Bankwatch's position on the EU's 2028–2034 Multiannual Financial Framework proposal

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Introduction

On 16 July 2025, the European Commission published its proposal for the 2028–2034 Multiannual Financial Framework. This proposal arrives at a pivotal moment, as the EU grapples with cascading crises: Russia's war of aggression in Ukraine, energy insecurity, and the unrelenting pressures of climate change and biodiversity loss. Building on the priorities set out in the Commission's mandate, including the European Green Deal, energy interconnectivity, and the Draghi report on the future of European competitiveness, the proposed EUR 1.8 trillion budget [1] promises a 'simpler, more flexible, and more strategic' [2] framework. Yet it falls woefully short of the bold ambition required to close the staggering investment gaps for decarbonisation and digital transformation, estimated at 4.4 to 4.7% of GDP,[3] and fails to strengthen Europe's natural resilience through nature protection and restoration.

While the proposal nods to leveraging EU funds more effectively, it risks entrenching a status quo that prioritises short-term competitiveness over long-term resilience, leaving regions reliant on carbon-intensive industries further behind. The inclusion of EUR 149.3 billion for repaying NextGenerationEU bonds is a pragmatic necessity, but it underscores the Commission's reluctance to scale up collective borrowing for transformative investments.

Without consistent, coherent and enforceable rules such as ring-fencing for just transition and biodiversity and applying a unified 'do no significant harm' principle that excludes all fossil fuels, this Multiannual Financial Framework could become a Trojan horse for deregulation, undermining the EU's global leadership on sustainability.

Furthermore, all guidance and regulatory frameworks on the Multiannual Financial Framework proposal must explicitly cross-reference existing climate, human rights and social rights commitments, which various transition strategies – such as the national social climate plans and the national energy and climate plans– explicitly build on through just transition priorities, which is essential to avoid diluting regional perspectives. In addition, the Multiannual Financial Framework should apply and operationalise the 'leave no-one behind' principle in its entirety.

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[1] European Commission, Annex. The 2028-2034 Multiannual Financial Framework – Tables, *EUR-Lex*, 32, 16 July 2025.

[2] European Commission, Shaping the future of the EU together: the Commission sets out the road to the next EU long-term budget, *European Commission*, accessed 28 November 2025.

[3] Mario Draghi, The future of European competitiveness Part B In-depth analysis and recommendations, *European Commission*, 282, 2024.

Restructuring the Multiannual Financial Framework

A major change in the Commission's proposal is the shift to a governance model based on the Recovery and Resilience Facility, incorporating the 'cash-for-reform' strategy, which links fund disbursements to the achievement of specific objectives agreed between the Commission and EU Member States.

While the current long-term budget includes around 50 different instruments, the future budget is structured around four main headings which cuts the number of instruments from 52 to 16. In principle, this could encourage more consistent and efficient measures, and help to reduce administrative silos. However, this will only work if safeguards are ironclad. Without mandatory transparency, multilevel governance and stakeholder engagement processes, as well as increased accountability and independent oversight across all headings, there is a high risk that the voices of vulnerable groups and communities affected by EU reforms will be sidelined. In such a scenario, the reforms risk becoming piecemeal, box-ticking exercises that only deepen existing inequalities and exacerbate social and regional tensions.

From a structural perspective, combining so many funding areas into just four pillars, without specific earmarking for different environmental objectives and while eliminating key programmes aimed at advancing a sustainable and just transition – such as the LIFE programme and the Just Transition Fund – will likely shrink the funding available for public goods. Biodiversity, social inclusion and education are particularly at risk of being neglected amid growing geoeconomic pressures.

Other key changes include proposed cuts to agriculture and cohesion policy spending (from 62 to 44% of commitments) in favour of strengthening and topping up programmes for research, cross-border infrastructure, defence, and energy connectivity. While external spending under the Global Europe instrument could see modest gains, the overall budget proposal leaves a major gap: it does not create the dedicated environment and just transition heading that 68 civil society organisations called for in May 2025 – one that would not be subject to the conditionality attached to the Recovery and Resilience Facility.[4]

The principle of 'leave no one behind' embedded in the current budget also looks set to be weakened in favour of a narrow focus on technological transition while overlooking the societal, environmental and territorial impacts. Additionally, funding for just transition measures would become optional, demoted to non-binding regional chapters within the proposed national and regional partnership plans to potentially support the phase-out of industries such as coal, primarily in central and eastern Europe. At the same time, cohesion policy funding would be significantly reduced, while the clear focus in the proposed European Competitiveness Fund on providing support for large strategic industries as they shift towards clean technologies and high-technology sectors – mainly based in western Europe – signals a strong geographic funding bias, which would exacerbate existing disparities between European regions.

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[4] CEE Bankwatch Network, et al., Joint NGO statement on the future of the Instrument for Pre-accession Assistance (IPA) in the post-2027 EU budget, *CEE Bankwatch Network*, 28 May 2025.

On a positive note, the development of single rule book for the entire Multiannual Financial Framework could help establish common principles such as ‘do no significant harm’ criteria that would ensure alignment with EU priorities and make the budget more coherent and sustainable over the long term.

Headings under the 2028–2034 Multiannual Financial Framework

Heading 1: Economic, social and territorial cohesion, agriculture, rural and maritime prosperity and security

Heading 1 of the 2028–2034 Multiannual Financial Framework proposal is dedicated to economic, social and territorial cohesion, agriculture and rural, fisheries and maritime, prosperity and security. To govern the funds consolidated under Heading 1, the Commission has published a separate, guiding legislative document: a proposal for a regulation establishing the European Fund for Economic, Social and Territorial Cohesion, Agriculture and Rural, Fisheries and Maritime, Prosperity and Security (hereafter referred to as the Regulation).[5] The proposed Regulation is a single, specific legal instrument designed to integrate and govern 14 current EU programmes, with the newly proposed national and regional partnership plans at its core.

National and regional partnership plans

A key feature of the national and regional partnership plans, allocated EUR 771 billion,[6] is the proposed integration of the EU’s two largest funding envelopes – the Common Agricultural Policy, which provides subsidies for farmers, and cohesion policy, which supports regional development – into a single framework. However, the proposal would significantly reduce the weight of both policies in the overall budget. Under the new proposal, they account for 44% of total commitments, down from 62% in the current Multiannual Financial Framework. Debate over this merger is already proving challenging, with competition emerging between regions and farmers.[7]

This tension culminated in the European Commission proposing legal changes around 10 November 2025, including dedicated targets for rural agriculture funding and safeguards for regional involvement, aimed at satisfying key stakeholders and reducing pressure from Parliament, farmers, and regions.[8]

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[5] European Commission, Proposal for a Regulation of the European Parliament and of the Council establishing a European Fund for economic, social and territorial cohesion, agriculture and rural, fisheries and maritime, prosperity and security, *EUR-Lex*, 17 July 2025.

[6] European Commission, COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE EUROPEAN COUNCIL, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS A dynamic EU Budget for the priorities of the future - The Multiannual Financial Framework 2028-2034, *EUR-Lex*, 32, 17 July 2025

[7] European Committee of The Regions, MEPs and regional leaders urge changes to governance model merging cohesion and agriculture, *European Committee of The Regions*, accessed 28 November 2025.

[8] Euractiv, Disunited Parliament calls off EU budget rebellion, *Euractiv*, accessed 28 November 2025.

The national and regional partnership plans aim to balance common EU priorities with regional needs, covering areas such as cohesion, social policy, rural development, and migration. The proposed framework for the Fund includes five specific objectives, placing the just transition under the objective of supporting the EU's sustainable prosperity.[9] But although Article 22 of the Regulation acknowledges the 'specific needs of disadvantaged regions, such as border regions, northern sparsely populated regions, rural and urban areas, areas affected by industrial transition, [and] islands',[10] no earmarking has been provided for these vulnerable regions.

Under the proposed governance model for Heading 1, the territorial aspects of planning and implementation are weakened. This is largely because the goals established for the national and regional partnership plans are overly general and vague. This ambiguity grants Member States wide discretion over the design of the plans and too much power to the Commission in its evaluation, while the exclusion of regional and local authorities could hinder effective execution at the local level. To be effective, national and regional partnership plans must properly integrate national energy and climate objectives with the challenges of climate adaptation and nature restoration. Additionally, assessments of vulnerability, social needs, and the specific capacities of regions and cities must be taken into account at the earliest possible stage during drafting of the plans.

Regarding financial allocations, only 14% [11] of the funding under Heading 1 is earmarked for social investments, with just 43% assigned to climate- and environment-related investments. The social allocation – which integrates the functions previously carried out by the European Social Fund – remains insufficient to address the growing social challenges linked to the industrial transition, driven by the policies of competitiveness, security and the European Green Deal. Furthermore, these allocations are not broken down by objective, meaning that measures aimed at strengthening the EU's natural resilience and advancing social justice are likely to be neglected in favour of more visible investments.

Among the numerous changes introduced under Heading 1, several positive elements are worth noting. One encouraging aspect is the provision in Article 6 of the Regulation establishing a framework for monitoring expenditure and the implementation budget for all shared-management funds. [12] This demonstrates a reaffirmed commitment to the partnership and multilevel governance principles

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[9] Article 3 in Proposal for a Regulation of the European Parliament and of the Council establishing the European Fund for economic, social and territorial cohesion, agriculture and rural, fisheries and maritime, prosperity and security for the period 2028-2034 and amending Regulation (EU) 2023/955 and Regulation (EU, Euratom) 2024/2509

[10] European Commission, Proposal for a Regulation of the European Parliament and of the Council establishing a European Fund for economic, social and territorial cohesion, agriculture and rural, fisheries and maritime, prosperity and security, *EUR-Lex*, 56,17 July 2025.

[11] European Commission, Proposal for a Regulation of the European Parliament and of the Council establishing a European Fund for economic, social and territorial cohesion, agriculture and rural, fisheries and maritime, prosperity and security, *EUR-Lex*, 58, 17 July 2025.

[12] Ibid., 42.

across the national and regional partnership plans as a whole, extending these principles even to the Common Agricultural Policy.

However, the partnership principle should also be applied to the preparation and implementation of programmes, not just in relation to monitoring committees. To ensure meaningful implementation of this provision, access to technical assistance funds should be democratic and proportionate to the responsibilities of the participants. The recommendations from the long-term work of the European Community of Practice on Partnership should serve as a starting point for further improvements.[13]

We welcome the broadening of the partnership principle through the incorporation of new categories of partners, and consider it a positive development that should be treated as a priority. In particular, categories that have significantly evolved during the current programming period should not only be recognised in principle but also adequately represented among monitoring committees. With regard to youth-related stakeholders, we recommend framing this in terms of intergenerational justice to ensure conceptual clarity, as the term 'youth organisations'[14] may be interpreted differently across Member States.

However, we remain concerned about the potential exclusion of the partnership principle in the context of border management and internal security, as outlined in paragraph 5 of Article 6.[15] Such an exemption appears misguided, as border management is a policy area that requires heightened transparency and accountability – both of which are strengthened by partnership-based approaches.

Heading 2: Competitiveness, prosperity and security

Heading 2 of the 2028–2034 Multiannual Financial Framework proposal is dedicated to competitiveness, prosperity and security, with a total proposed allocation of EUR 522.2 billion, including for research and innovation. The heading brings together 14 existing programmes, representing approximately EUR 362.3 billion. Its core instrument, the European Competitiveness Fund,[16] is organised into four thematic pillars:

- Clean transition and industrial decarbonisation – EUR 58 billion;
- Resilience and security, defence industry, and space – EUR 115 billion;
- Digital leadership – EUR 48 billion;
- Health, biotech, agriculture and bioeconomy – EUR 20 billion.

[13] European Commission, European Community of Practice on Partnership (ECoPP), *European Commission*, accessed 1 December 2025.

[14] European Commission, Proposal for a Regulation of the European Parliament and of the Council establishing a European Fund for economic, social and territorial cohesion, agriculture and rural, fisheries and maritime, prosperity and security, *EUR-Lex*, 42, 16 July 2025.

[15] Ibid., 42.

[16] European Commission, A dynamic EU Budget for the priorities of the future - The Multiannual Financial Framework 2028-2034, *EUR-Lex*, 32, 16 July 2025.

- Two EU instruments remain outside the European Competitiveness Fund structure: Horizon Europe, the EU's main research and innovation framework, and the Connecting Europe Facility, which finances strategic infrastructure investments in transport, energy and digital networks. Horizon Europe's budget would increase to EUR 175 billion, while the Connecting Europe Facility would rise to EUR 81.4 billion.

However, without strong safeguards in place, the entire heading – and the European Competitiveness Fund in particular – could potentially be used to finance high-carbon or environmentally harmful 'innovations'. Fossil gas-based hydrogen and carbon capture and storage – both highly expensive technologies that cannot meaningfully contribute to sustainable decarbonisation – have already received billions in EU funds. An excessive focus on industrial decarbonisation risks further channelling resources into similarly marginal or damaging technologies.

Life as a stand-alone programme

Preserving the LIFE programme as a stand-alone instrument would align with the demands of European citizens expressed at the Conference on the Future of Europe[17] and at the recent Citizens' Panel on the Multiannual Financial Framework,[18] both of which specifically called for stronger action on nature, biodiversity, pollution reduction, sustainable food systems, and clean energy. This position was reaffirmed in a recent joint letter signed by 35 European regional and local authorities, 105 municipalities and their networks, 94 enterprises and their trade associations, 90 universities and research institutes, and 496 other organisations across Europe.[19]

Just transition gaps in the European Competitiveness Fund

From a just transition perspective, the proposed European Competitiveness Fund raises significant concerns. Its primary focus lies in supporting the clean transition of large companies, with little attention given to the workers, communities and regions most affected by this shift. This approach risks bypassing regions without major strategic industries, further deepening existing territorial inequalities.

In the absence of social conditionalities guiding the allocation of funds and the lack of territorial or regional envelopes, EU financing could inadvertently exacerbate social disparities instead of promoting a fair and inclusive transition. To avoid this scenario, all public funding, including support for industries under the European Competitiveness Fund, must be explicitly tied to strong social and environmental conditionalities, in order to guarantee coherence, accountability and alignment with EU climate, environmental and social goals.

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[17] The event was held on19-21 June 2025, read more: The outcomes of the sixth Siena Conference on the Europe of the future.

[18] The event was held between March and May 2025, read more: A new European budget fit for our ambitions European Citizens' Panel, *European Commission*, accessed 1 December 2025.

[19] European Commission, Feedback from: Liguria Region, accessed 1 December 2025.

Connecting Europe Facility

The prospective 2028–2034 budget for the Connecting Europe Facility is EUR 81.4 billion, with EUR 51.5 billion earmarked for transport and EUR 29.9 billion for energy projects.[20] This is a potential fivefold increase in the energy allocation compared to the EUR 5.8 billion allocated for energy in the 2021–2027 Facility budget.[21] This increase reflects the current shortfall in grid investment and supports the EU's commitment to integrating more renewable energy sources into the energy system. The proposed Connecting Europe Facility Regulation explicitly mentions the Connecting Europe Facility Programme's important role in addressing the 32-gigawatt cross-border capacity gap in electricity infrastructure in order to meet the expected 66-gigawatt capacity needs by 2030.[22]

However, since the revision of the Trans-European Networks for Energy Regulation in 2022, funding under the Connecting Europe Facility funding has also become available for hydrogen projects (including those based on fossil fuels).[23] The EU Action Plan for Grids, published in 2023, recognises the negative implications of extending the range of projects eligible for Connecting Europe Facility funding, as it limits the budget available for cross-border electricity grid projects.[24] Moreover, the Connecting Europe Facility does not fund distribution-level grid projects, as they do not qualify as cross-border.

Between 2022 and 2024, electricity grid projects received just under half of all Connecting Europe Facility energy funding (48.8%), totalling EUR 1.2 billion.[25] Carbon dioxide networks, hydrogen pipelines and fossil gas projects received EUR 1.1 billion over the same period, accounting for approximately the remaining half.

Given that electricity transmission projects take more than a decade to implement on average,[26] securing and directing increased funding towards cross-border interconnections as early as possible is essential. The Connecting Europe Facility for Energy – the EU's programme for supporting cross-border infrastructure –

[20] European Commission, Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL establishing the Connecting Europe Facility for the period 2028-2034, amending Regulation (EU) 2024/1679 and repealing Regulation (EU) 2021/1153, *EUR-Lex*, 25, 16 July 2025.

[21] European Commission, REGULATION (EU) 2021/1153 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 7 July 2021 establishing the Connecting Europe Facility and repealing Regulations (EU) No 1316/2013 and (EU) No 283/2014, *EUR-Lex*, 14 July 2021.

[22] European Commission, Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL establishing the Connecting Europe Facility for the period 2028-2034, amending Regulation (EU) 2024/1679 and repealing Regulation (EU) 2021/1153, *EUR-Lex*, 17, 16 July 2025.

[23] European Parliament, Council of the European Union, REGULATION (EU) 2022/869 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 30 May 2022 on guidelines for trans-European energy infrastructure, amending Regulations (EC) No 715/2009, (EU) 2019/942 and (EU) 2019/943 and Directives 2009/73/EC and (EU) 2019/944, and repealing Regulation (EU) No 347/2013, *EUR-Lex*, 3 June 2022.

[24] European Commission, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions | Grids, the missing link - An EU Action Plan for Grids, *EUR-Lex*, 28 November 2023.

[25] CEE Bankwatch Network, Flawed by design: How the Connecting Europe Facility still backs the fossil fuel industry, *CEE Bankwatch Network*, 8 July 2025.

[26] European Union Agency for the Cooperation of Energy Regulators, Electricity infrastructure development to support a competitive and sustainable energy system, 2024 Monitoring Report, *ACER*, 16 December 2024.

must prioritise cross-border electricity interconnection, smart grids and grid modernisation to avoid widening the existing funding and cross-border capacity gap.

Heading 3: Global Europe

Heading 3 of the 2028–2034 Multiannual Financial Framework proposal is dedicated to Global Europe, the instrument through which the EU implements its external action, with a proposed budget of EUR 200 billion, including for humanitarian aid. According to the new Global Europe Regulation proposal, Global Europe aims to 'uphold and promote the Union's values, principles and interests worldwide'.[27] However, while human rights, democracy, and the rule of law are mentioned throughout the Regulation, sufficient mechanisms for advancing these principles are not provided.

The Regulation also refers to the EU's international commitments, in particular its sustainable development goals, the 2030 Agenda, the Paris Agreement and the Kunming–Montreal Global Biodiversity Framework.[28] However, it is unclear how Global Europe can make a significant contribution to these objectives, given that Annex III of the proposed Budget Expenditure Tracking and Performance Framework Regulation – which lays out common rules for monitoring, reporting and evaluating all EU programmes – sets the climate and environment target for the Global Europe instrument at only 30% – lower than the overall share of climate and environment spending across the entire Multiannual Financial Framework.[29] Concerningly, the Global Europe Regulation proposal does not explicitly prohibit funding for fossil fuels, which risks undermining climate action and contributing to environmentally harmful subsidies.

Many of the specific objectives set out in Annex II of the Global Europe Regulation proposal are justified. However, the specific objective on preparing candidate countries and potential candidates for EU membership omits support for a just transition in carbon-intensive regions – a glaring oversight that must be addressed.[30] Annex II also includes support for the productive and export capacity of critical raw materials in regions outside Europe, posing a risk of environmental and social harm in non-EU countries and further damaging the EU's reputation. Mining is a profitable activity that should not be supported by EU funds and must be excluded.

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[27] European Commission, Council of the European Union, Proposal for a Regulation of the European Parliament and of the Council establishing Global Europe, *EUR-Lex*, 1, 16 July 2025.

[28] Ibid., 22.

[29] European Commission, Council of the European Union, Annexes to the Proposal for a Regulation of the European Parliament and of the Council establishing a budget expenditure tracking and performance framework and other horizontal rules for the Union programmes and activities, *EUR-Lex*, 2, 16 July 2025.

[30] European Commission, Council of the European Union, Annexes to the Proposal for a Regulation of the European Parliament and of the Council establishing Global Europe, *EUR-Lex*, 9–26, 16 July 2025.

Significantly, Article 4 of the Global Europe Regulation proposal states that the Commission is 'empowered to adopt delegated acts… to amend Annex II'.[31] In practice, this would allow the Commission to alter any or all of the specific objectives listed in Annex II, giving it too much power and creating uncertainty for stakeholders.

Therefore, a safeguard clause must be introduced to ensure that the objectives in Annex II related to energy efficiency, the energy transition, the environment, democracy, the rule of law, fundamental rights, the prevention of corruption, equality and inclusion, empowering civil society and independent media, biodiversity, climate, and social development and inclusion cannot be removed.

Furthermore, objective (s) of the Europe section in Annex II, which begins 'Empowering civil society and strengthening its capacity on the monitoring of the implementation of reforms… ',[32] should be revised to read '… strengthening its capacity on the shaping and monitoring of reforms… ', since public participation must occur at an early stage of the decision-making process, rather than merely monitoring a predetermined course of action.

Even with the inclusion of these specific objectives, the absence of earmarking for most of the less 'competitive' areas mentioned above risks pushing them out of the financing picture altogether. This particularly applies to biodiversity and the just transition of carbon-intensive regions. Experience shows that when such areas have to compete with more immediate objectives within the same funds, governments tend to neglect them. For this reason, each of the six environmental objectives under the EU Taxonomy Regulation,[33] along with the just transition of carbon-intensive regions, should receive specific and dedicated funding.

Moreover, the EU's budget support model is not suitable for all policy sectors because it depends on governments' political will and capacity to undertake reforms and prioritise less 'popular' areas of spending like nature protection and redevelopment of carbon-intensive regions. Actions to support environmental protection, the just transition of coal regions, and civil society must be supported irrespective of reforms in other areas if countries are to make the necessary changes in time for EU accession, including the closure of coal power plants and mines. For accession and candidate countries, chapter 27 of the EU acquis (environment and climate change) is one of the most challenging to complete. Therefore, its funding must be consistent, predictable, and bound to specific projects rather than dependent on political will. Neither

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[31] European Commission, Council of the European Union, Proposal for a Regulation of the European Parliament and of the Council establishing Global Europe, *EUR-Lex*, 22, 16 July 2025.

[32] European Commission, Council of the European Union, Annexes to the Proposal for a Regulation of the European Parliament and of the Council establishing Global Europe, *EUR-Lex*, 11, 16 July 2025.

[33] European Commission, Council of the European Union, Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088, *EUR-Lex*, 5, 22 June 2020.

just transition regions nor civil society can afford to wait for government reforms. Specific grant programmes for these purposes must therefore continue to be available.

A May 2025 joint statement by 68 civil society organisations[34] warned that the experience with merit-based programmes in the Western Balkans is extremely limited. Existing evidence suggests that implementation is proceeding much more slowly than anticipated, increasing the risk that reforms will be implemented hastily – simply to tick boxes – rather than bringing about meaningful changes in accession and candidate countries.

It is unfortunate that the Global Europe Regulation proposal does not resolve this issue, despite its serious implications. To ensure meaningful participation, public consultations for all plans, programmes and infrastructure projects under the Global Europe instrument must be made mandatory, rather than optional. In addition, consultations must allow sufficient time for giving input and be open to all members of the public, not just a handpicked set of civil society groups. Currently, the language used in the Global Europe Regulation proposal on the inclusion of civil society is far too vague, reflected in phrases like 'where appropriate'.[35] The obligation for both beneficiary countries and the Commission to consult the public must be explicitly stated.

Public consultations on planned reforms and investments must be meaningful, timely and effective. The EU's partnership principle must be updated and extended to include all EU funds, including those in accession countries, in order to ensure the adequate steering and monitoring of implementation.

The current Reform and Growth Facility for the Western Balkans provides performance-based support to the region. However, the Facility needs significant improvements, as it leans far too heavily on growth and too little on rule-of-law, social and environmental reforms. Currently, the reform agendas submitted by candidate countries include very few environmental reforms. Such reforms must be much more thoroughly integrated into institutional and rule-of-law frameworks, for example, by establishing effective, proportionate and dissuasive penalties for legal breaches.

While the four guiding principles of the proposed Global Europe instrument – simplification of architecture, coherence of action, flexibility, and impact of EU action[36] – may make deployment easier for the Commission, experience from the ground shows that stakeholders are not yet ready for this kind of performance-based mechanism. Due to the conditional nature of the Reform and Growth Facilities of the Western Balkans and Moldova, reforms risk becoming an exercise in procedural compliance, moving

[34] CEE Bankwatch Network, et al., Joint NGO statement on the future of the Instrument for Pre-accession Assistance (IPA) in the post-2027 EU budget, *CEE Bankwatch Network*, 28 May 2025.

[35] European Commission, Council of the European Union, Proposal for a Regulation of the European Parliament and of the Council establishing Global Europe, *EUR-Lex*, 25, 16 July 2025.

[36] Ibid., 1,2.

processes forward superficially without producing meaningful change. Applying this approach to sensitive funding areas, including environmental protection and the just transition, is particularly concerning.

Articles 3 (Scope and structure), 15 (Geographic programming documents) and 18 (Action plans and measures) of the Global Europe Regulation proposal offer no clarity on programme structures. It is unclear whether the 'programmable actions at country, multi-country, regional and trans-regional level'[37] outlined in Article 3 will result in separate programmes for each of these categories or follow a different arrangement.

Adding to the lack of clarity, Article 31 (Adoption of further implementing rules for the Europe pillar) grants the Commission authority to adopt 'an implementing act establishing uniform conditions' for implementing the Global Europe Regulation for Enlargement and Neighbourhood East partners. These conditions would apply to 'the design and content of the performance-based plans, performance, structures and control systems to be set up in preparation of accession, also in the context of the management of structural, agricultural and cross-border cooperation funds'.[38]

Beyond 'do no significant harm principle', which will hopefully be applied more uniformly in the next Multiannual Financial Framework, it remains unclear which environmental, climate and social safeguards will apply to Article 31 and how and when the Commission will adopt the implementing act.

Ukraine

EU support for Ukraine must move beyond short-term crisis responses to a long-term strategy. The Ukraine Facility (2024–2027) – like the Temporary Support to Mitigate Unemployment Risks in an Emergency (SURE) and the Health Emergency Preparedness and Response (HERA) instruments – was designed primarily for shock absorption. This approach has resulted in fragmented implementation, a limited long-term vision, and inconsistencies between internal and external policy frameworks. To address these shortcomings, Ukraine needs a strategic, long-term framework that integrates the EU's internal and external policy objectives and harmonises rules for implementing partners, such as the European Investment Bank and the European Bank for Reconstruction and Development.

The proposed Ukraine Reserve, newly introduced under the Global Europe Regulation proposal, would provide up to EUR 100 billion[39] in assistance to Ukraine between 2028 and 2034. However, unless fundamental reforms are introduced, the Reserve risks replicating the design flaws of the Ukraine Facility. To avoid another patchwork instrument, the Reserve should consolidate funding streams and strengthen consistency across programmes, including those supporting the green and digital transitions.

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[37] Ibid., 21.

[38] Ibid., 40.

[39] European Commission, Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL establishing Global Europe, *EUR-Lex*, 36, 16 July 2025.

For the Reserve to be credible and effective, it must include strong safeguards and democratic oversight. The European Parliament, the Verkhovna Rada, and civil society should each be given clearly defined governance and monitoring roles, supported by mechanisms that ensure genuine and meaningful consultation. In addition, funding should be specifically allocated for projects that strengthen democracy, biodiversity protection and climate resilience. These measures are critical for ensuring that EU support not only meets Ukraine's immediate needs but also strengthens the country's long-term sustainability and accession process.

Bankwatch's key concerns and recommendations

1. Biodiversity financing on the brink

The 2028–2034 Multiannual Financial Framework proposal lacks a credible strategy for allocating enough funds for nature and biodiversity. It fails to include any dedicated or earmarked financing for the environment – not even maintaining the LIFE programme, which, despite its limited size, has proven to be a highly successful funding stream.[40] The proposed merged climate and environmental spending target of 35% for the entire budget risks diluting biodiversity priorities. This equates to an estimated EUR 700 billion for climate and environment investments, which is lower than both the current EU budget and the contribution of NextGenerationEU to climate objectives based on current prices.[41]

Another concern is that Article 22 of the proposal for a regulation establishing the European Fund for Economic, Social and Territorial Cohesion, Agriculture and Rural, Fisheries and Maritime, Prosperity and Security allows the Commission to 'request Member States to contribute a lower or higher minimum percentage of the total allocation of the [national and regional partnership] plan for climate and environmental objectives'.[42] Allowing lower thresholds is unacceptable, as every Member State should have the right to spend more than the minimum threshold on strengthening environmental resilience.

Moreover, unlike the current Multiannual Financial Framework, where climate and biodiversity each have distinct targets (30% for climate and 10% for biodiversity), the new Multiannual Financial Framework proposes subsuming biodiversity under a single climate–environment spending target. The lack of a separate biodiversity-specific target would have significant negative impacts on the ability of Member States to meet their biodiversity legislation and policy objectives, with progress already lagging under the current Multiannual Financial Framework.

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[40] Daniel Thomson, The future of biodiversity financing: Where does it stand in the next EU budget, *CEE Bankwatch Network*, 4, 14 October 2025.

[41] Climate Action Network Europe, EU's next long-term budget: Commission's proposal leaves gaps in climate and nature, *Climate Action Network*, 16 July 2025.

[42] European Commission, Proposal for a Regulation of the European Parliament and of the Council establishing a European Fund for economic, social and territorial cohesion, agriculture and rural, fisheries and maritime, prosperity and security, *EUR-Lex*, 57, 16 July 2025.

Under the Commission's new budget proposal, biodiversity funding would be provided under headings 1 and 2. While both headings require a 43% green-spending target, biodiversity would not have its own ring-fenced allocation and would instead be mainstreamed within broader green spending, leaving it heavily dependent on Member States' budgetary decisions. As a result, biodiversity could be forced to compete with other, more industry-friendly environmental investments, risking further neglect. This approach risks prioritising activities with quicker economic returns over biodiversity, which requires long-term, stable investment.

Certain LIFE programme-related activities, especially ones responding to emerging crises, including natural disasters, would be financed through the European Competitiveness Fund, managed directly by the Commission. However, the current wording of the proposal leaves the exact scope and eligibility of such activities unclear. According to the proposal, certain LIFE activities would also be included under the European Competitiveness Fund's 'clean transition and industrial decarbonisation' pillar.[43] References to financing opportunities for biodiversity and nature are also made in the 'health, biotechnology, agriculture and bioeconomy' pillar.[44] But given the focus on competitiveness, it is not even certain that biodiversity protection and restoration projects would even be eligible for the European Competitiveness Fund This risk is further exacerbated by the dismantling of LIFE as the key dedicated mechanism for biodiversity, leaving no reliable long-term source of funding.

In short, the proposal fails to adequately address biodiversity financing needs. It provides no dedicated nature fund or specifically earmarked funding for biodiversity, despite the need to advance the Natura 2000 network, finance the obligations set out in the Nature Restoration Regulation, and fulfil the wider objectives of the EU Biodiversity Strategy for 2030. Nature protection and restoration requires long-term, stable and guaranteed financing – something unlikely to materialise if allocations are left to Member States and forced to compete with other priorities.

Dedicated nature fund with robust financing is essential to ensure that biodiversity financing needs – including those arising from the national restoration plans and the broader goals of the EU Biodiversity Strategy for 2030 – are actually met. In the absence of such a fund, then ring-fencing nature and biodiversity funding as a stand-alone target must be guaranteed, rather than mixing it into other environmental objectives. In addition, a new tracking methodology is needed to replace the outdated and crude Rio

[43] European Commission, Proposal for a Regulation of The European Parliament and of the Council on establishing the European Competitiveness Fund ('ECF'), including the specific programme for defence research and innovation activities, repealing Regulations (EU) 2021/522, (EU) 2021/694, (EU) 2021/697, (EU) 2021/783, repealing provisions of Regulations (EU) 2021/696, (EU) 2023/588, and amending Regulation (EU) [EDIP], *EUR-Lex*, 58, 16 July 2025.

[44] European Commission, Proposal for a Regulation of the European Parliament and of the Council establishing a European Fund for economic, social and territorial cohesion, agriculture and rural, fisheries and maritime, prosperity and security, *EUR-Lex*, 34, 16 July 2025.

markers-based system. Only biodiversity-focused investments should be classified as biodiversity spending, in line with Bankwatch's previous recommendations.[45]

2. Just transition gaps in the national and regional partnership plans

Although the proposal acknowledges the challenges facing regions undergoing industrial transition, its commitment to advancing a genuine just transition in these areas remains limited. Remarkably, there is no dedicated just transition funding stream or fund-specific regulation – meaning no legal commitment to continue support for carbon-intensive regions. Regional needs also risk being undermined. For example, the inclusion of regional chapters in the national and regional partnership plans is voluntary, and it is unclear whether the proposed 14% social earmarking[46] can sufficiently address the magnitude of existing regional inequalities.

Safeguards are likewise insufficient. Currently, there is no mechanism in place to prevent Member States from backtracking on their commitments to phase out fossil fuels – a deeply concerning trend already unfolding both in 'frontrunner' nations like Estonia and in countries such as Hungary, where progress on the just transition remains slow. Without strong safeguards in the next Multiannual Financial Framework, the gains made by the Just Transition Fund under the current Multiannual Financial Framework could easily be undone.

To address the current risks posed by centralised decision-making, weakened regional focus, and the erosion of just transition principles, the EU must re-establish the just transition as a core policy pillar. This requires integrating just transition principles into policy indicators and ensuring strong safeguards against reneging on phase-out commitments. Support for regions transitioning away from carbon-intensive industries should be maintained at least at the current level, either through the retainment of the dedicated Just Transition Fund or by making a just transition chapter mandatory within each national and regional partnership plan, using indicators drawn from the existing Just Transition Fund Regulation.

Regions eligible for just transition support should be selected based on clear criteria and performance indicators should refer to the following aspects of what is required within the territorial just transition plans from the 2021–2027 Multiannual Financial Framework:

- clear eligibility criteria for selecting just transition regions;
- a presentation of clear phase-out commitments with a binding timeline;

[45] Daniel Thomson, Recommendations on how to determine the contribution of EU funds for biodiversity, *CEE Bankwatch Network*, 4–6, 31 January 2024.

[46] European Commission, Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL establishing the European Fund for economic, social and territorial cohesion, agriculture and rural, fisheries and maritime, prosperity and security for the period 2028-2034 and amending Regulation (EU) 2023/955 and Regulation (EU, Euratom) 2024/2509, *EUR-Lex*, 58, 16 July 2025.

- an overview of how the main economic, employment, social, and environmental impacts of the just transition in a particular region will be addressed through the allocated funds.

3. Compliance with fundamental rights as a condition for funding

The Commission's proposal for a Regulation establishing the European Fund for Economic, Social and Territorial Cohesion, Agriculture and Rural, Fisheries and Maritime, Prosperity and Security includes a strong commitment to fundamental rights and the rule of law in both the design and implementation of the national and regional partnership plans. Article 3 of the Regulation proposal, which sets out the specific objectives of the Fund, includes specific objectives on social cohesion and the protection of fundamental rights, democracy and the rule of law. In addition, Article 7 on horizontal principles requires Member States to design measures in the national and regional partnership plans and Interreg plans 'in a way that ensures respect of the principles of the rule of law'.[47]

However, the Regulation proposal contains critical gaps, particularly the lack of clear implementation mechanisms to ensure compliance at the national level. According to Bridge EU's research on the current Multiannual Financial Framework, 'there is a systemic failure to correctly interpret and implement fundamental rights obligations set out under international and European law'. These obligations extend to 'education and housing segregation, [the] institutionalisation of people with disabilities and children, [and the] deprivation of liberty'.[48] Bankwatch recommends that the Regulation proposal include specific provisions on the implementation and interpretation of fundamental rights requirements at the national level, such as through implementing regulations.

Regarding accountability and the protection of fundamental rights, Article 8 of the Regulation proposal requires Member States to 'put in place and maintain effective mechanisms' to ensure that the measures supported by their national and regional partnership plans comply with 'the relevant provisions of the Charter of Fundamental Rights of the European Union throughout the implementation of the Fund'.[49] However, it is important that external stakeholders should be able to submit complaints to an independent institution, such as fundamental rights bodies (e.g. equality bodies or ombudsmen), since it is envisaged that the same authority responsible for the fund management is responsible for handling complaints.

4. The 'do no significant harm' principle

We welcome the inclusion of the 'do no significant harm' principle as a horizontal requirement applied across the new long-term budget proposal with more coherent, uniform guidelines, though with an

[47] Ibid., 42.

[48] Bridge EU, First position of the FURI project partners on the legislative proposals for the 2028-2034 Multi-Annual Financial Framework, *Bridge EU*, 4 August 2025.

[49] European Commission, Proposal for a Regulation of the European Parliament and of the Council establishing a European Fund for economic, social and territorial cohesion, agriculture and rural, fisheries and maritime, prosperity and security, *EUR-Lex*, 43, 16 July 2025.

exception for defence and crisis response. This exemption may not be justified for all measures and should not be applied as a blanket exception but only case by case, as in the Environmental Impact Assessment Directive. We welcome the proposal's exclusion list (under Article 5 of the tracking framework aims to bar ineligible activities),[50] which must explicitly cover all fossil fuels, extending the current oil and coal exclusions to gas and gas-based hydrogen, as well as other environmentally harmful activities like nuclear, waste incineration, waste gasification and pyrolysis, fossil-based aviation or airport expansion, motorway construction, mining, use of biomass or biofuels for energy purposes unless based on local residues not needed for other purposes, and greenfield hydropower.

5. The partnership principle

The Commission’s proposal maintains the partnership principle and multi-level governance as key elements for cohesion policy, while also extending the principle to the Common Agricultural Policy through the regulation for the national and regional partnership plans. It further broadens the scope of partnership by integrating a recommendation from the European Community of Practice on Partnership,[51] including the involvement of new partner groups such as youth organisations (Article 6 of the Regulation establishing ‘the Fund’).[52] This approach aims to enhance inclusiveness and ensure that the perspectives of different societal actors are better reflected in EU-funded interventions.

However, while these steps align with our call for an expanded partnership principle covering all EU policies and instruments, the proposal limits its application mainly to the first pillar[53] of the Multiannual Financial Framework structure, programmes under shared management. It does not extend the partnership principle to instruments under direct management, such as the Competitiveness Fund or the Connecting Europe Facility, instead settling for vague provisions on public consultation, which would be much less impactful than systemic involvement and co-creation during all phases of the budgetary cycle, as stipulated by the partnership principle. The proposal also lacks provisions for financial and organisational support to build the capacity of non-governmental organisations, such as civil society organisations, which can have a direct impact for having a constant and active input and participation from these categories.

In practice, this means that while the partnership framework withing cohesion and agricultural policies is being reinforced, the broader transformation towards participatory governance across all EU funds and policies is still missing. To ensure a real openness, accountability and citizen involvement in the

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[50] European Commission, Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL establishing a budget expenditure tracking and performance framework and other horizontal rules for the Union programmes and activities, *EUR-Lex*, 10, 16 July 2025.

[51] European Commission, European Community of Practice on Partnership (ECoPP), *European Commission*, accessed 1 December 2025.

[52] European Commission, Proposal for a Regulation of the European Parliament and of the Council establishing a European Fund for economic, social and territorial cohesion, agriculture and rural, fisheries and maritime, prosperity and security, *EUR-Lex*, 42, 16 July 2025.

[53] European Commission, Proposal for a Regulation of the European Parliament and of the Council establishing a European Fund for economic, social and territorial cohesion, agriculture and rural, fisheries and maritime, prosperity and security, *EUR-Lex*, 16 July 2025.

management of public resources, the partnership principle should be applied to all pillars of the proposed Multiannual Financial Framework and accompanied by dedicated support for non-administrative partners.

6. Future support for accession and enlargement countries

It must be clearly stipulated that all actions under Global Europe must comply with EU legislation, including environmental and public participation provisions and the EU Charter of Fundamental Rights.

The percentage target of funding for environment and climate in Global Europe must be increased to at least 35% to align with the rest of the budget, and each of the six environmental objectives from the EU taxonomy, as well as just transition of carbon-intensive regions, needs to have separate earmarking to ensure even prioritisation. Within the instrument, different ambition levels could be set for different regions, with a target higher than 35% for candidate and potential candidate countries and a lower one for the rest of the geographic pillars.

Support for civil society, the environment and the just transition of carbon-intensive regions in accession and enlargement countries must be provided outside of reform-conditioned funds, on the basis of dedicated grant programmes. Just transition funds must be available directly for local authorities without necessarily being prioritised by national governments.

Critical raw materials need to be removed from the list of objectives in Annex II of the draft Global Europe Regulation[54] because mining is a profitable activity that should not be supported by EU funds and must not be included here. The Global Gateway must be stipulated to meet development objectives, not only EU commercial interests.

Clear provisions stipulating meaningful public consultation on reform programmes and lending strategies need to be included, as well as updating and adapting the partnership principle and stipulating its use for EU funds also outside of the EU. The form and process of developing the programmes also needs to be much clearer.

Capacity-building for civil society and robust monitoring systems must be prioritised across all regions, especially in the Eastern Neighbourhood and Central Asia, to address corruption and improve public engagement, thereby ensuring that EU funding is effectively utilised for sustainable development and reinforces the values these regions share with the EU.

[54] European Commission, Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL establishing Global Europe, *EUR-Lex*, 11, 16 July 2025.

7. EIB lending targets for climate action, environmental sustainability and cohesion policy regions

The European Investment Bank Group is listed among the tools for the budget implementation.[55] It will play a key role in implementation of the InvestEU. In recent years, the EIB has phased out its lending to fossil-fuel projects and established climate action and environmental sustainability as its major lending objective, setting a relative lending target of at least 50%. The EIB should maintain this target also for all investments supported by InvestEU. However, the EU budget instruments should ensure that investment gaps and developing corresponding plans are developed by the EIB in close cooperation with Member States in order to strategically direct its funding to areas where loans are most needed in both the public and private sectors.

The EU budget instruments established to support the EIB's lending operations should demonstrate strong additionality in terms of achieving emissions reductions, exhibiting a higher economic and financial risk profile and reserving funding for clients that can demonstrate they would not be able to finance selected projects with other available resources. Ensuring strong additionality as well as high environmental and social benefits also requires better democratic control of the investment committee which concentrates decision power on approving projects. Projects should target the most disadvantaged territories in cohesion policy regions facing depopulation and economic decline. Invest EU should not be used to back EIB loans and guarantees for fossil fuels companies and financial intermediaries that keep on financing even the most polluting fossil fuel activities. Moreover, the use of the EU guarantee for support to high-polluting industries should be conditioned on them endorsing adequate and binding transition plans to full decarbonisation. Invest EU should rather prioritise public sector investment in resilient infrastructure and affordable and clean services at national, regional and municipal levels to support communities and households in their transitions. In addition, through the delegated act the European Commission should enhance transparency and public participation requirements for the EIB and other beneficiaries, including the implementation of the partnership principle for EIB operations.

[55] European Commission, COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE EUROPEAN COUNCIL, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS A dynamic EU Budget for the priorities of the future - The Multiannual Financial Framework 2028-2034, *EUR-Lex*, 25, 16 July 2025.

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