



The cost of fragmentation: Why spending less at the EU level costs Europe more

European View
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journals.sagepub.com/home/euv**Siegfried Mureșan¹**

Abstract

Europe has entered a fundamentally different geopolitical and economic era, yet it still approaches continental challenges with fragmented national responses. This article argues that Europe's structural weakness is not only underinvestment but fragmentation: when member states duplicate procurement systems, industrial capacities and investment priorities, they reduce their effectiveness while raising the cost of public goods. The next Multiannual Financial Framework is therefore far more than a budgetary negotiation. It must become a strategic investment budget that finances genuine European public goods, invests in competitiveness and defence, protects traditional policies such as agriculture and cohesion, combines predictability with targeted flexibility and rests on genuine own resources. Spending less at the EU level does not make Europe's challenges smaller. It simply moves the bill to national budgets, where solutions are more expensive, less coordinated and less effective.

Keywords

Multiannual Financial Framework, European public goods, Strategic investment, Competitiveness, Defence, Own resources, Agriculture and cohesion policy, Fragmentation

Introduction: Europe's new reality

Europe has already entered a fundamentally different geopolitical and economic era. The war in Ukraine, growing uncertainty around long-term US security guarantees, industrial competition with the US and China, energy shocks and technological dependencies are

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all forcing Europe to rethink its economic model. Two landmark reports commissioned by the EU institutions reached the same conclusion from different angles: Letta (2024) showed that the single market remains incomplete in precisely the sectors that will define the next decade, while Draghi (2024) demonstrated that Europe faces an existential productivity and investment gap with its global competitors. At the same time, citizens increasingly expect the EU to deliver on security, defence, competitiveness and economic resilience. Yet Europe still approaches many of these challenges through fragmented national responses while competing against continental powers (the US and China) capable of acting strategically and at scale.

The next Multiannual Financial Framework (MFF) therefore represents far more than a budgetary negotiation: it is a test of whether Europe is prepared to act collectively in defence of its economic and geopolitical interests.

Europe's structural weakness: fragmentation, not only underinvestment

Europe spends significant amounts on public goods, but too often in an inefficient and fragmented manner. In defence alone, member states continue to duplicate procurement systems and industrial capacities instead of building a truly integrated European defence market, with up to 80% of procurement spending going to suppliers outside the EU (Draghi 2024). The same fragmentation exists in industrial policy, energy infrastructure, digital investment and innovation. Europe's challenge is therefore not simply spending more but spending together strategically. Goods such as defence capabilities, cross-border infrastructure and frontier research generate benefits that spill over national borders, and financing them at the national level leads to systematic under-provision and duplication (Fuest and Pisani-Ferry 2019).

While the US combines federal financing with industrial coordination and China mobilises state-driven strategic investment, Europe often disperses resources across disconnected national priorities for each member state. This fragmentation weakens Europe's scale, reduces efficiency, limits innovation and undermines strategic autonomy. Europe behaves economically like a collection of medium-sized states while competing with global continental powers.

Fragmentation is not only financial: it is also institutional and administrative. Beyond duplicating investment, fragmented governance creates parallel funding instruments, overlapping eligibility rules, multiple reporting requirements and higher transaction costs for both public administrations and beneficiaries (Darvas et al. 2025).

In this context, it is important not to lose sight of the broader principle of European added value—which, the European Court of Auditors emphasises, should guide the design and prioritisation of future EU expenditure. Common resources should be

concentrated in areas where action at the Union level delivers greater benefits than fragmented national interventions, ensuring that EU spending generates the greatest collective impact (European Court of Auditors 2026).

A key implication of this fragmentation is cost. When Europe fails to invest at the EU level, it does not eliminate problems; it simply shifts the burden to national budgets, for which solutions are often more expensive, less coordinated and less effective.

In other words, spending less at the European level does not make Europe's challenges smaller; it makes them more costly.

Why the next MFF must become a strategic investment budget

The traditional logic of the EU budget is no longer sufficient for today's geopolitical realities. The MFF was initially designed around convergence and agricultural support, but it must now also serve as a strategic investment tool capable of financing genuine European public goods. Competitiveness, defence, energy security, technological sovereignty, cybersecurity and resilient infrastructure increasingly require common European financing because no member state can deliver these objectives alone. Instruments such as the European Competitiveness Fund, Horizon Europe and Connecting Europe Facility investments therefore become central to Europe's long-term economic and geopolitical strength.

Ambition in priorities must, however, be matched by ambition in size. Behind the Commission's headline figure of €2 trillion in current prices stands a budget of 1.26% of EU gross national income, of which 0.11% services the repayment of NextGenerationEU debt, effectively freezing the resources available for EU programmes in real terms (Kowald and Pari 2026). This is why the European Parliament has called for the next MFF to be set at 1.27% of EU gross national income, with NextGenerationEU debt servicing accounted for above this ceiling, so that the repayment of past crises does not crowd out future investments (European Parliament Committee on Budgets 2026).

At the same time, strengthening these new priorities cannot come at the expense of traditional policies. Agriculture is not only an economic sector, but a question of food security and territorial resilience. Cohesion policy is not simply about redistribution, but a condition for economic convergence, political stability and the functioning of the single market. This is why the Parliament demands strong, distinct and ring-fenced funding for the common agricultural policy and for cohesion policy, alongside the reinforcement of competitiveness programmes. The Parliament also insists that regional and local authorities remain fully involved in the design, implementation and monitoring of these policies, based on shared management, multilevel governance and the partnership principle, because policies designed in Brussels and national capitals alone cannot respond to the territorial realities they are meant to address (European Parliament Committee on

Budgets 2026). The challenge for the next MFF is therefore not to choose between traditional and new priorities, but to recognise that Europe now needs both.

Strategic investment also has an external dimension. Europe's security and prosperity depend on a stable neighbourhood, on credible and sustained support for Ukraine, and on the capacity to accommodate future enlargement. The Parliament has therefore welcomed the increase in resources for the Union's external action as a sign of Europe's commitment to its role as a global actor, while warning that the proposed level remains insufficient given the scale of global challenges (European Parliament Committee on Budgets 2026).

From 27 national strategies to a coordinated European investment approach

One of the greatest risks for the next MFF is that increased flexibility for member states could gradually transform the EU budget into a collection of national investment plans, lacking a common strategic direction. This risk is concrete: the proposed national and regional partnership plans would merge 14 programmes, including agricultural and cohesion funding, into a single plan per member state.

The Parliament has warned that this approach risks renationalising common policies, creating unnecessary competition between beneficiaries and reducing predictability for those who depend on EU funding (European Parliament Committee on Budgets 2026).

Flexibility is necessary, and Europe must retain the ability to react quickly to emerging challenges at the EU level. But flexibility without coordination risks undermining the very purpose of common European financing.

At the same time, key sectors such as defence, innovation, energy and strategic technologies require predictability and long-term investment horizons. Without that stability, Europe will not be able to retain or attract researchers, startups, and small and medium-sized enterprises, which might increasingly move to more predictable ecosystems such as the US. In this sense, competitiveness is not only about funding levels, but about certainty and continuity: without investing in research and innovation today, we will be buying other people's technology tomorrow.

Europe therefore does not need 27 disconnected industrial strategies competing against one another for subsidies and investment. It needs a coordinated European investment approach that aligns national and EU spending around shared strategic objectives such as competitiveness, decarbonisation, defence capabilities, technological leadership and energy interconnections.

The added value of the EU budget lies precisely in its ability to combine flexibility with strategic coherence, ensuring both responsiveness in times of crisis and predictability in areas that determine Europe's long-term competitiveness and sovereignty.

Predictability, flexibility and revision

The EU budget must remain a tool for strategic investment. It should set clear objectives and provide predictable funding for priorities such as competitiveness, research, digitalisation, infrastructure, defence capabilities, agriculture and cohesion. Long-term investments require long-term certainty.

Predictability serves not only public authorities but also private investors. A stable and credible multiannual budget reduces policy uncertainty, facilitates long-term investment planning and helps crowd in private capital alongside public expenditure. In this sense, the EU budget functions not merely as a financing instrument, but also as a mechanism for coordinating expectations and mobilising complementary investment across Europe (Darvas et al. 2025).

The European Parliament acknowledges that a seven-year budgetary cycle is lengthy and that unforeseen developments will occur. This is why the budget should contain adequate crisis reserves and margins and targeted flexibility mechanisms. However, flexibility must not come at the expense of predictability.

This balance between flexibility and predictability has also been highlighted by the European Court of Auditors, which cautions that while flexibility is essential for responding to successive crises, an increasingly complex system of special instruments and flexibility mechanisms could undermine the transparency and coherence of the EU budget (European Court of Auditors 2025).

Transforming the entire budget into a permanent crisis-response mechanism would undermine its core purpose. Constantly shifting resources from one objective to another whenever a new challenge emerges creates uncertainty for beneficiaries and weakens the EU's capacity to deliver on long-term commitments. The current MFF offers a cautionary tale: successive crises have pushed it to its limits, and programmes such as cohesion policy have been repeatedly diverted to emergency response, making it difficult to achieve these programmes' long-term objectives (European Parliament Committee on Budgets 2026).

The European Parliament therefore supports a balanced approach: a sufficiently large budget, dedicated reserves for unforeseen events and flexibility within policy areas to adapt programmes when circumstances change (European Parliament Committee on Budgets 2026).

In times of crisis, the solution should not be to divert funding away from agriculture, research, innovation or digital programmes to finance new priorities. In this context, the mid-term revision of the MFF should be seen positively: it allows programmes to evolve, incorporate lessons learned and adapt to new circumstances through a predictable and transparent process, without dismantling the budget's long-term architecture.

Predictability also has a democratic dimension. Simplification and flexibility must not shift key policy and budgetary decisions away from the co-legislators towards Commission

work programmes. The Parliament insists that substantive policy choices be defined in the basic legal acts and that budget lines remain sufficiently detailed to allow for meaningful parliamentary oversight (European Parliament Committee on Budgets 2026). A budget that citizens cannot scrutinise through their elected representatives will not retain their trust. Transparency and accountability are not administrative burdens—they are the conditions under which a larger and more flexible budget becomes politically sustainable.

Financing Europe's ambitions: the role of own resources

A stronger European role requires stronger financial autonomy. Relying exclusively on higher national contributions will become increasingly difficult in a context of fiscal constraints and political pressure on national budgets. This is why the question of the size of the budget is central.

If we do not invest at the European level, we do not eliminate problems; we simply move the bill to national budgets, where solutions are more expensive, less efficient and less coordinated. Spending less at the EU level does not make Europe's challenges smaller—it only makes them harder to solve.

Genuine own resources are therefore not only a budgetary issue, but a strategic necessity. Europe cannot continue to ask more from farmers, workers, researchers, and small and medium-sized enterprises while some of the world's largest multinational and digital actors benefit enormously from access to the European single market without contributing fairly in return.

Alongside the next MFF, the Commission proposed five new own resources: revenues linked to the Emissions Trading System and the Carbon Border Adjustment Mechanism, a contribution based on non-collected electronic waste, a tobacco excise duty own resource, and the Corporate Resource for Europe, an annual contribution from companies with a net turnover above €100 million (European Commission 2025).

This is also a question of political balance and fairness. The debate should not be about taxing European farmers or workers, but about ensuring a fair contribution from those who benefit most from Europe's economic scale. New own resources would allow the Union to finance common priorities while reducing pressure on national budgets. The Parliament supports a 'basket approach' and calls on the Council to unblock the stalemate, observed since 2020, to reach revenue of at least €60 billion per year, financing not only the repayment of NextGenerationEU debt but also the Union's enhanced policy ambitions (European Parliament Committee on Budgets 2026). Without financial autonomy, strategic autonomy will remain incomplete.

Conclusion: Europe must learn to invest together

The next MFF will determine whether Europe remains capable of shaping its own future in an increasingly competitive and unstable world. If Europe continues to rely primarily

on fragmented national responses, it risks strategic decline through the dispersion of resources, duplication of efforts and underinvestment in common priorities. If, however, Europe succeeds in transforming the EU budget into a genuine strategic investment instrument capable of aligning national and European priorities, it can strengthen its competitiveness, resilience and sovereignty.

This choice is not only about ambition, but about effectiveness. Europe can either act at scale or pay a higher price for acting alone in 27 parallel directions. In the end, the question is not whether Europe can afford to invest together, but whether it can afford the cost of not doing so. The Parliament stands ready to negotiate constructively with the Council, with the aim of reaching an agreement by the end of 2026 so that the new programmes can start on 1 January 2028 (European Parliament Committee on Budgets 2026). At the same time, the Parliament has been clear that its consent is not unconditional: it will only approve a long-term budget, including its revenue side, that is fit for purpose for the Union in a changing world.

In a world increasingly shaped by continental powers, Europe will remain strong only if it takes ownership of the bill, instead of shifting the cost elsewhere, and learns to invest together strategically.

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Author biography



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