

# The Role of the 2028–2034 MFF in Shaping Industrial Transformation in Central and Eastern Europe

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## Context

On 16 July 2025, the European Commission launched the negotiations on the EU's next long-term budget by publishing its proposal for the 2028–2034 Multiannual Financial Framework (MFF). The MFF remains the EU's main financial tool for turning common political goals and priorities into concrete investments, providing the stability and coordination of spending essential for some EU policy objectives.

The proposal for the future financial plan, worth €1.98 trillion,<sup>1</sup> equivalent to 1.26% of the EU's Gross National Income (GNI), marks a significant restructuring of EU spending, shifting from programme- to policy-based budgeting and from cost- to performance-based funding. This shift is framed as a response to geopolitical instability, intensified global competition, economic uncertainty, as well as the EU's commitment to decarbonise its economy by 2050. Therefore, greater budgetary flexibility is designed to allow the Union to respond more quickly to unexpected shocks and emerging priorities, reducing the rigidity that has characterised previous frameworks and thereby adapting more effectively to shifting policy priorities.

With the Commission aiming to “[maximise the impact of every euro](#)”, security, competitiveness and a successful transition are elevated from supporting objectives to core budgetary priorities, reflecting the political salience of issues regarding EU strategic autonomy and resilience. However, this shift raises important questions about increased centralisation, the potential erosion of traditional cohesion objectives, and the uneven capacity of Member States to operate within a more demanding, performance-driven framework.

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<sup>1</sup> This total includes €168 billion earmarked for repaying Next Generation EU. Excluding these repayments, the budget available for EU programmes falls to 1.15% of the EU's GNI, only marginally higher than the 1.13% allocated under the 2021-2027 MFF.

These tensions are particularly relevant for Central and Eastern European (CEE) Member States, [whose economies remain reliant on energy-intensive](#) industries. Those sectors have already been feeling the strain of rising energy prices, while tight public budgets are limiting the ability of governments to cushion the impact through state aid. Facilitating industrial transformation in this region is important not only for meeting climate goals but especially for maintaining economic resilience, stimulating competitiveness and growth, and maintaining social cohesion. Therefore, the success of the next MFF in contributing to the EU's industrial ambitions also depends on its ability to drive investment in CEE.

The new budget proposal offers instruments that could address these needs, especially through novel funding programmes. At the same time, the proposal offers no credible mechanism for advancing common industrial goals and no corrective instruments for addressing the Single Market distortions caused by state aid leveraged to support industrial production in some Member States.

## How the proposed 2028-2034 MFF changes the way common goals are funded

The proposal for the next MFF is structured around three major spending headings,<sup>2</sup> consolidating several programmes that are currently treated separately in the 2021-2027 MFF:

- Economic, social and territorial cohesion, agriculture, rural and maritime prosperity and security (the flagship programmes in this category are the **National and Regional Partnership Plans – NRPPs – with an allocation of €865 billion**);
- Competitiveness, prosperity, innovation, digitalisation, research and security (the largest component in this category being **the European Competitiveness Fund (ECF), allocated €409 billion, which includes Horizon Europe**), aimed at boosting support for research and innovation, strengthening the EU's heavy industry base, including the manufacturing and deployment of strategic technologies in Europe, and reinforcing the industrial base for defence;
- Global Europe (mostly delivered through **the Global Europe Instrument, with a proposed allocation of €200 billion**), will support EU external action, development cooperation, humanitarian aid, and strategic partnerships with third countries. Among other priorities, it will advance a new European Economic Foreign Policy that will seek to strengthen alignment with EU internal priorities, including trade and competitiveness, energy security and decarbonisation, and access to critical raw materials.

The proposed 2028-2034 MFF shifts from a primarily distributive budget to a strategic investment framework, most evident in the merger of Cohesion Policy and the Common Agricultural Policy (CAP) into the National and Regional Partnership Plans (NRPPs). At the same time, the proposed MFF institutionalises key features of the [Recovery and Resilience](#)

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<sup>2</sup> Plus, an additional one dedicated to funding European public administration.

Facility (RRF), embedding milestones, reforms, and rule-of-law conditionality as permanent access conditions for EU funds. While this approach aims to improve efficiency and accountability, experience with the RRF has shown that many CEE countries struggled with limited administrative capacity, uneven absorption, and centralised decision-making.

Compared to the 2021-2027 MFF, funding is no longer primarily justified by eligibility or historical allocation. Currently, two-thirds of the 2021-2027 MFF is allocated to CAP and Cohesion Policy, with the new proposal reducing this allocation to make space for priorities such as security and defence (five-fold increase), Horizon Europe (two-fold increase) and the Connecting Europe Facility (CEF; including a 2.4-fold increase in energy and transport infrastructure spending).

The consolidation of programmes and the integration of performance-based conditionality suggest a more interventionist and strategically coordinated EU industrial approach.

**Table 1. Key Differences Between MFF 2021–2027 and MFF 2028–2034**

| Category         | 2021 – 2027 MFF           | 2028 – 2035 MFF | Implications  |
|------------------|---------------------------|-----------------|---|
| Headings         | 7                         | 4               | Simplification on paper comes with higher administrative burdens and complexities in practice     |
| Programmes       | 52                        | 16              | Strategic sectors gain importance, but regional development is at risk                            |
| Main instrument  | CAP, Cohesion Policy, RRF | NRPP            | Money is no longer guaranteed; it is earned, based on reforms and measurable results              |
| Climate target   | 30%                       | 35%             | Ambitious climate goal co-exists with competing priorities  |
| Defence Spending | Minimal                   | Major expansion | Risk of favouring states with strong defence industries and neglecting cohesion and climate goals |

Within this new architecture, political and economic priorities are more explicitly directed towards industry than in previous budgets. The Commission places strong emphasis on strengthening Europe’s strategic industries and reducing strategic dependencies in critical value chains. This approach could align with recent attempts to complement supply-side subsidies with measures that support demand for low-carbon products, such as Green Public Procurement (GPP) and standards that reward cleaner production. However, these tools remain largely regulatory and are not a central feature of EU budgetary spending.

## The industrial transformation potential of the next MFF in CEE

The new MFF introduces a set of instruments that could shape the pace and direction of industrial transformation across the EU, which is being affected by high energy prices, reliance on fossil fuel imports, and unfair competition. The situation is particularly challenging in CEE countries, which face narrower fiscal space, higher barriers to attracting private capital, a lack of political drive, and limited institutional capacity to drive industrial transformation. Unlike previous budget cycles, support for clean industry is distributed across several funding channels that combine investment support, infrastructure development and risk-sharing mechanisms. However, the projected budget is insufficient to close the annual €750- €800 billion investment gap outlined in the [Draghi report](#). Additionally, access to these mechanisms is increasingly competitive and conditional, in some cases with no national allocations, which risks undermining the budget's existing cohesion objectives.

One such EU-level instrument supporting industrial transformation would be [the ECF](#). With over €130 billion allocated to defence, only €67.4 billion would be earmarked for the clean transition, of which just €26 billion would come from the MFF, with the remainder expected from the Innovation Fund (which technically sits outside the EU common budget). The ECF will therefore not be sufficient to support industrial transformation and cleantech manufacturing at the required scale, so it will need to be leveraged alongside the National and Regional Partnership Plans (NRPPs), the CEF, InvestEU, and national state aid instruments.

The InvestEU programme is an already operational instrument under the current MFF 2021-2027, with a budgetary guarantee of about €26 billion, expected to leverage approximately €362 billion in further investments. While this instrument has already proven its worth in helping bridge the gap between public support and commercial viability, and has been deployed to stimulate investments in CEE, [especially among SMEs](#), it has not yet been used at scale to fund industrial transformation in the region, especially for capital-intensive projects in sectors such as steel, cement, chemicals and fertilisers. Although the precise allocation for InvestEU under the 2028-2034 MFF has not yet been officially published, it will be essential to leverage this instrument more effectively to support capital-intensive industrial transformation projects in the next programming period.

To contribute to industrial objectives, NRRPs, encompassing 14 existing funds, including the Cohesion Policy and CAP, amounting to €865 billion (in current prices), would need to align with ECF priorities on climate, competitiveness and security, including cleantech manufacturing. Therefore, applying climate and industrial-related performance criteria to NRRPs' spending could implicitly create an opportunity for clean industrial development. However, there is no current mandate to introduce GPP criteria for NRRP spending, which could be a valuable addition for driving demand for low-carbon industrial products.

[The CEF](#) can also serve as an enabler for industrial transformation through improved access to clean electricity and hydrogen and, in some cases, [carbon capture and storage](#)

**infrastructure**. Around €30 billion is allocated to the infrastructure and energy focus area, specifically for financing trans-European networks by investing in “**cross-border interconnectors and grids, cross-border transport connections, offshore networks, renewable energy sources and storage and alternative fuels infrastructure**”. Electricity price differences remain a pervasive problem in Southeast Europe, while access to CO<sub>2</sub> and clean hydrogen infrastructure will be mainly concentrated in Northern Europe, based on the investment pipeline announced so far. Maximising the impact of CEF in addressing such shortcomings would require a better focus on **integrated infrastructure planning**, both between Member States and energy vectors.

The most sizeable proposed EU instrument for driving industrial transformation would be the Industrial Decarbonisation Bank (IDB), expected to mobilise €100 billion in funding. By covering green premiums through mechanisms like carbon contracts for difference (CCfDs) and fostering lead markets for clean materials, the IDB would be an essential EU instrument for stimulating industrial transformation in sectors affected by carbon pricing. However, the IDB sits outside the MFF, as it would be financed through revenues from the EU Emissions Trading System (ETS). It would therefore also be governed independently, and to date there are few credible coordination mechanisms for planned MFF spending.

Overall, the proposed instruments under the next MFF offer meaningful potential to accelerate industrial decarbonisation and support the transformation of heavy industry across the EU, including in CEE countries. However, this may risk being only partially realised. The increasing reliance on EU-level, non-preallocated funding, such as the ECF and InvestEU, intensifies competition and may disadvantage countries with weaker administrative capacity and less mature project pipelines. At the same time, the absence of credible coordination mechanisms across funds limits the EU’s ability to steer investments toward common industrial objectives, particularly where key instruments, such as the IDB, sit outside the MFF governance framework. Finally, the opportunity to create lead markets for low-carbon industrial products remains underexploited, as current proposals lack clear mandates to use public procurement strategically to generate demand. Without addressing these shortcomings, the next MFF may struggle to drive industrial transformation in CEE at the required scale and speed.

## Conclusions and recommendations

The 2028–2034 MFF proposal marks a strategic reorientation in how the Union approaches investment, competitiveness, social and territorial cohesion. By consolidating major funding streams and elevating security, competitiveness, and decarbonisation as core priorities, the Commission seeks to prepare the EU for a decade defined by geopolitical instability, technological rivalry, and accelerating climate pressures. The increase of climate-related spending to 35% reflects continuity in ambition, yet the overall scale of public resources dedicated to decarbonisation, clean technologies and energy system transformation remains insufficient. In practice, this means that the MFF alone is unlikely to deliver the targets and the required speed of industrial transformation, even if targeted instruments such as the ECF can help improve project bankability and mobilise private capital.

In its current form, the proposed framework is only partially suited for driving deep industrial transformation, particularly in Central and Eastern Europe, where fiscal space, access to funds, administrative capacity, and industrial legacies differ markedly from those of Member States with greater ability to mobilise state aid. The integration of cohesion policy into the broader NRPP framework risks weakening its redistributive role unless strong safeguards are introduced, especially given the lack of national preallocations under the ECF, InvestEU or IDB, which could widen existing cohesion gaps. Addressing these risks would require methodologies for regional allocations, stronger involvement of local and regional authorities in the design and evaluation of national plans, and the use of standardised indicators to ensure transparency and comparability across Member States. At the same time, the growing weight of defence and security spending will require careful calibration to avoid crowding out investments in regional development and climate action, which remain critical for long-term competitiveness. A clearer framework for coordinating EU spending around common industrial objectives is needed. The upcoming Competitiveness Coordination Tool could partially address this challenge, but without a shift in political priorities, the EU's industrial policy risks remaining fragmented and internally inconsistent.

The MFF can also be more effectively leveraged to support the modernisation of energy-intensive industries, especially in CEE. One practical avenue would be to strategically apply GPP, combined with climate and European preference criteria, across major spending instruments, including the NRPPs, the ECF, the CEF, and investments in defence, transport, and energy infrastructure. Conditioning access to funding on meeting criteria for low-carbon industrial products manufactured in Europe could stimulate demand for clean industrial materials such as steel, cement, and chemicals and foster cross-sector synergies, particularly given their importance in defence supply chains.

The proposal is likely to undergo significant revisions, and the final outcome remains uncertain. The outcome will likely bear significant importance for the ability of CEE economies to pursue industrial transition objectives and remain competitive. Ultimately, the success of the 2028–2034 MFF will depend on whether it can reconcile strategic autonomy with cohesion, and long-term competitiveness with the realities of uneven development and institutional capacity across the Union.

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