MULTIANNUAL FINANCIAL FRAMEWORK

POSITION PAPER OF THE PES GROUP IN THE EUROPEAN COMMITTEE OF THE REGIONS

"Competition that stimulates, cooperation that strengthens, and solidarity that unites"

Jacques Delors

The European Union stands at a critical juncture, facing unprecedented geopolitical, economic, and social challenges, combined with **a triple ecological, digital, and demographic transition**. These challenges threaten to reverse progress on climate and environmental action and European integration, as competitiveness takes center stage.

The next multiannual financial framework (MFF) should be the cornerstone of the European answer to these challenges.

Unfortunately, with its proposal published on 16 July 2025, the European Commission's response fell short in providing a convincing response. By proposing centralising EU funding, reducing shared-management budgets, and eroding transparency and democratic accountability, the European Commission is threatening the identity of the European Union. These changes mark **a fundamental and dangerous shift for regions, cities and municipalities, undermining decades of progress in cohesion, local empowerment, and citizens' trust**. Worse, it is cutting the European Union off from the very support of regions, cities and municipalities without which no European policy can be successful.

Following a powerful campaign by the **#CohesionAlliance** during the autumn and the mounting pressure from the main political groups in the European Parliament, in particular the S&D Group, European Commission President **Ursula von der Leyen finally proposed, on 9 November 2025, suggestions (without clear juridical status) on the next National and Regional Partnership Plans (NRPPs) regulation** to address the criticisms expressed by the European Parliament and the European Committee of the Regions.

These suggestions, in particular the "**regional check**", the "guarantee of the **full involvement of regional authorities** in the preparation, implementation and evaluation of the plans" and the "**rural target**" seem to be a good basis for negotiation but they **must be turned into**

concrete, legally binding commitments to make a real difference for regions, cities, and municipalities.

The Party of European Socialist Group in the European Committee of the Regions (PES Group in the CoR) welcomes this shift and push for concrete legislative amendments to make sure these ideas become reality. Our approach is grounded in **multilevel governance, social justice, and territorial cohesion**. Our priorities for the future MFF are clear:

An ambitious budget…

New challenges require new resources. We support the European Parliament's stance for a robust MFF equivalent to 1.38% of the EU's GDP, funded by genuine progressive own-resources to support the additional investment needs for the ecological and digital transitions as well as in the area of defense. **This means reversing the unjustified 20% cuts to cohesion and rural development funds under shared management.** It also means ensuring the European Social Fund (ESF+) has the budget it needs to tackle rising inequalities with a strong territorial dimension to reach all EU regions and a stable CAP budget, conditional on deep reforms to align agricultural spending with cohesion and sustainability goals. Gender equality must also be a priority, with gender-budgeting integrated across all EU spending to ensure policies address their differential impacts on women and men.

… with a strong multi-level governance

The "**do no harm to cohesion**" principle must be a horizontal priority in the future MFF, operationalised through the new Performance Framework Regulation. **The "one national plan per Member State" model should therefore be reformed.** It can only succeed if binding legislative guarantees in the form of a **"multilevel governance assessment"** and a **"subsidiarity clause"** allow regions, cities and municipalities to co-design and implement cohesion policy and the second pillar of the common agricultural policy (CAP) through renewed National and Regional Partnership Plans (NRPPs). In particular, the "**subsidiarity clause**" should give the regions the right to challenge plans if they are sidelined or if their Member State refuses to implement regional chapters. Finally, the European Commission should build on the proven success of integrated territorial investments (ITI), community-led local development (CLLD), and the LEADER framework. A **minimum target of 20%** of national funds should be **allocated for integrated territorial development strategies** (integrated territorial investments, community-led local development, LEADER or other territorial tools designed by Member States) in urban or rural areas, as guarantee of a genuinely place-based approach that empowers cities, local communities and stakeholders.

Long-term is the key

A long-term approach is essential for the next MFF. For this reason, budgetary predictability and stability for long-term regional strategies, based on the partnership principle and multilevel governance are essential, particularly for Pillar 1 of the MFF. All regions should therefore remain eligible for cohesion policy funding, with a dedicated budget for all three categories of regions, pre-allocated for 7 years according to a consolidated methodology that considers EU social and economic criteria. Moreover, in order to avoid competition between cohesion policy, social policy, agriculture, rural development, fisheries and security, each sectoral policy should be given a specific and pre-defined budget line during the programming period.

The European Union faces an increased number of challenges. The EU needs its regions, cities and municipalities to reach its objectives as much as regions, cities and municipalities need European support to deliver in terms of cohesion, competitiveness, climate change and democracy.

A budget to solve the social crisis, …

To address the European housing crisis, strong multilevel governance and substantial financial commitment are essential. Expanding cohesion policy support for housing, mobilizing financial instruments (equity, loans, guarantees and other tools tailored to local needs) can help bridge the current investment gap of EUR 270 billion a year identified by the European Investment Bank (EIB). The next MFF should also operationalize the European Pillar of Social Rights through measurable social targets: reducing poverty by at least 15 million people, achieving 60% adult participation in training annually, and expanding early childhood education to all children under three. Finally, the MFF in general and the cohesion policy in particular, should enable the EU to implement an EU-wide minimum set of public services (healthcare, mobility, education, connectivity) eligible for cohesion funding. This will reduce inequalities and the "geography of discontent" and ensure the "right to stay" in all regions. Moreover, within the new Asylum, Migration and Integration Fund (AMIF), the increased funding should not be allocated only to the implementation of the new migration and asylum package and security policy investments, but also, crucially, as previously, towards integration measures in cities.

… to foster competitiveness…

The European Competitiveness Fund (ECF) must foster competitiveness that works for everyone. Only a place-based approach to industrial policy with smart specialisation strategies, earmarking for research and innovation within cohesion policy and funding for interregional innovation investments will drive real and long-term growth. For this reason, smart specialization strategies and earmarking for research and innovation within cohesion policy should be reinstated in their corresponding regulations. Moreover, the ECF one-size-fits-all approach risks overlooking the needs of various different regional industrial ecosystems and hampering competitiveness that work for the people, not only for the markets. Therefore, the ECF should not only prioritize European Champions through large-scale projects, it should also focus on European SMEs and mid-caps which are the backbone of European growth and jobs. While the focus on defense and space is understandable, allocating 53% of the ECF budget to it will weaken investments in decarbonization and digitalization, areas that are crucial to define Europe's future competitiveness. In the field of transports, the increase of the Connecting Europe Facility (CEF) funds should also benefit the 431 urban nodes of the European transport network (TEN-T) in order to make sure to cover the connections until the last kilometer.

… and a just transition

Europe's geopolitical and economic vulnerabilities have caused a dangerous setback in sustainability and climate transition. Yet, the European Commission's MFF proposal fails to correct course. Instead of accelerating action for a sustainable future, the current direction risks undermining the EU's climate ambitions and competitiveness and betraying the promise of a just transition for every European, no matter where they live. The Just Transition concept (meaning that nobody will be left behind in the implementation of the ecological transition) cannot be replaced by the idea of "clean" transition that prioritizes large-scale, corporate-led projects, with little regard for the territorial and social impacts of the transition. We must also ensure that the 35% climate and environment spending target delivers real impact, not greenwashing, and that actions previously funded by LIFE, the EU's only dedicated source for nature, climate, and environment, are fully maintained.

How do we finance all of this?

Increasing the EU's own resources is essential to achieving a sustainable, long-term budget and moving beyond the conflict between so-called "net recipients" and "net contributors". To face multiple new and existing challenges, the PES Group in the CoR calls for bold proposals to create new, genuine own-resources.

1. The Emissions Trading System (ETS)-based own-resource and the own-resource based on the Carbon Border Adjustment Mechanism (CBAM) must remain central to the new framework. Both are closely linked to the EU's climate targets and can generate significant revenue.
2. The EU should support the Commission's proposed new own resources: a tax on e-waste, which benefits the environment and strengthens strategic autonomy in critical raw materials; a tobacco tax to advance EU health objectives; and a Corporate Resource for Europe (CORE), ensuring that corporations with annual net turnover above EUR 100 million contribute fairly to the EU budget, in line with their gains from the single market.

3. The EU should introduce additional own resources: a financial transaction tax to ensure the financial sector pays its fair share and discourage speculative trading; and an environmental tax on road transport, beyond the Eurovignette system, to internalize the costs of pollution and congestion for all vehicles.

These are just a few ideas to enhance the EU's impact on its citizens. For more details, see the PES Group's position paper in the European Committee of the Regions. Our vision is clear: **the MFF must put people first**, delivering not just economic growth but also solidarity, robust public services, and social justice. This is the contribution of the PES Group in the CoR.