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PSSG 3. THE NEXT EU BUDGET: TOWARDS A MISSION-ORIENTED FRAMEWORK TO SERVE EUROPEAN PUBLIC GOODS

(Draft paper from Marco Buti, Padoa Schioppa Chair at EUI and Odysseas Konstaninakos, Phd student at EUI)

A Strategic Moment for Europe

In the face of mounting geopolitical instability, intensifying global competition, and the lasting repercussions of successive crises, the European Union must fundamentally rethink its budgetary framework. The forthcoming Multiannual Financial Framework (MFF) should not be a routine administrative exercise. It must be recast as a strategic policy tool capable of enabling collective sovereignty, safeguarding Europe's open societies, and delivering on long-term priorities. The budgetary status quo is untenable; we need a new architecture that is more focused, more agile, and more impactful.

The case for reform is overwhelming. Europe's priorities have multiplied—from defence to energy, from competitiveness to cohesion—but its main fiscal instrument remains constrained in size, outdated in composition, and rigid in execution. As the European Commission prepares its July 2025 proposal, we advocate for an ambitious yet pragmatic transformation grounded in three imperatives: a mission-oriented approach, a redefinition of European public goods (EPGs), and the political courage to rethink both expenditure and revenues.

From Legacy Constraints to Strategic Alignment

Despite its central role in shaping EU priorities, the current MFF accounts for barely 1% of EU GDP—comparable in scale to the national budget of Denmark. Around two-thirds of its allocations remain bound to the Common Agricultural Policy and Cohesion Policy. While these functions are not obsolete, they no longer reflect the scale or urgency of Europe's contemporary challenges. Moreover, over 90% of the budget is locked in at the outset, leaving little room for adaptation.

A genuine shift is needed toward a mission-driven budget that funds projects with clear European added value: the green and digital transitions; strategic autonomy in defence and critical raw materials; institutional resilience; and inclusive education. These areas must be redefined as

European public goods—priorities that Europe can neither afford to ignore nor address in a fragmented, national manner.

Delivering on these priorities requires internal coherence: the EU’s fiscal capacity must work hand in hand with its regulatory powers and its capacity to coordinate national reforms and policies. Too often, these three levers—allocation, regulation, and coordination—have operated in isolation. A modern MFF must bind them together in a coherent framework that maximises impact and avoids policy contradictions by ensuring complementarity.

Equally important is external coherence: the EU budget must be designed in full alignment with national budgets. Vertical fiscal coordination is essential to ensure that national investments and reforms complement EU-level missions, creating a genuine European fiscal space where shared objectives are jointly funded and implemented.

Democratic Foundations for Budgetary Reform

This budget cycle is distinct in its incorporation of citizen input through the European Citizens Panel (ECP). The ECP offered an unprecedented exercise in participatory governance, proving that when given the tools and support, European citizens can engage meaningfully with even the most technical policy questions.

The Panel’s 22 recommendations—which prioritised health, education, employment, and democratic resilience—demonstrate a coherent and cross-national vision for EU action. These recommendations offer more than legitimacy; they provide strategic direction. Citizen engagement should no longer be a one-off consultation but a permanent and structured pillar of EU budget governance.

Focusing on Deliverable Missions

The debate must shift from abstract debates on budget shares to concrete deliverables. What should the EU achieve over the next decade? Examples such as a trans-European high-speed rail network, universal Erasmus access, or a European capability in AI-enabled defence technologies exemplify the clarity of purpose needed. These are tangible, evaluable, and publicly visible European objectives with shared benefits.

The Commission’s proposed three-pillar structure—the National Plans, the European Competitiveness Fund, and the Global Europe Fund—provides a promising blueprint. However, this architecture must be paired with greater flexibility and a clear departure from legacy allocation patterns. The logic of zero-based budgeting, starting from strategic missions rather than historical envelopes, is essential.

Financing a Reformed Budget: New Tools for New Times

Ambition without financing is rhetoric. The MFF cannot support new missions without additional resources. The question of revenue must be confronted head-on. Whether through new “own resources” such as carbon border adjustments, digital or financial transaction taxes, or through expanded EU-level borrowing, the fiscal means must match the Union’s strategic intent.

Moreover, common borrowing mechanisms not only enhance financing capacity but also strengthen the international role of the euro, increase the availability of safe assets, and deepen capital markets across the EU. These macro-financial gains reinforce the case for a reformed EU fiscal capacity and reveal the geoeconomic potential of the common currency.

Conclusion: A Budget That Matches the Moment

The EU cannot afford to let the next MFF be another exercise in compromise and incrementalism. The stakes—geopolitical, economic, and democratic—are simply too high for the least-common-denominator approach to emerge as the final solution and compromise. Reforming the EU budget is not merely a technical matter; it is a political necessity and a strategic opportunity.

This is the moment to redefine the EU budget as the backbone of a sovereign, resilient, and forward-looking Europe. By ensuring internal and external coherence, embracing a mission-oriented framework, and matching ambition with credible financing, the next MFF can become what Europe needs it to be: not just a budget, but a true engine for transformation.