Finnish Industries EK

The next Multiannual Financial Framework– growth and investments with EU-funding 2028–2034

The next EU Multiannual Financial framework (MFF) for 2028–2034 is being prepared amidst exceptional global uncertainty. Geopolitical competition and the challenges of the multilateral system, Russia's war of aggression in Ukraine and the increased need for defense investments, the climate and biodiversity crisis, accelerated technology competition and weak economic prospects, as well as the future enlargement of the Union are forcing us to rethink both EU's policy instruments and the multiannual financial framework.

In today’s situation, matching EU objectives and funding is an increasingly demanding task. However, the financial framework must keep up with the times. That’s why Finnish Industries supports the idea presented in the Commission's political guidelines to restructure the MFF so that it is clearer, simpler and more strongly focused on selected strategic priorities. The results-based nature of funding and the efficiency of the use of funds must also be strengthened. When reforming the structure of the framework, it is important to ensure that a larger share of EU funding is distributed on a competitive basis than before. At the same time, the procedures for applying for EU funding must be simplified, for example by using a one-stop shop model.

The guiding principle of the next MFF should be to use funds for projects that produce genuine European added value. We should focus on areas, where joint actions produce efficiency gains from the perspective of promoting common objectives, increase the Union's crisis resilience and strengthen the EU’s ability to succeed in global competition. These should be given priority in the use of EU funds. Correspondingly, it must also be possible to reduce investments where the added value of joint actions is lower.

EU funds should also not be granted to Member States that act contrary to the EU's common values and the rule of law. Finnish Industries considers it important that the conditionality of EU funding is further strengthened in the next MFF and the monitoring of the use of funds is enhanced. Responsible use of EU funds can also be promoted through a more active use of the opportunities offered by the Rule of Law mechanism and cooperation with the candidate countries.

Considering the need to support Ukraine, strengthen the European defence industry and promote the green transition, it is possible that the size of the EU financial framework will increase slightly in the coming period. Finnish Industries believes that the increase should be financed primarily by reallocating resources within the framework, developing the EU's own resources and/or increasing the Member States' contributions to the EU budget. Common debt should only be considered as a last resort.

If new own resources are introduced, they should contribute to the achievement of the EU's strategic objectives and create real European added value. They should also not have a negative impact on Europe's global competitiveness or Finland’s relative standing, for example, taking into account our geographical location.

In addition to the above principles, Finnish Industries considers it important to assess the future MFF especially in relation to the following five thematic objectives:

1. Supporting Ukraine
2. Strategic investments
3. Connectivity
4. Research and commercial innovations
5. Resilience and defence

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1. Supporting Ukraine

The EU has a special relationship with Ukraine, which is also currently negotiating for EU membership. In the short term, the EU and its Member States must be able to provide Ukraine with all necessary military and humanitarian support. In the long term, strengthening Ukraine's defence and ensuring a stable future of its people and society are key priorities. Ukraine must be offered a credible path towards EU membership and given the opportunity to proactively become part of EU cooperation once the relevant requirements are met.

Ukraine's economic needs must also be a strong priority for the next Multiannual Financial Framework, which should contain a long-term financing arrangement for reconstruction. For long-term reconstruction and its financing, the Commission should draw up a European reconstruction plan without delay, so that it would be operational even before the next Multiannual Financial Framework (MFF). The European Parliament has also called for a similar plan in its resolution of 17 July 2024.This long-term financing should be based on the dedicated Ukraine Facility and its Ukraine Investment Fund (UIF), which should be expanded. The expanded UIF should aim to cumulate around EUR 150 billion in medium- and long-term reconstruction investments. In addition to international development banks and national development finance institutions, export credit agencies (Finnvera) should also act as channels for UIF financing. This would speed up reconstruction and ensure the participation of European companies in the process.

Increased participation of EU companies in the reconstruction of Ukraine would also support Ukraine's EU membership process and reconstruction based on EU technical standards. Export credit agencies should also be used in other EU external financing, such as in the channelling of Global Gateway-type financing, for example in projects involving critical raw materials. Ensuring the participation of European companies is therefore in Europe's strategic interest.

2. Strategic investments

Turning Europe on a growth path, advancing the clean transition in a way that promotes competitiveness, and strengthening technological capability and economic security require the EU to make significant investments in the coming years. Therefore, the future MFF must also provide support and incentives to promote strategic investments. As a counterbalance to the increasing EU funding, steps must also be taken to reduce the distortion of competition caused by state aid in the internal market. By strongly developing the internal market and the financial framework, it is possible to ensure the competitiveness of the EU as an investment environment while abandoning state aid flexibilities. CISAF flexibilities must not be extended in parallel with the new MFF.

To boost strategic investments, Finnish Industries proposes to create a new EU-level investment financing instrument based on the excellence principle. Such a financing package should be of sufficient size (approximately EUR 400–500 billion) to meet the EU's strategic needs and help dismantle the current exceptions to state aid rules. In EK's view, it could include both grants and loans, for example with a 50%-50% split. The proposed European Competitiveness Fund should be created in line with these guidelines, and the expertise of the European Investment Bank (EIB) could also be used in lending. Making the use of financing more efficient is essential to promote strategic investments.

In the development and possible expansion of IPCEI projects (Important Projects of Common European Interest), it should be ensured that they are always based on the principle of excellence ('global state of art'- level). This is particularly important if the projects will also receive EU funding in the future. If the aim of EU funding is to support the participation of companies that cannot obtain the necessary support from their own Member State, the funding should be channelled by reallocating existing cohesion funds.

3. Connectivity

In the changed geopolitical situation, it is of utmost importance to secure Finland's overall connectivity. Functional and well-maintained transport, energy and information networks support the accessibility of different regions and guarantee the functioning of the internal market. They are also a prerequisite for attracting investments to Finland. At the EU level, it is essential to take into account the strategic importance of the eastern border for the security of the whole of Europe.

To promote connectivity, the Connecting Europe Facility (CEF) or a similar instrument supporting European added value and cross-border projects should be given a significant role in the next MFF. Its allocation criteria should be based on the superiority of strategic projects and their ability to improve international connectivity.

As regards transport networks, the instrument's funding criteria must meet the increased needs for competitiveness, connectivity, security of supply, resilience and military mobility. By increasing resources for military mobility, we will also strengthen the Union's external border. Finland must be integrated more reliably into the EU area through investments in road, sea and rail transport (northern road connections and studies on tunnel-bridge solutions, construction of European gauge, development of ports). Transport needs its own financial instrument, which can be used to secure the completion of the European transport networks (TEN-T), especially in those regions of the Union whose connectivity has suffered from geopolitical changes.

The development of energy connections between countries is also crucial for Europe's competitiveness and security. EU network funding should be directed towards cross-border strategic energy infrastructure projects and strengthening transmission capacity.

The EU's digital connectivity should focus on fast network connections and the free movement of data in the internal market. EU funding must be targeted at artificial intelligence and computing infrastructure, such as data availability and high-performance and quantum computing. Network connections must be developed in a technology-neutral and market-oriented manner. In addition, frequency regulation must support the growing use of data. The 6G market must be promoted while avoiding dependence on third countries. In the current situation, it is critically important to ensure the availability of international connections, especially underseas telecommunications and energy transmission connections by investing together in their protection and repair capacity.

The war of aggression initiated by Russia has had extensive economic and social impacts on the eastern border regions. Targeted EU funding is needed in particular for these regions in the upcoming funding period. The new EU funding instrument targeted at border regions must emphasize criteria that support the economic growth of the Union and enable investments that support competitiveness, taking into account the specific characteristics of the regions. In addition to infrastructure, suitable funding targets could include industrial policy, education and RDI investments, which are essential factors from a growth perspective. The funding criteria should emphasize the proximity and length of a border with Russia.

4. Research and commercial innovation (RDI)

RDI funding plays a key role in promoting the EU's innovation-driven economic growth, competitiveness and technological sovereignty. The current three-pillar structure of the Research Framework Programme (now Horizon) should be maintained, as it has successfully implemented EU strategies and reformed industry. The structure is well suited to the needs of modern RDI activities, as both basic research and commercial innovation are within the same programme structure.

Pillar 2 of the Framework Programme, which aims to promote business-led RDI activities, is crucial for innovative industry and essential for the ability to produce commercially scalable solutions in Europe. Cooperation between the pillars and the role of companies in the future Pillar 2 must be increased. Special attention must be paid to the quality and relevance of programmes, for example by adding business-led RDI ecosystem funding, which is based on market needs, to the programme menu.

Economic growth, strategic competitiveness, self-sufficiency and the implementation of the green and digital transition should be at the core of RDI policy and its funding. The three-pillar framework programme is the most significant tool for achieving the goals. Therefore, its level of funding, and especially pillar 2 funding, should be doubled in the next funding period.

A well-functioning internal market and adherence to the principles of a market economy are also important cornerstones in RDI activities that should not be abandoned. Rather, the opportunity for all sectors and companies to develop their own competitiveness through RDI activities must be improved.

5. Resilience and defence

One of the key themes of the new Competitiveness Fund must be to boost the capabilities and investments in the defence industry and space technology. There is a growing number of companies operating in the defence industry that are also active in the civilian market. Similarly, civilian companies must be encouraged to offer products and solutions to the defence sector. In addition to developing existing defence financing instruments, dual-use and defence industry solutions must be comprehensively taken into account in other EU financial instruments. The defence sector's restrictions on participating in EU programmes must be lifted.

Military mobility and logistical crisis resilience and disturbance tolerance must be strongly considered in the future CEF. Investments must be targeted in particular at those regions and sites that may be most vulnerable in exceptional circumstances.

The European Defence Projects of Common Interest instrument included in the EDIP must be financed in the future from within the MFF in order to effectively leverage investments from member states and companies. The instrument must accelerate the creation of strong European ecosystems capable of meeting the technological and production capability needs of the defence industry as identified by EU member states and NATO.

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