

The road to the next Multiannual Financial Framework (2028-2034)

Context

The European Commission has presented a Communication on the EU's budgetary priorities and the financial challenges in funding its strategic objectives, ahead of issuing a proposal for a new Multiannual Financial Framework (MFF) for the period 2028-2034.

Substantial investment is required to strengthen competitiveness, close the innovation gap, and pursue the green and digital transition in the EU across Member States. As the EU faces ongoing economic and security challenges due to deteriorating geopolitical developments, higher energy costs than competitors, and supply chain vulnerabilities, the new MFF aims to bolster the EU's resilience and competitiveness while safeguarding social cohesion.

For Maltese SMEs, the upcoming MFF presents a unique opportunity to access funding through simpler procedures, to enable them to drive innovation and make their own adaptation to the green and digital transitions.

Objectives

How will Maltese businesses benefit?

The **new Multiannual Financial Framework** will create a more conducive environment for SMEs to thrive by improving their access to financing, streamlining EU programmes, and fostering a competitive and sustainable business landscape.

Key benefits include:

- **Simplified Regulations:** Many businesses struggle to access EU funding due to **complex applications and inconsistent rules**. The next EU budget aims to **simplify the process** by creating a **single access point**, standardising application criteria, and making funding opportunities clearer. This will **reduce delays and confusion**, allowing businesses to apply more easily and secure financial support faster.
- **Streamlined Access to Financing:** With over 50 funding programmes in place, businesses often face **delays and confusion** when applying for support, due to inefficiencies and delays in project approvals. The EU plans to **streamline its funding system** by reducing the number of overlapping programmes and improving coordination. By aligning funds with clear priorities, the next budget will **ensure quicker decision-making and better resource allocation**, making EU investment more effective for businesses.
- **Support for Green Transition:** Businesses operating in energy-intensive sectors will benefit from targeted financial instruments and incentives to transition to cleaner technologies. Funding will be available for energy efficiency upgrades, carbon reduction initiatives, and sustainable product innovations.

- **Workforce Development and Skills Upgrading:** The EU will invest in initiatives to address skills shortages, particularly in high-growth sectors. Europe's future competitiveness will depend on our ability to start a new age of invention and ingenuity, putting research and innovation, science and technology, at the centre of our economy.

How will the EU address the challenges of the next budget?

- **A More Flexible EU budget:** The EU budget must balance **long-term planning with the ability to respond to crises**. While most funding is pre-allocated for seven years, recent challenges, such as the COVID-19 pandemic and the war in Ukraine, have shown the need for **greater flexibility**. Financial reserves in the current EU budget are limited and were quickly exhausted by unforeseen events, leading to delays in funding urgent priorities. The next budget aims to **increase adaptability by improving reserve funds, streamlining reallocation processes, and ensuring faster responses to economic shocks**. A more flexible approach will allow businesses and governments to access support when they need it most.
- **Challenges in Meeting Financial Needs:** The EU faces a **major financial challenge** as it balances funding future priorities while repaying the **NextGenerationEU** debt. From 2028, the budget must cover **€25-30 billion per year** in repayments - nearly **20% of the current annual budget**, without reducing investment in key areas like innovation, security, and green transition. Relying solely on national contributions may not be sufficient which will require a discussion on **new own resources**. Without urgent reforms, the EU risks financial strain, limiting its ability to support businesses, infrastructure, and economic growth.

Way Forward

The upcoming **Multiannual Financial Framework 2028-2034** presents an exciting opportunity for SMEs to access funding, improve innovation, and build resilience in an increasingly competitive global marketplace. However, the successful implementation of these objectives will require SMEs to actively engage with EU programmes, explore new funding mechanisms, and adapt their business models to meet sustainability and digital transformation goals.

Locally, Maltese SMEs should seek to leverage the upcoming funding opportunities in alignment with EU priorities. Stakeholders, including businesses, financial institutions, and policymakers, must collaborate to ensure that access to EU funding is optimised to complement the level of investment required to address the competitiveness challenges and those related to the green and digital transition.

The future of European competitiveness hinges on how effectively the new Multiannual Financial Framework is implemented, and Maltese SMEs must be at the forefront of this transformation to maximise their growth potential.

Disclaimer: This is a policy brief to create awareness about the legislative proposal and for information purposes. It is not an official position of the Malta Business Bureau.

For questions or more detailed information please contact EU Affairs Manager Daniel Debono and Policy Advisor Michele Agius on infobrussels@mbb.org.mt

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