NEXT MULTIANNUAL FINANCIAL FRAMEWORK FROM 2028 ONWARDS

BASIC CONSIDERATIONS

EXECUTIVE SUMMARY

The future tasks of the EU should be clearly defined before funding is considered, with a particular focus on reallocations within the budget.

- **Research and innovation**: Stronger support for research and innovation as a priority in the next financial framework in order to secure Europe's competitiveness.
- **Boosting growth and employment**: EU budget to ensure sustainable finances and strengthen competitiveness, especially by supporting SMEs.
- **Digitization of SMEs and tax burden**: Promote the digitization of SMEs and reject new taxes to ensure competitiveness.
- **Cohesion policy**: Support structurally weak regions and promote the digital and green transformation through simplified procedures and targeted interventions.
- **Education (Erasmus)**: Strengthen the Erasmus program, especially for apprentices and skilled workers, to promote the European Education Area.
- **Environment, energy and transport**: Focus on cross-border infrastructure projects and securing a sustainable energy supply.
- **Defense**: Increase funding for defense industrial policy measures and the European Defence Fund.
- **Migration**: Establishment of a fund for border protection and refugee integration to promote joint solutions.
- **Capital Markets Union and financing of the EU budget**: More efficient financing of European public goods through the capital markets union and avoidance of additional burdens for companies.

FUNDAMENTAL CONSIDERATIONS

The Austrian Federal Economic Chamber, which represents the interests of the Austrian economy, is already contributing **fundamental considerations and concrete proposals on the individual financial priorities for the period from 2028** to the planning process in this pre-decisive phase.

Before thinking about financing (revenue side), the future tasks of the EU must be clearly defined and it must be clarified which areas should be (co-)financed from EU funds and which areas should be financed by the individual Member States in line with the principle of subsidiarity. Particular attention must be paid to the areas in which no cuts may be made and how the funds are to be reallocated to other (more productive) areas.

EU budget law fundamentally restricts borrowing, e.g. for special situations such as the Covid-19 pandemic. There should first be a fundamental discussion about which (future) tasks the EU should fulfil before thinking about how to finance them. In our opinion, lessons should be learnt from the pandemic and the results of the evaluation of the instruments created during this time[1] should be awaited before a new permanent fund is set up.

More European funding should be made available for European projects with European added value. To ensure this, **reallocations in the existing EU budget** will be necessary. Under certain circumstances, however, it may be necessary to **raise new funds on an exceptional basis** if the reallocations are not sufficient.

The WKÖ's statement on the Letta report also states that as soon as (European) public goods of essential common interest have been identified, the funds must also be made available to finance them. This includes the promotion of R&I to improve competitiveness, common defence and border protection as well as energy and transport infrastructure. Due to spill-over effects, the private and public sectors have an important role to play here and the question therefore arises as to how the possibility of joint borrowing by the EU Member States can be better utilised in order to increase investment in areas where fragmented spending reduces overall efficiency. The objectives must be supported by improved framework conditions.

We reject the application of the golden rule (financing public investment, particularly in the green and digital transitions, through budget deficits and not counting this expenditure towards the respective national budget).

Existing funds should be utilised first, before new debt is exceptionally taken on. As with SURE, the results of the Commission's evaluation of the NextGenerationEU programme should be taken into account. Any further exceptional debt financing should, like Next Generation EU, be linked to reforms in all cases. The EU budget must always be balanced (Art. 310 (1) TFEU).

EXAMPLES OF AREAS OF EUROPEAN ADDED VALUE FOR WHICH EU FUNDS SHOULD BE (INCREASINGLY) UTILISED INCLUDE:

RESEARCH AND INNOVATION

The EU's '**Horizon Europe**' framework programme for research and innovation is a very sensible investment in Europe's future. The necessary green and digital transformation of the economy will only be possible through new knowledge and technological progress. The future competitiveness of the European economy will also depend heavily on its ability to innovate due to the link between innovation and productivity. Nevertheless, due to the uncertainties surrounding research results, well-funded public research and innovation programmes such as Horizon Europe are needed to avoid significant underinvestment in this area. Horizon Europe funds projects with a European dimension in open competition. This encourages research organisations, universities and companies to initiate more ambitious projects with a clear European added value. According to the evaluation of the previous framework programme (Horizon 2020), most of the projects would not have been implemented without EU funding. These EU projects lead to numerous research results such as scientific publications, patents and innovations that contribute to the long-term strengthening of the European economy. However, Horizon Europe would make much more possible with a higher budget. Currently, around 71% of high-quality applications are rejected due to a lack of resources. High inflation has added to this pressure. Even with a doubling of the budget in the next framework programme, it is unlikely that all good projects could be

[1] In particular, the SURE fund (which has supported short-time work during the lockdown periods in a total of 19 Member States with loans totalling €100 billion, collateralised by voluntary guarantees from Member States and financed by 9 tranches of social bonds with a maturity of 5-30 years), which will be evaluated by the end of 2024 and is intended to make SURE a permanent stability policy instrument against external shocks.

funded. In order not to be left behind by other economic areas (especially America and Asia) in the future, research and innovation should be priorities of the next MFF.

Enrico Letta's report on strengthening the internal market also emphatically emphasises the promotion of research, innovation and education in the internal market. Increased co-operation and the removal of barriers in this area can help to strengthen Europe in the generation of new knowledge and innovative products and processes and advance Europe's position in the global competition for the best talent and ideas. This can increase Europe's productivity and competitiveness. The EU should step up its efforts in R&I and develop a more ambitious R&I policy to remain competitive in order to counteract the current trend of declining importance in the global economy.

BOOSTING GROWTH AND EMPLOYMENT

The EU budget should continue to ensure sustainable public finances, but also help to make the European economy stronger and more resilient to crises by promoting economic competitiveness, sustainability and solidarity (integration of refugees) in the long term. Europe should not only focus on internal competitiveness, but also on external competitiveness in order to strengthen its position globally and respond better to international challenges.

Small and medium-sized enterprises (SMEs) are the backbone of the European economy, as they create jobs and ensure economic growth and account for 99% of all companies in the EU. They account for two thirds of all jobs in the private sector and contribute more than 50% of total industrial value added in the EU. Nine out of ten SMEs are micro-enterprises with fewer than 10 employees. In line with the Small Business Act (guiding principle 'think small first'), particular attention must be paid to the needs and **support of SMEs and entrepreneurship**. A key focus should be on promoting and supporting innovation. The **COSME programme** (currently part of the Single Market Programme) should be endowed accordingly and in any case adjusted for inflation (for the recipient organisations, in particular the Enterprise Europe Network).

DIGITALISATION OF SMES AND TAX BURDEN

Support for SMEs in the area of digitalisation is essential in order to take advantage of the opportunities presented by the digital transformation and to keep Europe competitive in the global market. In particular, there is still a clear need for action in the areas of basic digital skills, big data and AI in order to achieve the goals of the Digital Decade 2030. The 'Digital Europe' programme should therefore continue to be adequately funded and focused on the relevant areas.

The introduction of new taxes should be consistently rejected, as the EU's tax ratio of 41.1% in 2022 is already too high. The tax burden on companies must be reduced in order to increase the EU's competitiveness.

COMMENTS ON OTHER POLICY AREAS

COHESION POLICY

Cohesion policy is an important policy area for helping economically weaker regions in particular to catch up. Economically stronger regions and states benefit through the targeted interventions of Structural Funds and from spill-over effects from the inflow of funds to other Member States. It should be analysed more closely why some structurally weak regions have not been able to catch up despite the inflow of funds from Structural Funds ('development trap').

The promotion of SMEs, relocation investments, innovation, education, sustainability and labour market-related measures (further training) should continue to be important priorities. Further support for the digital and green transformation could be an additional key priority. Territorial specificities must be taken into account when programming and implementing the programme.

Simplification in processing is a key concern. The complexity of the procedures means that larger projects tend to be funded.

Synergies with other EU programmes and with the activities of the European Investment Bank in accordance with its mandate should be exploited as effectively as possible.

Partnership principle: The partnership principle is an important element of cohesion policy. Social partners, in particular chambers and SME associations, should already be involved in the creation of the programmes, as they know the deficits and strengths of the regions well and can contribute their know-how.

EDUCATION (ERASMUS)

The Erasmus programme has a key role to play on the road to a common European education area. Between 2021 and 2027, a total budget of around 28.3 billion euros will be available for this purpose. From the MFF 2028, the budget must at least be valorised. It is particularly important that the **mobility of apprentices, skilled workers and trainers** is promoted. For example, the German, Luxembourg and Austrian chambers of industry, commerce, crafts and trade, the Swiss Crafts Association (sgv), the South Tyrolean Trade Association for Craftsmen and Service Providers (lvh.apa) and the Belgian Institute for Initial and Further Training in SMEs (IAWM) adopted a joint declaration ('**Eupen Declaration**') on this in September 2023:

The key points are

- that support structures must be created at operational level (contact points) to enable SMEs to allow their employees to participate in the Erasmus programme,
- that learning mobility of 2-8 weeks must continue to be possible, especially in vocational education and training, and must not be penalised compared to long-term mobility,
- that an Erasmus+-funded learning stay should also be possible up to five years after completion of dual training, instead of the current maximum of one year,
- that an information campaign on Erasmus+ VET and the benefits of international mobility for both companies and apprentices should be initiated jointly by the EU and Member States.

ENVIRONMENT, ENERGY AND TRANSPORT

- **Cross-border programmes**: These have transformed border regions by helping to eliminate sources of conflict and create new economic opportunities. Cross-border infrastructure projects also benefit citizens and businesses in the EU, such as energy networks, digital networks and tunnels (e.g. the Brenner Base railway tunnel in the Alps between Austria and Italy).
- **Transport infrastructure**: The Letta report also emphasises the need to build a Europe-wide network of high-speed trains, for example. Such a network would promote European integration and support ecological reorganisation.
- **Security of energy supply:** The rapid expansion of renewable and climate-neutral energy sources poses major challenges for grids and storage. In order to ensure the competitiveness of the economy, maintaining a secure and uninterrupted energy supply at internationally competitive prices is a necessary prerequisite. A lack of European coordination must be avoided. In addition to private investment, public investment is also needed in the modernisation and construction of new generation

plants, storage facilities and grid infrastructure. This should also contribute to lower energy costs and electricity prices and make the EU more crisis-proof.

- **Geopolitical shocks**: The geopolitical upheavals of recent years have repeatedly drawn attention to the strategic importance of physical infrastructure. Such projects, especially in the energy sector, also suffer from the challenge of insufficient investment in cross-border infrastructure, as these investments have a higher administrative burden compared to purely national projects.
- **Decarbonisation of the building stock**: With the amended Energy Performance of Buildings Directive, the European Commission has set ambitious targets on the one hand and has not yet assessed the associated financial costs on the other (this is to follow by 31 December 2025). In order to achieve the intended renovation rate, comprehensive and more affordable financing measures are required on the part of the EU and the Member States.
- **Transition to a circular economy**: The Ecodesign Regulation is intended to enable the transition to a circular economy. The intended changes are extremely ambitious and binding for almost all products that are placed on the market or put into operation in the EU. Investments in the IT infrastructure and the conversion of the business model in particular will entail significant changes. The EU must provide comprehensive support to ensure that this changeover is made possible for all economic operators.

DEFENCE

The **significant increase in funding for defence industrial policy measures** in the next MFF is essential for a credible implementation of the European Defence Industry Strategy (EDIS) and the previous legislative acts in this context. Among other things, this should entail a significant increase in funding for the European Defence Fund to support cooperative research and development, a corresponding increase in funding to incentivise cooperative procurement from the European market and a noticeable increase in funding for the further development of production capacities.

MIGRATION

The challenges of migration can also only be overcome together. The **establishment of a separate fund**, which on the one hand serves the border protection service and on the other - in coordination with the ESF+ - supports the integration of refugees, should make a lasting contribution to integrating refugees into the host societies. Successfully positioning refugees in the labour market is key to their successful integration. Instruments are needed that reflect the integration efforts of companies accordingly.

- **Aid and investments in partner countries** enable the development of more crisis-proof societies.
- Other major projects and important key technologies such as **Galileo, Copernicus, ITER** or the provision of high-performance computers can only be financed if resources are pooled at EU level due to their very high financing requirements.

CAPITAL MARKETS UNION AND FINANCING OF THE EU BUDGET

- A full Capital Markets Union would enable more efficient financing of European public goods by private capital and accordingly reduce the amount of public funding required. And even if the Capital Markets Union makes progress, additional public funding is likely to be needed. A **structural shift in EU spending towards spending that creates greater EU added value** is certainly an important first step, while avoiding further burdens on businesses.
- **Intensified provision of pan-European public goods** could require more resources at European level. However, the associated spillover effects will create economic benefits for the Member States and reduce the need for funding at national level. Consequently, the issue of new European debt

instruments, for example, could enable a disproportionate reduction in national borrowing and thus facilitate compliance with the rules enshrined in the Stability and Growth Pact. However, **a greater burden on the EU budget through debt repayments and interest payments should be avoided**, as this reduces the scope for other expenditure (such as R&D funding, regional funding). The EU should not become a 'debt union'. Due to the high tax and state ratios in the EU, new EU financial resources that burden companies should be rejected.

- Determining the optimal size of the EU budget should depend on the tasks to be performed at EU level and the resources required for this, as well as the macroeconomic role that the EU budget plays in the functioning of the internal market, monetary union and the provision of an automatic stabilisation function.
- The economic literature also assumes that public spending on infrastructure and R&D has a particularly high economic multiplier. In order to ensure that new EU funds are actually used for such investments, greater reliance could be placed on financing institutions such as the European Investment Bank. Austria's ASFINAG is internationally recognised as a positive example of such a model.

September 2024

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