown what happens otherwise: late or purely formal consultation produces plans that fit companies' needs less well. Economic and social partners should therefore be able to discuss programming priorities with managing authorities. For partnership to work in practice, the provisions of the Commission proposal on economic and social partners and on the Code of Conduct should be preserved and backed by explicit safeguards. These safeguards should secure the role of economic and social partners alongside that of regional and local authorities.

3. **A stable, long-term investment policy.** Cohesion policy is the Union's main instrument for long-term structural investment, and companies and regions need predictability to plan. Decommitment rules should therefore give beneficiaries enough time to complete multiannual investment projects. Flexibility to respond to new needs is useful and cohesion policy should keep its anti-cyclical character. However, changes to the plans should rest on clear evidence of regional needs and involve partners, with full EU financing remaining exceptional. At the same time, flexibility should not weaken cohesion investment, which is safeguarded only for less developed regions: moving funds between the CAP and cohesion should not come at its expense, and amounts left unprogrammed in the plans should not be drawn on by other policies before cohesion needs have been assessed. Major shocks are a different matter. Cohesion funds will never be large enough to absorb them, and cohesion policy should not become a recurring tool for emergencies. When there is too little flexibility at EU level, the cost of crises shifts onto the national plans, and so onto planned investment in the regions. EU-level flexibility outside the national plans should therefore be kept at a credible level.

4. **A clear competitiveness focus and better access for companies.** Cohesion funding should increasingly support competitiveness, including industrial transformation, net-zero technologies, critical raw materials, innovation and SMEs. This focus should be preserved throughout the negotiations. Regional development depends on whole value chains, in which mid-caps and large companies often act as anchors for local SMEs. Access to funding should therefore depend on the quality and expected economic impact of the investment, not on the size of the company. For the same reason, we welcome the use of cohesion funding for IPCEIs and for projects awarded a Competitiveness Seal, as it links regional investment with European industrial priorities. Support should also extend to projects awarded other EU seals, such as the Seal of Excellence. Companies also need the right mix of funding tools. SMEs and start-ups require easier access to finance through microfinance, simplified lending and targeted guarantees. Financial instruments should be used more widely, with the support of the EIB Group and with national promotional banks involved from the start. They should be able to finance working capital and intangible investments and regions must have the capacity to use them. Grants, however, remain essential for highly innovative and high-risk projects, early-stage applied research and key infrastructure. The choice between grants and financial instruments should therefore depend on the needs of each project.

5. **Performance-based funding that works in practice.** Linking payments to milestones and targets instead of reimbursing costs can make cohesion policy simpler and more effective. We support this shift, provided it is well implemented. Milestones and targets should reflect the challenges of each region and be defined with those who deliver them, because a top-down approach has its limits. Most cohesion projects produce results only in the medium to long term, and these results depend on factors that neither promoters nor public authorities control. Performance conditions should therefore apply to the plans, not to individual projects: beneficiaries should not lose funding because targets outside their control are missed. We support the link with the

European Semester, which improves policy coherence. However, it should take account of the long-term nature of cohesion policy and of the fact that many country-specific recommendations are addressed to national governments and concern areas where regions cannot act alone. Moreover, paying for results makes things simpler only if it replaces invoice checks. Where authorities verify both results and costs, companies carry a double burden. Public money can instead be protected by targeted checks after payment and by firm consequences for misuse. The period over which results must be maintained should also remain reasonable, so that beneficiaries are not bound long after their project has ended.

6. **Real simplification.** All institutions promise simplification. A single rulebook and the single audit principle are welcome, but past exercises have not reduced the burden on companies, and gathering existing rules in one document is not simplification. What counts is what a beneficiary experiences: a simple application, light reporting, one audit instead of several and prompt payment. Simplified forms of support, such as lump sums, unit costs and flat rates, are the most direct way to achieve this, as they ensure that the move away from invoice checks also reaches the companies that implement the projects. The simplifications in the Commission proposal should therefore not be diluted in the negotiations: simplified forms of support should remain mandatory for small operations and be extended to a wider range of small projects, and controls should rely on the single audit principle. Related requirements should also be simplified. The DNSH principle, for example, should be embedded as far as possible in the design of funding programmes and measures, rather than translated into additional assessments and declarations imposed on individual applicants. Simplification at EU level must also be matched at national level, where authorities often add requirements and administrative capacity is uneven. The same is true of how State aid rules are applied.

7. **A strong ESF focused on employment and skills.** Labour and skills shortages hold back companies in every region. The ESF should remain a distinct funding instrument within the NRPPs, with a clear focus on employment, labour market participation and the development of human capital throughout working life. Its objectives and the resources available to achieve them should be clearly identifiable within the plans. The ESF should support young people's transition into employment, for example through language learning and basic vocational skills. Upskilling and reskilling the workforce should receive a substantial share of its resources, including through incentives for employers to provide training. Support should be demand-driven and aligned with the actual needs of the labour market and of companies. Employers should therefore be closely involved in the design and implementation of ESF measures, and capacity-building support should follow a differentiated approach that reflects the specific role of social partners.

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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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Avenue de Cortenbergh 168
B - 1000 Brussels, Belgium
Tel: +32(0)22376511 / Fax: +32(0)22311445
E-mail: main@businesseurope.eu

WWW.BUSINESSEUROPE.EU

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