

EU's Multiannual Financial Framework (MFF) 2028–2034: Strategic Investments and Security



The Confederation of Finnish Industries (EK) considers the Commission's proposal for the future EU financial framework very positive from Finland's perspective. The future MFF would be strategically more focused, and larger in size. A strong emphasis on competitiveness, security, and defense is particularly positive. The strong support for Ukraine would continue and Finland's position as an eastern external border country is taken into account in the proposal. Funding for military mobility would increase tenfold and defense industry funding would also increase significantly. This offers excellent opportunities for Finnish companies.

The proposed new Competitiveness Fund is an excellent response to Finnish Industries' call for an EU investment capacity. The fund's priorities - defense, clean transition, digital leadership, and health and bioeconomy - are crucial for Europe's strategic competitiveness and growth. These are also areas where Finland has a lot to offer and strong expertise. Doubling the funding for the Horizon Europe framework programme and strengthening support for commercialization of innovation is also essential for growth. In the MFF negotiations it is, however, crucial to ensure that future competitiveness funding continues to be based on excellence.

Finnish Industries also supports the proposed simplification of the MFF and the increase in flexibility, as well as stronger conditionality related to the rule of law. In addition, it is important that a growth-driven approach is included in the national and regional partnership plans.

1. Competitiveness Fund

Turning Europe on a growth path, advancing the clean transition in a way that promotes competitiveness, and strengthening technological capability and economic security require significant investments in the EU in the coming years. Therefore, the future MFF must provide funding and incentives for promoting strategic investments. The proposed new Competitiveness Fund would be an excellent response to Finnish Industries' call for an EU investment capacity. The fund's priorities - defense, green growth, digital leadership, and health and bioeconomy - are crucial for Europe's strategic competitiveness and growth, and these are areas where Finland has strong expertise and much to contribute.

The proposed level of funding is also justified. However, in the MFF negotiations, it is essential to ensure that EU competitiveness funding is allocated to the best projects, i.e., based on open competition and excellence. This should be the main principle for the allocation of funding, even though the fund would finance various types of activities in different sectors. It is also important to ensure availability of funding for new actors, innovative startups, SMEs, and scale-ups.

Finnish Industries finds it extremely important that the Competitiveness Fund supports **defense industry and space technology investments, as well as strengthens resilience**. Here, key objectives include strengthening Europe's defense capabilities and improving military mobility. There is a growing number of defense industry companies in Finland that are also active in the civilian market. Therefore, Finnish Industries considers it important that these companies have equal possibilities to participate in EU programs while encouraging civilian companies to offer products and solutions to the defense sector. In addition, it is important that the European Investment Bank removes the remaining obstacles for providing financing for the defense sector.

It is also important to ensure that innovative startups, SMEs, and mid-cap companies (SMEs) can utilize EU funding. In addition to increased innovation, this would also strengthen the EU's industrial structure and resilience and promote the broadest possible growth benefits for the defense industry and defense capabilities in Finland.

In addition to EU funding, it is also important to ensure strengthening the internal market for the European defense industry and fair competition conditions ('level playing field'). As regards possible support for production capacity, it is essential to ensure that EU funding does not distort competition. Finnish Industries especially supports strengthening cooperation and coordination of capabilities between Member States and their industries. It is also crucial to ensure that defense industrial R&D results and capabilities supported by EU funding are truly commercialized into products.

In terms of the funding criteria for the defense industry, Finnish Industries emphasizes defense sector excellence, innovation, technological capabilities, and competitiveness.

In addition, projects supported by the Competitiveness Fund should always include co-financing from the member states or applicants. This also applies to flagship projects (European Defence Projects of Common Interest) and defense industrial R&D projects that respond to capability needs. An EU financing share of 100% should be exceptional and allocated only to strategically particularly important projects where requiring national co-financing would be contradictory to EU policy goals or general EU interest. The EU-financing share of 50% for strengthening resilience and scalability should also be exceptional, provided that it does not distort the functioning of the internal market for defense.

Finally, Finnish Industries considers it justified to enable the involvement of third countries (EFTA/EEA, Ukraine) in funded projects.

In terms of actions promoting **digital leadership** included in the Competitiveness Fund, Finnish Industries particularly emphasizes the development of critical digital technologies such as artificial intelligence and AI infrastructure (e.g., AI factories, Gigafactories). Other key technologies and enablers include telecommunications technologies (5G/6G), semiconductors, high-performance computing, quantum technologies, and space technologies (e.g., satellites). Funding should be directed towards strengthening excellence in these technologies and European ecosystems. For example, the significance of computing infrastructure, i.e., high-performance computing and quantum computing, is crucial in solving global sustainability-related problems in the future. Europe's strategic competitiveness must also be strengthened in the semiconductor sector. In this regard, increasing production investments and ensuring that the European semiconductor sector produces more advanced high-value-added products and services should be promoted. The Competitiveness Fund should also accelerate sustainable digital solutions in infrastructure development, service development, and fast network connections.

Finnish Industries supports the proposed actions of the Competitiveness Fund for a **clean transition**. Investments in clean transition offer significant growth potential for Finland's economy. However, in clean transition projects, it is essential to ensure that EU funding continues to be based on open competition and excellence. Additionally, in investment projects, it is necessary to require a reasonable co-financing share from beneficiaries. Therefore, the EU funding share should be lower than the 100% proposed by the Commission. Additionally, Finnish Industries reiterates its concern about the competition distortion created by EU state aid exemptions.

In addition, it is positive that the Competitiveness Fund would also finance actions related to the **bioeconomy**. Finland has strong bioeconomy expertise, particularly in the forest industry, circular economy, and R&D activities.

Horizon Europe

The role of R&D policy in strengthening growth, competitiveness, and technological sovereignty is crucial. Finnish Industries' goal has been for the EU to double its funding for the Horizon Europe programme and strengthen support for commercial innovations. These are well reflected in the Commission's proposal. Also, the proposed priorities of the future Horizon programme are well aligned with the specific strengths of the Finnish business and research sectors. Additionally, the possibility of funding dual-use technologies is positive. As regards the Horizon Europe funding and the Competitiveness Fund in general, it is important that the proposed level of funding is kept, and that the allocation criteria are based on open competition and excellence.

The broadest impact on the economy and competitiveness is achieved in the post-R&D phase of commercial development and deployment, supported through Horizon Europe programme's pillar 2 collaboration projects and the Competitiveness Fund's financial instruments.

Collaboration projects bring together companies of all sizes and various research organizations, combining capabilities and resources to build stronger growth businesses. Finnish businesses have good opportunities to participate as partners in European consortia. Finnish Industries considers it very positive that the Commission proposes that collaboration projects could also be implemented in the future MFF using the so-called EU Tech frontrunner model. Frontrunner projects enable more efficient use of resources and faster development of innovations, also in close cooperation with the SME sector. The potential of collaboration projects to create economic growth is complemented by the European Innovation Council (EIC) under Horizon Europe programme's pillar 3, which can strongly support the growth phase of science- and technology-based companies in Europe.

Skills

Skills are key to promoting Europe's competitiveness and technological sovereignty. At the same time, there is a shortage of skills and the right kind of expertise in Europe. Finnish Industries considers the proposed Erasmus+ programme, which supports learning, mobility, and cooperation in education, very positive. Also, actions supporting skills under Horizon Europe programme's pillar 1 (Marie Skłodowska-Curie Actions) and pillar 3 (skills ecosystem funding) are particularly important.

2. Finland's Accessibility and Military Mobility

In the changed geopolitical situation, it is extremely important to ensure Finland's accessibility from various perspectives. Functional and well-maintained transport and energy networks support the accessibility of different regions and ensure the functioning of the internal market. They are also a prerequisite for attracting investments to Finland. From the perspective of military mobility, it is essential to consider the strategic importance of the eastern border area for the security of the entire Europe and Nato. Therefore, Finnish Industries considers the proposed additional funding for transport infrastructure and military mobility under the Connecting Europe Facility (CEF) programme excellent for Finland.

It is important that the CEF instrument continues to support cross-border projects that provide European added value. The allocation criteria should be based on the excellence of strategic projects and improving international accessibility. In addition to military mobility, it is important to take into account the role of logistics in enhancing growth and competitiveness.

The strategic importance of military mobility investments should be reflected in the EU funding share. Finnish Industries proposes that Finland aims to increase the funding share for military mobility projects from 50% to 75% in the MFF negotiations. Also, all member states should be treated equally in terms of the required funding shares for projects under CEF funding.

Additionally, Finnish Industries calls for the courage to prioritize: Finland should strive for more substantial investments that are of greater significance for strengthening western connections and the security of supply, such as the Rail Nordica project concerning European gauge railways. The connections important to the EU and Finland are located on the core network corridors Helsinki-Tornio and Turku-Hamina-Kotka/Lappeenranta. From the perspective of cross-border connectivity, it is urgent to proceed with national studies of the bridge/tunnel projects in the Baltic Sea (Stockholm, Vaasa, or Tallinn).

Developing cross-border energy connections is also crucial for Europe's competitiveness and security. EU funding should be directed towards strategic cross-border energy infrastructure projects and strengthening transmission capacity. The allocation of funding should consider the position of the EU's peripheral states. In the current situation, it is critically important to ensure the availability of international, especially submarine, communication and energy transmission connections by jointly investing in their protection and repair capabilities.

3. Supporting Ukraine

Finnish Industries strongly supports Ukraine receiving all necessary military support and humanitarian aid from the union and its member states. It is extremely important that support for Ukraine continues to be strong, as proposed by the Commission.

As part of the future MFF, it is also essential to ensure a long-term financing arrangement for Ukraine's reconstruction and for Ukraine's future EU membership. EU funding should continue to be directed to an investment programme, such as the existing Ukraine Investment Framework (UIF). Here, the focus should remain on guarantee and loan-based financing to enable the largest possible total investments in Ukraine. Finnish Industries finds the Commission's proposal positive, but there is a need to set allocation ceilings for the different forms of funding. The future investment program should be at least 40 billion euros, with a target of around 160 billion euros in total investments. EK also emphasizes Ukraine's share of EU's external relations funding, which should remain high.

In addition to international development banks and national development finance institutions, export credit agencies such as Finnvera should also act as channels for the aforementioned investment financing. This would accelerate reconstruction and ensure the participation of European companies in projects. Reconstruction carried out by European companies according to EU technical standards would significantly advance Ukraine's EU membership process. To accelerate Ukraine's reconstruction, the Commission is encouraged to urgently draft a reconstruction plan for Ukraine based on European solutions, which would be operational even before the future MFF.

Other External Relations Funding and Export Credit Agencies

Finnish Industries considers it positive that the proposed new Global Europe funding program includes elements that strengthen European strategic priorities and emphasize European actors in implementation. Ensuring the participation of European companies is a strategic interest for Europe and promotes sustainable development globally. Here, EU's external relations funding should also utilize national export credit agencies. This would improve the participation rate of European companies in funded projects and support sustainable development. An example is the allocation of Global Gateway funding to critical raw material projects.

4. Funding and New Own Resources

Considering the needs to support Ukraine, strengthen the defense industry, and promote a clean transition, Finnish Industries considers it justified to increase the overall level of the MFF. The additional funding need should primarily be covered by reallocating different expenditure areas, developing EU's own resources, or increasing member states' contributions to the EU budget. Loan-based support instruments should be used only as a last resort.

If new own resources are introduced, they should support EU's strategic goals and provide genuine European added value. They should not negatively impact Europe's global competitiveness or Finland's relative competitive position. From these premises, Finnish Industries believes that the proposed new corporate tax (CORE) would be a negative measure from the perspective of growth and competitiveness and would send the wrong signal to companies, which need simplification and decreasing of regulatory burdens. Also, the Commission's proposal for an ETS1 -based own resource requires critical examination, as the revenue from emissions trading auctions is crucial for funding national clean transition projects and measures.

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