



THE POST-2027 MULTIANNUAL FINANCIAL FRAMEWORK

EPP GROUP POSITION PAPER



The EPP Group believes that a strong European Union must be equipped with a robust, long-term budget that can deliver on strategic priorities, adequately respond to unforeseen events, address the concerns of its citizens - and also by providing support to families - and contributing to transforming the EU into a modern, sustainable and resilient economy and society. The EU budget must focus on European public goods, bringing EU-added value and creating synergies between national and EU projects, while ensuring that the cross-border, local and regional dimensions become more prominent. True success lies in delivering tangible results on our priorities, which requires, for reasons of economic efficiency and political feasibility, proper alignment between the levels at which a policy is managed and the levels at which it is financed.



1. MFF architecture

The EPP Group strongly believes that the future architecture and design of the MFF must safeguard the role of the European Parliament as legislative, budgetary and discharge authority. It will stand firm in defending the rights of Parliament to fully exercise its powers and prerogatives for reasons of democratic legitimacy.

A single national plan per Member State cannot be the basis for shared management spending post-2027. The RRF should not be a blueprint for the Union budget due to the multiple shortcomings of this model, and particularly its inherent over-centralisation. The regional and local levels must remain at the centre of the future design of shared management plans.

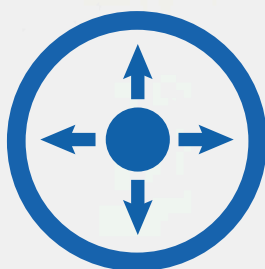
- The EPP Group stresses that the RRF national plans should not be replicated as such in the next MFF. The future EU budget should be designed to support the successful implementation of EU policies, like cohesion or agriculture, and enable the fulfilment of their common and specific objectives.
- The EPP Group is concerned that EU funding under shared management will be conditional on the fulfilment of milestones and targets linked to specific reforms at the national level. It intends to consider this option only if those reforms are proven to be proportionate, well-calibrated, directly linked with the relevant EU policies and set at the appropriate level (national, regional or local). Local and regional authorities and other beneficiaries cannot be penalised or held accountable for reforms that are not implemented at the national level.
- The EPP Group expects that the role of local and regional authorities in designing, negotiating and implementing the relevant plans is fully preserved. Regional and local authorities know better the needs and specificities on the ground, and a place-based approach, multi-level governance and partnership are key principles that should underpin the next MFF. A strong regional and local capacity ensures an efficient implementation and delivers the highest added value.



KEY APPROACHES



**Safeguard
the role of
the European
Parliament**



**Decentralise
shared
management**



**Regional
authorities
participation**



- The EPP Group insists that financing for agriculture, fisheries and cohesion should be safeguarded in distinct structures and have clearly identified, ring-fenced allocations following their respective, well-established principles.
- The EPP Group believes that, while flexibility should be a key element of the future MFF reform, this should not come to the detriment of ensuring a sufficient level of predictability in EU funding. In this context, the Group expects that regions will continue to be endowed with pre-defined budgetary envelopes that will allow them to plan and implement their projects.

The Competitiveness Fund, if envisaged as a big umbrella fund merging multiple successful EU programmes into one, is not acceptable in this form as it risks compromising the original objectives of those programmes.

- The EPP Group underlines that the Horizon Europe Programme should preserve its brand and integrity and remain a stand-alone EU programme in the next MFF. A separate allocation should be foreseen for the European Research Council and the European Innovation Council, thus ensuring that excellence remains the cornerstone of EU research and innovation policy. Horizon Europe and other EU flagship programmes that are conducive to growth and competitiveness should be included in a dedicated MFF heading instead of being merged into a single Competitiveness Fund.

- The EPP Group considers that a future Competitiveness Fund should be developed on the basis of InvestEU and EIF models and take advantage of a toolbox of funding sources, including guarantees, loans and equity. It should leverage private financing as a priority and enable start-ups, SMEs and scale-ups to have easier access to financing.
- The EPP Group underlines that the Competitiveness Fund should support SMEs and invest in fostering innovation through robust and horizontal policies affecting all economic sectors that are essential for preserving competitiveness and safeguarding the integrity of the Single Market. It should focus on improving microeconomic conditions across the Union as well as ensuring that all Member States will be able to benefit in order to successfully strengthen European competitiveness on global markets and follow a global market-based rationale by providing subsidies for industrial projects that face an uneven playing field on the global market and have strategic value for the Union's competitiveness.

A new European Internal Market facility

- The EPP Group calls for longer-term and structural investment needs to be treated separately from the Competitiveness Fund through a dedicated European Internal Market Facility in order to guarantee the predictability for infrastructure investment and planning, including for measures to structurally deepen the Single Market. The new facility should build on the Connecting Europe Facility, with a clear strategic focus and enhanced European added value.
- The Internal Market Facility should be closely linked with the new Single Market Strategy and aim to fully unlock the potential of the Single Market by combining structural reforms with long-term investment in critical and cross-border infrastructure, including by connecting power grids, railways and communication networks, all over Europe.
- The EPP Group underlines that any reduction in programmes must be offset by a far more detailed breakdown of budget lines to enable the budgetary authority to exercise proper accountability and ensure that decision-making in the annual budgetary procedure and in the course of budget implementation is meaningful.
- The EPP Group stresses that while the EU and its Member States are the world's largest donors in development cooperation, this leadership lacks visibility. The Commission's heavy reliance on indirect management through implementing partners often obscures the EU's role, largely due to overly complex internal rules.
- The EPP Group calls for all CFSP expenditure to be an inherent part of the EU budget, except in cases of military or defence operations, to ensure full transparency and proper parliamentary oversight.

The Global Europe Fund to revamp external action financing, as envisaged by the Commission, raises serious concerns for the EPP Group.

- The EPP Group recalls that in the current MFF, multiple problems have resulted from the merger of several programmes into the NDICI and significant challenges due to the opaque budget nomenclature.

The EPP Group believes that there is a clear need to progress towards a genuine Defence Union, in particular in the joint procurement and in the build-up of common defence capabilities and the European Industrial and Technological Base, in coordination with NATO and in full respect of both the neutrality commitments and the particular security concerns of individual EU Member States. This objective can be achieved through a revamped defence spending, with all relevant EU programmes placed together in a dedicated MFF heading.

KEY APPROACHES



Internal
Market
Facility



Transparency



Defence
Union

The EU budget has not been designed with the capacity to adequately react to unforeseen situations and respond to new needs due to limited flexibility.

- The EPP Group is alarmed by the growing impact of natural disasters, which are often the result of climate change and are, therefore, likely to occur with greater frequency and intensity in the future**



2. Size of the post-2027 MFF

In times when the Union is confronted with a growing number of crises and the need to deliver is imperative, the post-2027 MFF must be endowed with increased resources compared to the 2021-2027 period. The EU budget needs to be appropriately equipped with the necessary means to address both the current and newly emerging policy priorities, as well as to be in a position to respect its legal liabilities and repay the debt stemming from the NextGenerationEU.

- The EPP Group considers that food production and food security are vital components of strategic autonomy and that the post-2027 CAP should benefit from a dedicated budget, at least maintained at its current level and taking inflation into account in order to avoid a reduction in the real value of support for farmers, the two pillars' structure should be maintained. Direct payments must be preserved as they provide clear European added value and are a strong support to production and farmers' income, while targeted support should continue to be provided for family farms and young farmers.
- The EPP Group considers that a modernised cohesion policy should boost growth, promote convergence between regions and avoid fragmentation within the Single Market, but also address new challenges like housing or demographic decline. The next MFF should continue to support economic, social and territorial cohesion, providing targeted support to all regions and, therefore, calls for EU cohesion policy to receive at least the same level of funding as in the current period in real terms.

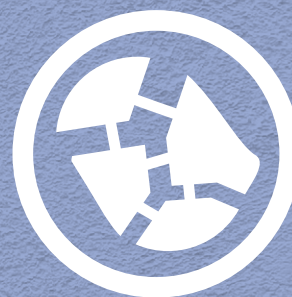
KEY APPROACHES



**Increase
resources**



**CAP
dedicated
budget**



**Modernise
cohesion
policy**



- The EPP Group stresses that the next MFF should boost competitiveness, enhance the Union's innovation capacity, and provide investments to ensure the strategic autonomy of the Union. The next MFF should ring-fence and prioritise funding for EU flagship programmes inter alia in the areas of research and innovation (including basic research), energy, transport, and digital infrastructure and the completion of Trans-European Networks, health and biotechnology in view of major health challenges.
 - The EPP Group calls for progress towards a genuine Defence Union, with the next MFF supporting a comprehensive security approach through an increase in investment in both civil and military capabilities under the principle of European preference, whenever a European alternative is available. The EPP Group believes that particular attention must be given to strengthening the Union's Eastern border, especially Eastern EU regions bordering Russia, Belarus or Ukraine, which remains a critical axis for deterrence, resilience, and the protection of the entire Union. Defence spending must go hand in hand with other long-term investments of the Union.
 - The EPP Group calls for adequate funding to support the Erasmus+ flagship programme in recognition of its unique contribution to enhancing educational mobility and learning across Europe, as well as to the culture sector, which is critical to forming a European identity.
 - The EPP Group believes that the next MFF should provide the necessary resources to adequately address major challenges of the Union like in the field of migration and the effective protection of the EU's external borders, including funding for border infrastructure, as well as to underpin the Union's external action, including humanitarian aid, to foster lasting peace, stability and security.
- The EPP Group is convinced that the overall level of the EU budget needs to be commensurate with the financing needs of long-standing Union policies, the necessary additional funding for new EU priorities, notably defence and competitiveness, the repayment needs of the NGEU debt and the response capacity of the Union to new shocks and crises, while leaving sufficient margins to cater for evolving spending needs. The EPP Group calls, therefore, for the next MFF to move away from the historically restrictive, self-imposed level of 1% of GNI.

3. Simplification

Over-regulation and red tape for final beneficiaries of EU funds need to be significantly reduced as a matter of priority. Simplification must be achieved in full respect of the institutional balance provided for in the Treaties. It is important that information regarding final recipients of the EU is publicly available in future programmes. The EPP Group regards digitalisation as a key element to simplify and modernise administrative processes.

- The EPP Group calls for a significant simplification of rules on EU spending for final beneficiaries in the next MFF, with particular attention to the needs of SMEs that often face disproportionate administrative burdens. A simpler budget must also be more transparent, enabling better accountability, scrutiny, control of spending, and reducing the risk of double funding, misuse and fraud. The EPP Group, therefore, calls for an interoperable IT reporting system with a harmonised data standard to track cash flows to the actual final beneficiaries and to the responsible bodies for implementation.
- Simplification and flexibility should not be used as a pretext to simply grant more power to the Commission in allocating funds and in shifting resources between programmes without the necessary checks and balances at the expense of Parliament as discharge and budgetary authority.

KEY APPROACHES



**Reduce
administrative
burdens**



**Digitalise
processes**

**The EPP Group calls
for a significant
simplification of rules
on EU spending for
final beneficiaries in
the next MFF**



4. Governance and control

- The EPP Group strongly opposes any attempt to sideline the European Parliament in its role as co-legislator, budgetary and discharge authority. Parliament, as the Union's single discharge authority and responsible for closely scrutinising the Commission, should be enabled to fully perform its role. The EPP Group opposes, in this context, the use of Article 122 TFEU as the legal basis for any new legislative proposal with implications for the Union budget.
- For future performance-based instruments, it is important that funding is clearly tied to results. For this reason, the EPP Group emphasises that the next MFF should not rely on performance-based instruments if the related financing is not clearly linked to concrete investments or projects and to the corresponding reforms.
- The EPP Group emphasises the requirement for transparency, traceability and sound financial management of EU funds in line with the TEU, TFEU, and the Financial Regulation, as well as the recommendations and findings of the relevant ECA reports.

KEY APPROACHES



**Transparency
of EU funds**



**Results-based
funding**



**The EPP Group
emphasises the
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management of
EU funds**

5. Conditionality in the EU budget

The EU must make full use of all existing tools to protect the EU budget. Compliance with Union values and fundamental rights is an essential prerequisite to accessing EU funds.

- The EPP Group stresses that the rule of law conditionality mechanism must be maintained and strengthened. There must be a clear link to the protection of the financial interests of the EU.
- The EPP Group underlines that when triggering the mechanism, objective criteria and standards should be applied, and Member States should be treated equally.
- The EPP Group calls for the improvement of the protection of final beneficiaries in order to protect regions and municipalities as well as other beneficiaries, such as students, researchers or SMEs.

The EPP Group stresses that the Single Market dimension is very important, and breaches of the Single Market rules affecting the EU budget, such as those related to public procurement, should be taken into account in the context of the conditionality mechanism provided that the breach of these rules is based on clear, objective circumstances and is linked to the EU's financial interests.

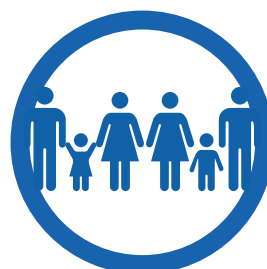
KEY APPROACHES



Rule of law



Equality for Member States



Protect final beneficiaries



6. Horizontal principles

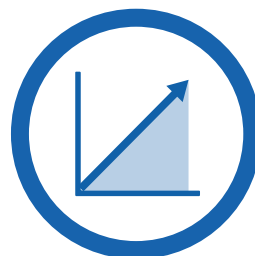
The EPP Group underlines that mainstreaming in the Union budget needs to be done in an efficient and effective manner, respecting the principles of proportionality and necessity. The current horizontal principles need to be updated in line with the Union's policy objectives, while ensuring that the bureaucratic burden on financial beneficiaries is reduced.

- The EPP Group underlines the importance of mainstreaming competitiveness and preparedness across the Union programmes.
- The EPP Group insists that the setting of mainstreaming targets must not lead to a further increase in red tape and administrative burden for beneficiaries.
- The EPP Group believes that mainstreaming is best achieved through a toolbox of measures, primarily through policy design, thorough impact assessments and solid tracking of spending.

KEY APPROACHES



**Efficient
and effective
Union budget**



**Competitiveness
across the
Union
programmes**



7. EU enlargement

The next MFF will be pivotal for preparing the Union for enlargement and the candidate countries for accession.

- The EPP Group believes that the stability, security and democratic resilience of the candidate countries are inextricably connected to those of the EU and require sustained strategic investment, linked to reforms that support their convergence with Union standards.
- The EPP Group calls for strategically targeted support for pre-accession and growth and investment. The post-2027 pre-accession assistance should be provided in the form of both grants and loans, with increased conditionality on respect for core European values, including the rule of law, judicial independence, democratic principles and fundamental rights. For the established facilities, the governance model, as well as Parliament's oversight, needs to be strengthened.
- The EPP Group underlines that pre-accession support to Ukraine must be distinct from financial assistance aiming at macroeconomic stability and post-war recovery, which require a concerted international effort with the EU budget playing an important part.
- The EPP Group is convinced that the existing mandatory revision clause in the event of enlargement should be maintained in the next framework and that national envelopes should not be affected.

Candidate countries for membership of the EU

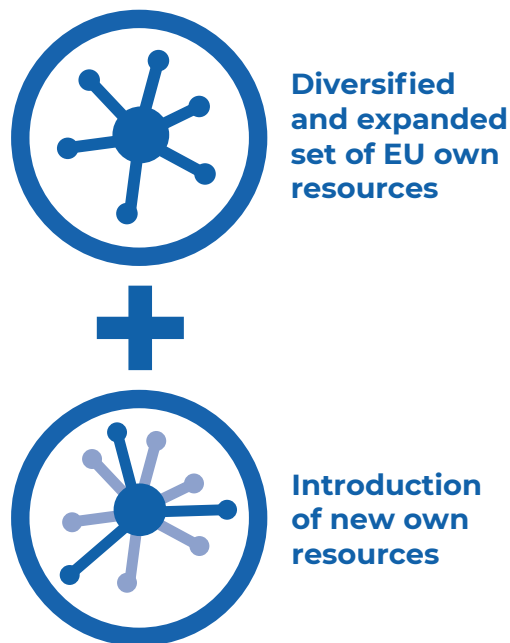


8. New own resources and debt repayment

The EPP Group firmly believes that, for the Union to repay the NGEU debt without compromising its ability to deliver on its political priorities, the EU budget must be endowed with a diversified and expanded set of EU own resources.

- The EPP Group stresses that the repayment of the NGEU debt is a legal obligation, and that the repayment schedule should be maintained. The EU must respect its commitments and ensure that adequate revenues are foreseen for this purpose. A possible rollover of the repayment should only be considered if it does not adversely affect the EU budget and cannot substitute the need for the introduction of own resources.
- The EPP Group strongly supports the urgent introduction of new own resources to cover the amount of debt repayment and the Union's higher spending needs. However, the EPP Group stresses that the new own resources should not lead to additional taxes that overburden EU citizens or hamper the competitiveness of EU businesses.
- The EPP Group is seriously concerned about the complete lack of progress in the Council on the introduction of new own resources, following the 2023 Commission proposals. The EPP Group believes that the European Parliament should also take into account the progress made in the Council towards the adoption of new own resources before giving its consent to the future MFF.
- The EPP Group considers that all instruments and tools should be explored to provide the Union with the necessary resources, especially in the area of security and defence. Joint borrowing could be considered as one option to raise the necessary resources only in exceptional cases and

KEY APPROACHES



in full compliance with the restrictions imposed by the Treaty and relevant EU legislation, while also considering the limited fiscal space of the Union. Additionally, joint borrowing could be considered under the condition that it facilitates the timely financing of European policies with clear European added value, and that it is fully aligned with EU strategic priorities that provide for European public goods, or it facilitates investments in cross-border or pan European projects that increase the EU growth potential. In order to ensure that no undue limits are set to other policy priorities or undue burdens are imposed on Member States, taxpayers and future generations, the EU should develop explicit rules and limits to its indebtedness in addition to clear policies for its debt management with the objective of minimising overall financial costs to the taxpayer.



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