

## An assessment of the 2028-2034 EU budget's contribution to closing Europe's investment gap

Zsolt Darvas, Costanza Greppi-Maturana and Marie-Sophie Lappe

Europe must invest substantially more in the green and digital transitions, innovation and international climate finance. This additional investment should be shared between the private sector, national budgets and the European Union budget. We estimate that the part of the investment gap best financed through the EU budget, because it relates to European public goods (EPGs), amounts to about 0.9 percent of EU gross national income (GNI) annually.

We assess the potential of the European Commission's proposed 2028-2034 EU budget to close this gap. Because, under the proposal, EU countries would have flexibility in allocating funds, and the effectiveness of the budget's financial instruments to mobilise private investment is uncertain, we develop three scenarios: (1) countries maintain current spending patterns; (2) all available funds are directed to the EPG gap; and (3) funds are allocated to the overall investment gap, regardless of whether investment qualifies as EPGs.

We find that the proposed budget would close only around 12 percent of the EPG gap in scenario (1) and 22 percent in scenario (2). In scenario (3), it could cover only four to eight percent of the total additional investment needs. Closing the entire EPG gap would require an EU budget that is 0.6 percent of GNI larger than proposed. EU countries should prioritise investments that advance Europe's long-term objectives rather than preserve current spending patterns. Financial instruments cannot substitute for direct public investment. Research, climate mitigation and cross-border infrastructure require sustained public funding. Better data, especially on defence, is also needed to assess EU-level investment needs.

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# 1 Introduction

In July 2025, the European Commission published proposals for the 2028-2034 Multiannual Financial Framework (MFF), the European Union's seven-year budget, marking the start of legislative work on the framework that will govern the next round of EU spending<sup>1</sup>.

The proposal would entail a substantial reconfiguration of the EU budget architecture, consolidating several current programmes, instruments and funds into a smaller number of large 'envelopes'. The budget plan is sure to change – a number of leaders, including those of Austria, Denmark, Finland, Germany, the Netherlands and Sweden, have already called for a budget smaller than proposed by the Commission<sup>2</sup>. Given different negotiation positions and suggestions, this paper focuses on the Commission proposal.

We evaluate the budget plan against Europe's investment gap by quantifying the extent to which the MFF would help close the investment needs identified in the report to the European Commission by former Italian prime minister Mario Draghi (Draghi, 2024) and in Darvas *et al* (2025). Specifically, we assess whether the structure and allocation priorities of the Commission proposal are aligned with the sectors in which additional investment is most economically and strategically warranted from a public-goods perspective. We also quantify the share of the identified investment gap that would be covered by the proposal in each major sector and at the aggregate level.

We first outline the main novelties of the Commission's proposal for 2028-2034 and identify changes compared to the 2021-2027 budget structure. We then evaluate the proposal's main spending instruments against estimated investment needs in areas including innovation, decarbonisation and the digital transition. This includes an assessment of the extent to which EU budgetary guarantees and financial instruments could leverage private investment in addition to direct public expenditure.

Third, given the significant flexibility the proposal allows with respect to fund allocation, and the sensitivity of outcomes to underlying assumptions, we set out three scenarios to estimate how much of the identified investment gap could plausibly be covered depending on different policy choices within the proposed budget. These scenarios assume, respectively, minimal policy change, the maximisation of spending on European public goods, and the maximisation of overall investment, including both public and private components.

Throughout, we examine whether the proposed EU budget architecture can support the scale and composition of investment required to sustain Europe's competitiveness, resilience and provision of common public goods over the coming decade.

**The proposal for 2028-2034 would entail a substantial reconfiguration of the EU budget architecture**

1 See European Commission press release of 16 July 2025, 'An ambitious budget for a stronger Europe: 2028-2034\*', [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_25\\_1847](https://ec.europa.eu/commission/presscorner/detail/en/ip_25_1847).

2 Eleonora Vasques and Luca Bertuzzi, 'EU payers push for cuts but can't agree on how much as budget talks enter key phase', *Euronews*, 27 August 2026, <https://www.euronews.com/my-europe/2026/08/27/eus-frugals-push-for-cuts-but-cant-agree-on-how-much-as-budget-talks-enter-key-phase>.

## 2 The 2028-2034 MFF proposal: an overview

The 2021-2027 EU budget is organised under seven headings, covering a wide range of funds, objectives and disbursement criteria. The 2028-2034 proposal would restructure this framework substantially by reducing the number of headings from seven to four and consolidating 52 spending programmes into 16 (Table 1). It would also shift the composition of EU spending away from traditional areas, such as agriculture and cohesion policy, while placing greater emphasis on competitiveness and defence-related expenditure.

In terms of size, the budget would increase modestly from around 1.1 percent of EU gross national income (GNI) to 1.26 percent. In the current MFF, an average of 0.03 percent of GNI over 2021-2027 is servicing EU-level debt associated with the NextGenerationEU (NGEU) post-pandemic economic recovery instrument<sup>3</sup>, while around 0.11 percent is earmarked for interest and repayment under the next MFF. This implies an effective increase in spending of about 0.08 percent of GNI.

**Table 1: Mapping of EU budget frameworks**

| 2021-2027 (% of budget)               |       | 2028-2034 (Commission proposal, % of budget)                                                                            |       |
|---------------------------------------|-------|-------------------------------------------------------------------------------------------------------------------------|-------|
| Cohesion, Resilience and Values       | 35.5% | Economic, social and territorial cohesion, agriculture, rural and maritime prosperity, migration, and internal security | 53.5% |
| Natural Resources and Environment     | 32.8% |                                                                                                                         |       |
| Migration and Border Management       | 2.2%  |                                                                                                                         |       |
| Single Market, Innovation and Digital | 12.6% | Competitiveness, prosperity and security                                                                                | 29.7% |
| Security and Defence                  | 1.2%  |                                                                                                                         |       |
| Neighbourhood and the World           | 9.0%  | Global Europe                                                                                                           | 10.8% |
| European public administration        | 6.8%  | Administration                                                                                                          | 5.9%  |

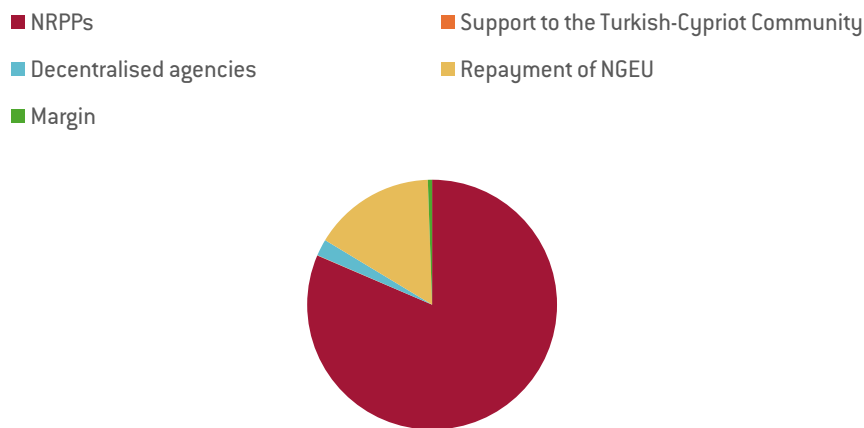
Source: Bruegel based on European Commission (2021, 2025a).

### 2.1 Heading 1: Cohesion, agriculture, and security

One of the main changes proposed for 2028-2034 compared to 2021-2027 concerns the first heading (Table 1): *Economic, social and territorial cohesion, agriculture, rural and maritime prosperity and security*. Under this heading, cohesion, agriculture, fisheries, social policy, migration, security and border management spending would be combined. Its main component would be National and Regional Partnership Plans (NRPPs), which would follow a model similar to the NGEU Recovery and Resilience Facility (RRF), under which EU countries submit national spending plans. In addition to the NRPPs, the heading would include NGEU interest and repayment, along with several smaller items (Figure 1). Overall, it would account for around 54 percent of the EU budget, or about €1 trillion in current prices.

<sup>3</sup> See European Commission, 'NextGenerationEU', [https://next-generation-eu.europa.eu/index\\_en](https://next-generation-eu.europa.eu/index_en).

**Figure 1: Decomposition of the first heading in 2028-2034 EU budget proposal**



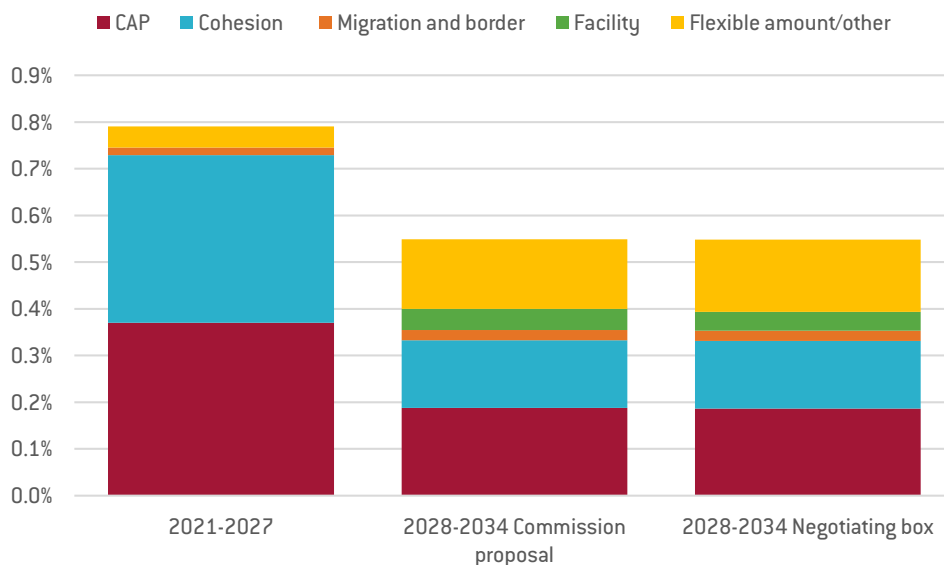
Source: Bruegel based on European Commission (2025a).

NRPPs will have five broad objectives: they will show how EU money will be spent to reduce regional imbalances, support social inclusion, employment and human capital, support farmers (the Common Agricultural Policy, CAP), support fisheries, and strengthen democracy (European Commission, 2025b). Of the total €865 billion envelope, at least 34 percent would be allocated to CAP and 25 percent to less-developed regions under cohesion policy. Around four percent would be earmarked for migration and border management, while eight percent would be allocated to the EU Facility, a pooled reserve for crisis-response instruments including disaster relief and the agricultural reserve. The remaining 27 percent could be allocated flexibly under the heading, either to reinforce existing programmes such as CAP and cohesion policy, or to finance other eligible investments.

Two horizontal targets ('mainstreaming') would also apply: at least 14 percent of spending must support social objectives (excluding CAP income support), while 43 percent must contribute to climate and environmental objectives.

Figure 2 compares the NRPP component with the equivalent spending in the 2021-2027 budget. Darvas *et al* (2026a) found that current levels of cohesion spending, as a share of GNI, could be maintained only if all flexible NRPP resources were allocated to cohesion policy. This is unlikely, since these resources are more likely to be spread across different NRPP objectives. Thus, under the Commission proposal, there would likely be a substantial reduction in both cohesion and agricultural spending from 2028-2034.

**Figure 2: Comparison of NRPP spending with comparable funds in the 2021-2027 EU budget, % of GNI**

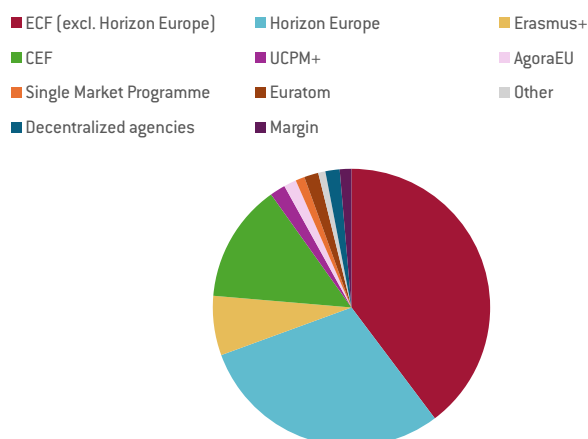


Source: Bruegel based on European Commission (2021; 2025a) and Council of the EU (2026). Note: the negotiating box issued by the Cyprus Presidency of the Council in June 2026 is the latest comprehensive proposal for the next MFF. Its purpose was to facilitate the preparation of a compromise position within the Council, but at time of writing it has not been approved or endorsed by the Council.

## 2.2 Heading 2: Competitiveness, prosperity and security

The second proposed heading, *Competitiveness, prosperity and security*, would shift the focus of the budget towards innovation and investment. Its largest components would be the European Competitiveness Fund (ECF) and Horizon Europe, followed by the Connecting Europe Facility (CEF) and Erasmus+ (Figure 3). Overall, the heading would account for around 30 percent of the EU budget, corresponding to roughly €590 billion in current prices.

**Figure 3: Decomposition of second heading in 2028-2034 EU budget proposal**



Source: Bruegel based on European Commission (2025a). Notes: ECF = European Competitiveness Fund, CEF = Connecting Europe Facility, UCPM+ = Union Civil Protection Mechanism+, AgoraEU= AgoraEU is a programme proposed for 2028-2034 that would merge Creative Europe and the Citizens, Equality, Rights and Values (CERV) programme to fund culture, media, civil society and EU values.

Figure 4 shows the structure of the ECF and Horizon Europe. The ECF is the proposal's main competitiveness novelty, supporting the full innovation cycle from research to deployment through two channels: direct grants, procurement and industrial-policy coordination; and the guarantee-based ECF InvestEU Instrument (see Box 1). The Commission estimates that each euro of budget guarantee can mobilise around €15 of total investment (see Box 1 for a discussion of multipliers).

The ECF will allocate money across four priority policy areas:

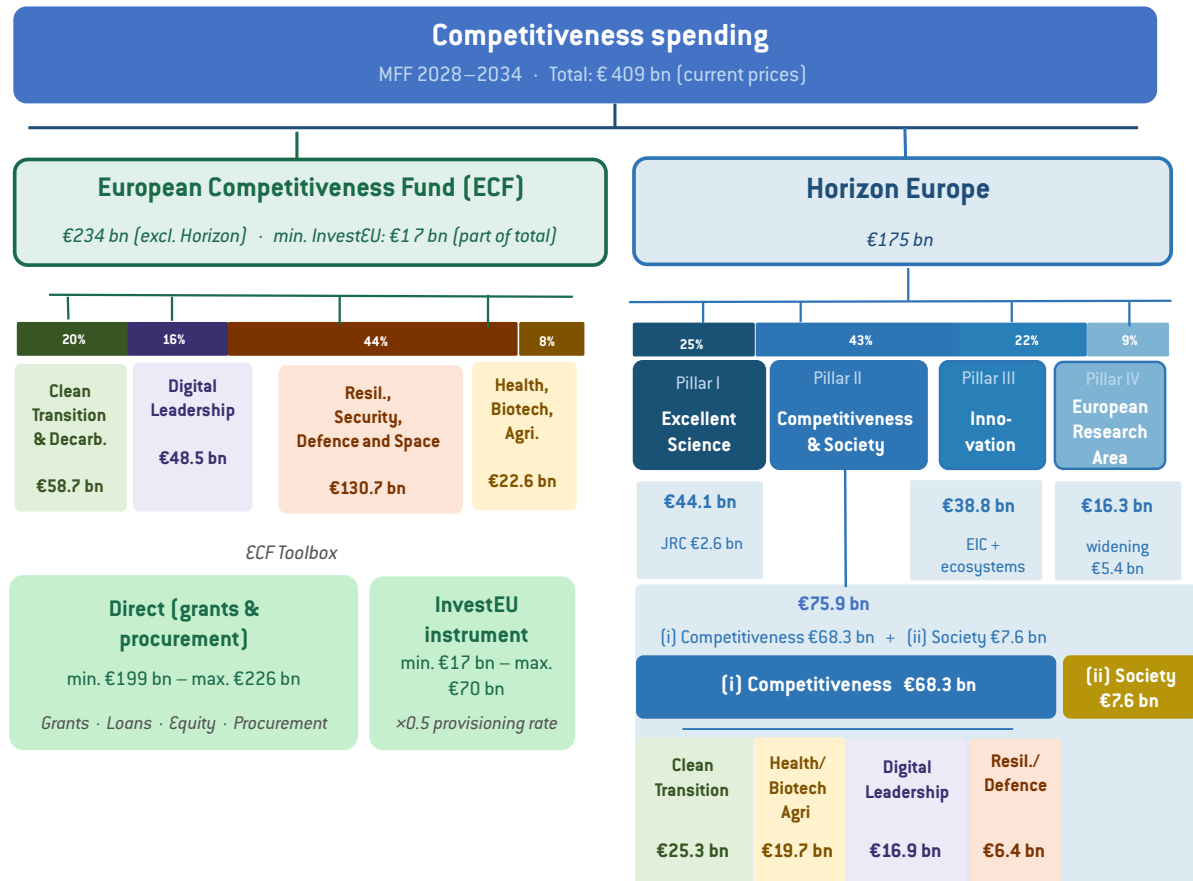
1. Clean transition and industrial decarbonisation,
2. Health, biotechnology, agriculture and bioeconomy,
3. Digital leadership, and
4. Resilience and security, defence industry and space.

Horizon Europe would remain a stand-alone programme, with a budget of €175 billion at current prices. It represents the research-driven component of the innovation cycle, complementing the ECF's focus on later-stage scale-up and deployment.

Horizon Europe is organised around four pillars. Pillar I (Excellent Science) aims to strengthen Europe's scientific base by attracting top talent and supporting frontier research. Pillar II (Competitiveness and Society) funds collaborative research and innovation aligned with the ECF's four priority areas, while addressing broader societal challenges. Pillar III (Innovation) strengthens the European Innovation Council (EIC), which supports early-stage start-ups and disruptive deep-tech, aiming to promote the development of new products, services and business models. The EIC operates partly as an equity co-investor: alongside grants, it takes direct equity stakes in start-ups and scale-ups through the EIC Fund, investing alongside private investors. Unlike traditional research grants, these equity investments aim to mobilise additional private capital. Pillar IV (European Research Area) supports research infrastructure, broadens participation across EU countries and strengthens the European research and innovation ecosystem.

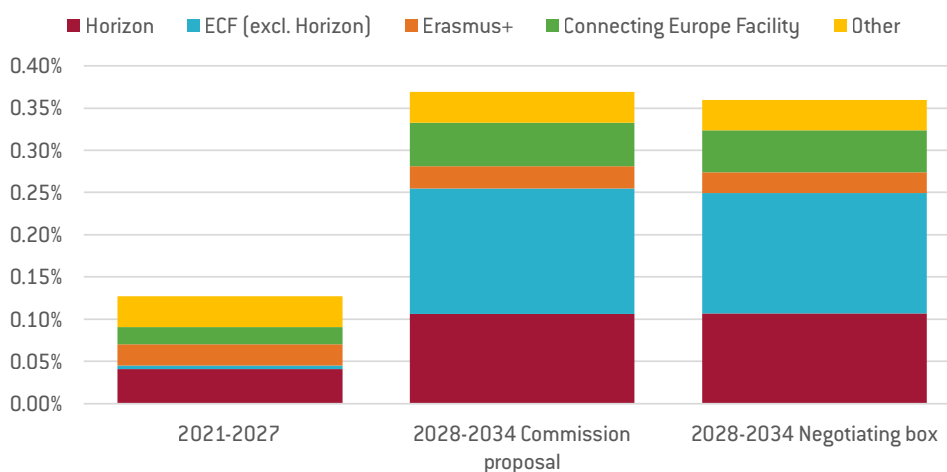
Horizon Europe and the CEF would both receive substantial funding increases relative to the current budget (Figure 5). Horizon Europe would remain the EU's flagship research programme (Darvas *et al*, 2026b). Compared with a comparable set of programmes in the current MFF, funding would rise from about 0.13 percent of GNI to 0.37 percent, an almost threefold increase.

Figure 4: Decomposition of ECF and Horizon Europe



Source: Bruegel based on European Commission (2025a).

Figure 5: Comparison of competitiveness spending with comparable funds in the 2021-2027 EU budget, % of GNI



Source: Bruegel based on European Commission (2021; 2025a) and Council of the EU (2026). Notes: ECF = European Competitiveness Fund. See the note to Figure 2 about the negotiating box.

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## Box 1: The leverage effect – how the ECF InvestEU Instrument can crowd-in private investment

A core feature of the second heading is a plan to go beyond direct public expenditure and crowd-in private capital. This would principally be achieved through the ECF InvestEU Instrument, the successor to the InvestEU programme under the 2021-2027 MFF (which itself builds on the European Fund for Strategic Investments under the 2014-2020 MFF<sup>4</sup>). The current InvestEU uses EU money as a guarantee to reduce investment risks and encourage banks, investors and public institutions to provide much larger amounts of financing for projects intended to benefit Europe's economy, society and environment.

Through the ECF InvestEU Instrument, the EU budget would assume a defined portion of a project's downside risk, enabling implementing partners, primarily the European Investment Bank (EIB), the European Investment Fund (EIF) and national promotional banks, to provide financing that would not otherwise be available on commercial terms. The guarantee would be backed by a provisioning reserve, that is, cash set aside in the EU budget to absorb possible losses, with the remainder constituting a contingent liability.

In principle, such instruments mobilise investment beyond direct public spending. Their effectiveness is therefore commonly assessed using leverage and multiplier metrics. The leverage ratio measures the total financing made available to the final beneficiary per euro of EU guarantee commitment. The multiplier effect is broader: it captures total investment (loans, guarantees or equity) mobilised at project level, including private co-investment, expressed relative to the same guarantee commitment. A multiplier of 11, for example, means that every euro of EU guarantee is associated with €11 of total investment in the real economy, of which ten come from implementing partners, commercial lenders and private co-investors<sup>5</sup> (European Commission, 2022).

For the EU's guarantee-based instruments, the Commission's interim evaluation of InvestEU reported an expected aggregate multiplier of 14.76, with 65 percent of mobilised investment coming from private sources and the remainder from EU and national public budgets (European Commission, 2024a). In addition, survey evidence suggests that 95 percent of projects would either not have proceeded, or would not have proceeded as planned, without InvestEU financing, while in 58 percent of cases the guaranteed financing influenced the decisions of other financiers and investors (European Commission, 2025). EIB (2026) also reported a leverage effect for financial instruments of 15, based on EIB loans provided.

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4 See Council of the EU explainer, 'European fund for strategic investments (EFSI)', <https://www.consilium.europa.eu/en/policies/investment-plan/strategic-investments-fund/>.

5 Both the leverage ratio and the multiplier use the guarantee amount as the denominator, rather than the provisioning reserve, that is, the cash the EU actually sets aside in the budget to cover losses. These metrics should not be confused with fiscal multipliers, which estimate the increase in GDP or private investment generated by one euro of public spending. Fiscal multipliers for public investment in euro-area economies are estimated at around one on impact and above two in the medium term (Deleidi *et al*, 2020). The metrics are also distinct from long-run economic return measures such as the Commission's estimate that every euro invested in Horizon Europe generates €11 in GDP gains. See European Commission press release of 30 April 2025, 'For every euro invested Horizon Europe generates up to €11 in economic gains', [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_25\\_1115](https://ec.europa.eu/commission/presscorner/detail/en/ip_25_1115).

However, these estimates should be interpreted with caution. Measuring multipliers, and in particular demonstrating additionality, is methodologically difficult because it requires a credible counterfactual to be constructed: what private investment would have been in the absence of EU support. For the European Fund for Strategic Investments (EFSI) under the 2014–2020 MFF, the European Court of Auditors reported that investment mobilisation was overstated by about €131 billion, or 26 percent of the reported total, mainly because it included financing committed but not yet disbursed and attributed to EFSI investment that had also been mobilised under other EU instruments (ECA, 2025). Applying this correction factor to the multiplier reported in the Commission’s 2024 interim evaluation of InvestEU would reduce the estimated multiplier from 14.8 to around 11.

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## 2.3 Heading 3: Global Europe

The proposed Global Europe Instrument (GEI) for 2028–2034 would be the EU’s largest-ever external spending package, with a total envelope of €200.3 billion in current prices, equivalent to approximately 0.13 percent of EU GNI (European Commission, 2025c; Greppi-Maturana and Poitiers, 2026). The Cypriot Presidency of the Council of the EU’s ‘negotiating box’ (see Figure 2) would reduce this amount by 15 percent, to €169.6 billion.

Two quantitative constraints would remain. First, at least 90 percent of spending must qualify as official development assistance (ODA), down from 93 percent under the current framework. Second, the instrument is expected to contribute to climate objectives. However, the GEI does not contain a dedicated climate target and is instead subject only to the MFF-wide requirement that at least 35 percent of total MFF expenditure support climate and environmental objectives.

Because Council negotiations are likely to reduce the overall GEI envelope, and in particular its European public goods component, estimates based on the Commission proposal should be interpreted as an upper bound.

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# 3 Investment gap assessment

Investment in the EU is widely considered to be insufficient, as emphasised by Draghi (2024). Darvas *et al* (2025) reviewed and compared a range of estimates of sectoral investment gaps (see Table A1 in the annex for an updated comparison). To assess the role the EU budget can play in closing these gaps, it is first necessary to determine the appropriate public contribution and, within it, the EU contribution. Darvas *et al* (2025) argued that public budgets are typically expected to cover about 25 percent of identified investment gaps, though this share depends on the details of the investment needs.

Within the public sector, the optimal role for the EU budget depends critically on whether the investments in question qualify as European public goods (EPGs).

Public goods are generally underprovided in the absence of public intervention and are characterised by non-rivalry and non-excludability in consumption. For a public good to qualify as European, provision at EU level should internalise cross-border externalities and capture economies of scale (Buti and Papaconstantinou, 2022; Claeys and Steinbach, 2024). Claeys and Steinbach (2024) additionally included heterogeneity of local preferences in the definition. In our view, differences in national preferences matter for the political feasibility of agreeing on EU-level provision; however, we do not assess preference differences across EU members and hence we do not include this consideration in our analysis.

We count both 'genuine' EPGs (financed and delivered at the EU level) and EPGs 'by aggregation' (delivered and financed at different institutional levels). Some would characterise the latter as 'EU priorities' rather than actual EPGs (Buti and Papaconstantinou, 2022). Given our focus on investment gaps that must be filled irrespective of the institutional level at which financing and delivery occur, we consider the broader approach to be appropriate.

For the green and digital investment gaps, this has different implications for how much the EU should contribute to meeting investment needs. For the green investment gap, we find that the EU should cover 17 percent to 25 percent of the gap, given the substantial potential for the EU to provide funding for cross-border transport infrastructure, the centralised provision of industrial subsidies and environmental spending with significant externalities. For digital investment, the EU funding share is lower, at around 12 percent, as large parts of digital-transition investment relate to private goods and should therefore be funded by the private sector. Spending on international climate finance (the EU commitment to finance the green transition in developing countries) falls outside the domestic investment gap but remains a genuine European obligation. Drawing on Bolton *et al* (2025), we estimate the global annual climate-finance investment gap at €410 billion from 2025 to 2035, of which we attribute €16 billion per year (0.09 percent of GNI) to the EPG share that the EU budget could legitimately contribute.

The 2028-2034 MFF proposal would allocate a large share of its budget to competitiveness, aiming to fund innovation (section 2.2). The actual investment needed for innovation is very difficult to quantify. Draghi (2024) suggested an annual investment need of €100 billion to €150 billion over the next five years, which aligns with European Commission estimates of what is needed to raise research and development (R&D) investment to 3 percent of GDP (European Commission, 2024). Public funds already provide substantial support for R&D in the EU: the share of government expenditure in total R&D investment stands at around 30 percent, much higher than in the US or China (around 20 percent in both cases). Gaps compared to other jurisdictions are therefore driven by lack of private investment, highlighting the need to focus on increasing private investment. While support for innovation activities through investment in research can be considered an EPG, the extent to which innovation investment should be leveraged by the EU depends on the type of activity funded.

The budget proposal also emphasises the defence sector as an important strategic component, in particular under the second heading on competitiveness. The EU budget

**The 2028-2034 MFF proposal would allocate a large share of its budget to competitiveness, aiming to fund innovation**

cannot finance military equipment, meaning that defence-related expenditure at the EU level is necessarily limited to industrial-capacity building and R&D investment (Ospital and Wolff, 2026). At the June 2025 NATO summit in The Hague<sup>6</sup>, allies committed to spend 5 percent of GDP on defence and security by 2035: 3.5 percent on core defence and 1.5 percent on wider security-related and infrastructure spending. Bouabdallah *et al* (2025) estimated that meeting the 5 percent target would require EU countries to spend on average around €320 billion more per year by 2035. While the EU budget could contribute to closing this gap, the share attributable specifically to industrial policy and R&D investment remains unclear. So far, there are no estimates of the actual needs, to the best of our knowledge. This is a serious gap in the research, given the amount of attention and funding the sector is receiving. Therefore, we do not analyse defence spending gaps in this paper.

Table 2 summarises the investment-gap components we examine in this paper. As we focus on the green and digital transition components of the investment gap, we take into account only innovation components attributable to these areas. We distinguish between the EPG component of the investment gap, referring to the part that could sensibly be filled by the EU budget, and the total investment gap, which quantifies overall spending needs across the public (national and EU) and private sectors.

**Table 2: Annual investment gap across topics and EPG component (€ billions)**

| Spending area                                       | EPG component                            | Total gap (private and public)           |
|-----------------------------------------------------|------------------------------------------|------------------------------------------|
| Green transition (including environmental spending) | 118-126<br>(0.66 to 0.71 percent of GNI) | 492-632<br>(2.7 to 3.5 percent of GNI)   |
| → Out of which: Innovation                          | 1-4<br>(0.01 to 0.02 percent of GNI)     | 10-26<br>(0.06 to 0.15 percent of GNI)   |
| International climate finance                       | 16<br>(0.09 percent of GNI)              | 410<br>(2.3 percent of GNI)              |
| Digital transition                                  | 15<br>(0.08 percent of GNI)              | 180-279<br>(1.11-1.57 percent of GNI)    |
| → Out of which: Innovation                          | -                                        | 55-154<br>(0.31 to 0.87 percent of GNI)  |
| Total                                               | 149-157<br>(0.84 to 0.88 percent of GNI) | 1082-1321<br>(6.1 to 7.4 percent of GNI) |

Source: Bruegel based on Darvas *et al* (2025), innovation components based on Saulnier *et al* (2025). Note: sums might not add up due to rounding.

Many of these investment gap estimates involve notable caveats, particularly with regard to their comparability and aggregation. The underlying assumptions, such as those relating to current investment levels, tend to be broad and insufficiently precise. Consequently, assessing the potential contribution of the 2028-2034 MFF proposal to closing these gaps requires a number of generalising assumptions to be made, as we detail in section 4.

6 See 'The Hague Summit Declaration' of 25 June 2025, <https://www.nato.int/en/about-us/official-texts-and-resources/official-texts/2025/06/25/the-hague-summit-declaration>.

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## 4 Scenario analysis: how much of investment gap is filled

In our scenarios, we make two general assumptions. First, only spending above the 2021-2027 baseline counts towards closing the investment gap (net additionality)<sup>7</sup>, reflecting the fact that funds that merely replace current spending do not contribute to meeting additional spending needs. Second, each scenario is assessed against two benchmarks from Table 2: the EPG component (0.8 percent to 0.9 percent of GNI), which could appropriately be financed through the EU budget, and the total gap, including private and national spending (6 percent to 7 percent of GNI). Based on these assumptions, we analyse three allocation scenarios.

Because the proposal leaves considerable discretion to EU countries in allocating EU funding through the NRPPs, and because the impact of budgetary instruments under the second heading (section 2.2) would depend on implementation choices, we construct alternative allocation scenarios. We present a detailed examination of the first two headings<sup>8</sup> under three different scenarios:

1. Minimal policy change: EU countries are assumed to continue their current allocation practices in their NRPPs as closely as the new budget structure allows;
2. Maximising the EPG component: available spending is directed to the EPG investment gap (left column of Table 2).
3. Maximising total investment scenario: available spending is directed towards the total investment gap (right column of Table 2), irrespective of whether EU-level intervention is the most efficient delivery mechanism.

### 4.1 Heading 1: Cohesion, agriculture, and security

Within Heading 1, we focus on National and Regional Partnership Plans (NRPPs), since the remaining allocations are predetermined and do not directly address the investment gap. As a first step, we identify the current spending that already contributes to meeting investment needs and should therefore be maintained under the 2028-2034 budget. We assume that about 20 percent of CAP spending is devoted to environmental action, corresponding to 0.08 percent of GNI, following Darvas *et al* (2025). This is below the minimum CAP allocation in the Commission proposal for 2028-2034, which amounts to 0.19 percent of GNI, although not all proposed CAP spending would contribute to environmental action.

<sup>7</sup> Our baseline is based on the extent to which the 2021-2027 budget already allocates resources to the relevant spending categories. Only additional allocations proposed for the 2028-2034 MFF, whether through new resources or redirected spending, are counted as contributing to filling the investment gap.

<sup>8</sup> Global Europe could contribute to filling the international climate finance spending gap and is discussed separately.

For cohesion spending, we use spending on so-called special objectives to classify current spending into contributions to green, digital and innovation investment (see Table A2 in the annex). We find that about 34 percent of cohesion spending in 2021-2027 has contributed to green transition needs, three percent has contributed to digital transformation, and 14 percent to innovation. In total, this implies maintained spending of about 0.19 percent of GNI. This exceeds the minimum amount allocated to cohesion policy in the 2028-2034 proposal (0.15 percent of GNI), which would not be fully dedicated to these investments<sup>9</sup>. In all scenarios, we therefore allocate more resources to cohesion policy than foreseen in the proposal to maintain current spending levels.

Starting with the *minimal policy change scenario*, we additionally apply relative allocation constraints. Since both CAP and cohesion policy would receive lower allocations under the 2028-2034 proposal, we examine a case in which EU members allocate funds in a manner broadly consistent with the 2021-2027 budget, as reflected in their relative importance. We effectively recalibrate flexible spending, while maintaining the proposal's earmarked amounts, in line with spending shares from the 2021-2027 budget. Table 3 presents the resulting allocation shares.

For example, under the 2021-2027 MFF, 45 percent of spending allocated to policies included in Heading 1 of the next MFF was devoted to CAP spending<sup>10</sup>. Under the 2028-2034 proposal, after accounting for earmarked constraints and the need to preserve investment-related spending, around 42 percent would be allocated to CAP. Similarly, about 40.7 percent would be allocated to cohesion policy. This implies an additional top-up for both CAP and cohesion policy from the flexible envelope.

These shares remain below their 2021-2027 levels because earmarked allocations for migration and border management, together with the EU Facility's dedicated amounts (section 2.1), limit the scope for full reallocation. A flexible amount of around 5.1 percent of Heading 1 funds, or 0.03 percent of GNI, remains. We assume this would be allocated to closing the investment gap, particularly green investments.

**Table 3: Heading 1, the minimal policy change scenario**

|                       | 2021-2027 MFF | 2028-2034 MFF with<br>unallocated flexible<br>amounts | 2028-2034 MFF<br>(minimal policy change<br>scenario) |
|-----------------------|---------------|-------------------------------------------------------|------------------------------------------------------|
| CAP                   | 45%           | 34%                                                   | 42%                                                  |
| Cohesion              | 44%           | 26%                                                   | 41%                                                  |
| Migration and border  | 2%            | 4%                                                    | 4%                                                   |
| Facility              | 0%            | 8%                                                    | 8%                                                   |
| Flexible amount/other | 9%            | 27%                                                   | 5%                                                   |
| Total                 | 100%          | 100%                                                  | 100%                                                 |

Source: Bruegel. Note: amounts may not sum up due to rounding.

<sup>9</sup> We abstract from the fact that the 2028-2034 MFF proposal earmarks funding only for less-developed regions, whereas cohesion policy under the 2021-2027 MFF also covered transition regions and more-developed regions.

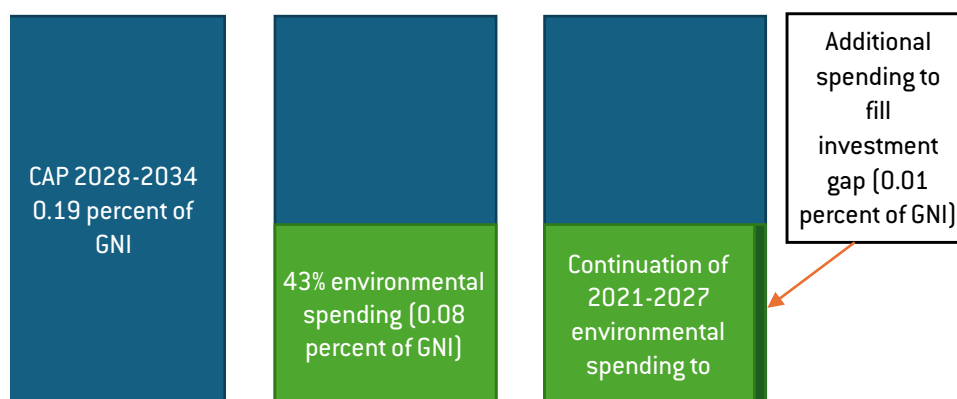
<sup>10</sup> This share is calculated relative to the sum of comparable headings in the 2021-2027 budget, as shown in Table 1.

Overall, we conclude that the proposed flexibility would allow EU countries to allocate NRPP funds in a broadly similar manner to the current budget. However, significant reductions in overall funding under this heading will prevent full replication of 2021-2027 allocations (see also Figure 2), and only a small component equating to 0.03 percent of GNI would contribute to closing the investment gap (Figure 7).

In the *maximising the EPG component* scenario, we apply the same constraints for earmarked amounts and the maintenance of current productive spending. This leaves around 0.12 percent of GNI available for allocation to the investment gap, of which 0.01 percent stems from CAP spending and 0.11 percent from the flexible component.

We assume that CAP spending reaches the overall target of allocating 43 percent of expenditure to green and environmental action. After accounting for the share that already contributes to the closing investment gap under current spending patterns, only 0.01 percent of GNI would remain available to address the environmental investment gap linked to the green transition. Figure 6 illustrates this allocation logic. If all EU countries committed fully to increasing environmental spending and reducing unconditional income subsidies, this amount could be higher. However, this appears politically unlikely.

**Figure 6: Illustration of CAP allocation (illustrative, not exact shares)**



Source: Bruegel.

For cohesion policy, the proposed minimum allocation would not be sufficient to maintain previous investment-related spending. It would therefore be necessary to draw on the flexible pool to preserve current investment levels. This requires around 0.04 percent of GNI, leaving 0.11 percent of GNI available for allocation to the investment gap. We assume that all of this would be directed towards the green transition across different spending areas, such as charging infrastructure for electric vehicles and power-generation capacity.

The *maximising the EPG component* scenario uses all available funds and therefore leaves no scope for additional funding of non-EPG spending needs in this heading. The *maximising all components* scenario is thus equivalent to the second scenario.

Figure 7 summarises the potential contribution of NRPPs to the investment gaps. Around three percent of the EPG investment gap can be filled under the minimal policy change scenario, compared with around 13 percent under the *maximising EPG*

*component* scenario (left panel). This reflects reduced allocations to cohesion policy alongside continued investment needs in these regions, as well as the assumption that CAP spending will not be fully conditional on environmental action. When comparing the *maximising all components* scenario to the total investment gap (right panel), only two percent can be filled by the NRPP component.

**Figure 7a: Heading 1 (EPG funds / NRPPs), closing the EPG investment gap, by scenario**

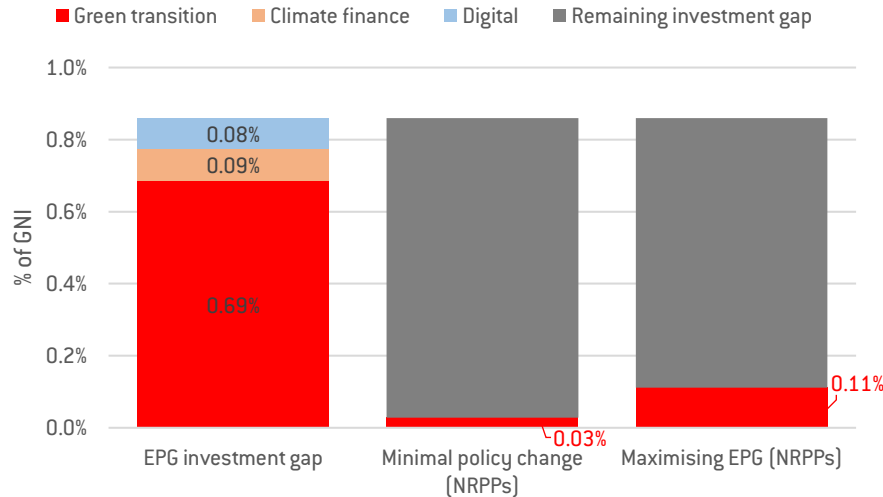
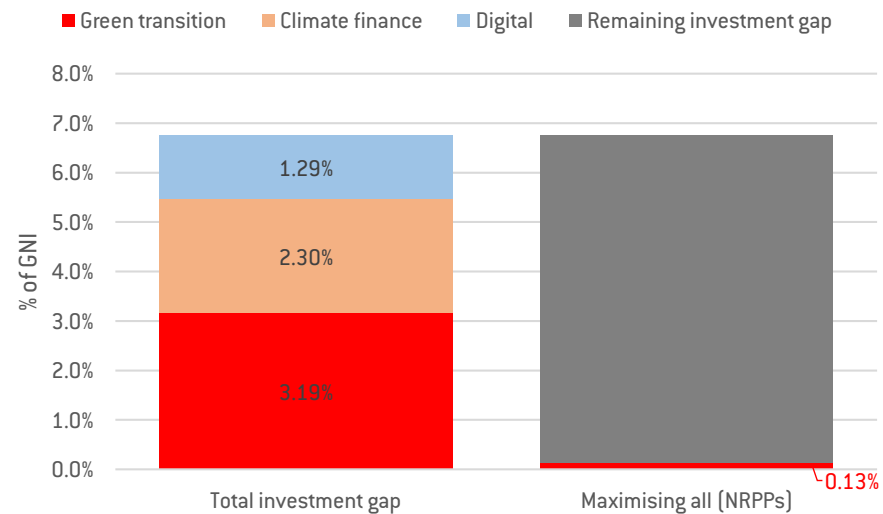


**Figure 7b: Heading 1 (EPG funds / NRPPs), total gap vs. maximising all, by scenario**



Source: Bruegel.

#### 4.2 Heading 2: competitiveness, prosperity and security

Since the European Competitiveness Fund (ECF) would finance a range of private-sector beneficiaries, it is important to clarify when such financing can be considered to support EPGs. Instruments to crowd-in private investment, such as InvestEU, should only be considered as contributing to EPGs if the underlying investment supports the provision of public goods (Darvas *et al*, 2025). For example, scaling up innovative digital sectors is more likely to support the provision of private goods and should therefore not be

considered an EPG. Horizon Europe can generally be considered to support knowledge, which is a global public good. Given the benefits of cross-border coordination and pooled funding, we categorise research funding under Horizon Europe as a public good. However, this applies to research aimed at knowledge generation, not necessarily to funding pre-determined policy objectives. This logic also applies to the benefits of investing early in the research process, when technology-readiness levels remain low (Darvas *et al*, 2026b).

To assess how the second heading of the 2028-2034 MFF proposal could help close the investment gap, we first identify the relevant spending under the 2021-2027 MFF that should be preserved in the next MFF. We then examine the additional spending that the next MFF could provide.

For the ECF, only amounts above the InvestEU guarantee required to maintain current (2021-2027) InvestEU activity are counted as contributing to the investment gap. As outlined above, Horizon Europe, insofar as it supports knowledge generation, can be fully considered to contribute to EPGs and thus to investment needs. We therefore assume that current spending should be maintained so the investment gap does not widen, with only additional funds used to address R&D investment gaps (see Table A3 in the annex for a comparison of the 2021-2027 and 2028-2034 MFFs). We also assume that the Connecting Europe Facility (CEF) contributes fully to the investment gap because of its cross-border focus on transport and energy infrastructure. Consequently, only expenditure above current spending levels is counted as filling the investment gap.

When examining the EPG component of the investment gap, we assume that a large share of the ECF will be allocated as grants, given that the private component of the investment gap is not prioritised. This assumption applies across all scenarios. Because allocation amounts are largely pre-determined<sup>11</sup>, the scenarios yield the same results, as we abstract from private investment and focus on the public EU contribution to the investment gap. The following discussion therefore applies to all scenarios.

The second heading has the greatest potential to address the innovation component of the investment gap (Table 2). The EPG component of the innovation gap consists only of a green component amounting to 0.014 percent of GNI, which is below the proposed allocation of 0.02 percent of GNI under the ECF Instrument and Horizon Europe Pillar II priority policy area for clean transition and industrial decarbonisation (after accounting for current investment levels) (see section 2.2). This suggests that the budget proposal fully closes the EPG component of the green innovation gap. The remaining funding in this policy area could also be used to address environmental investment needs related to the green transition, for example by supporting progress in recycling and the circular economy, amounting to less than 0.01 percent of GNI.

While there is no innovation component within the EPG part of the digital investment gap (Table 2), ECF spending in the digital leadership priority policy area could be fully allocated to the non-EPG digital investment gap, including cybersecurity and communication networks, both of which are eligible under the proposed 2028-2034

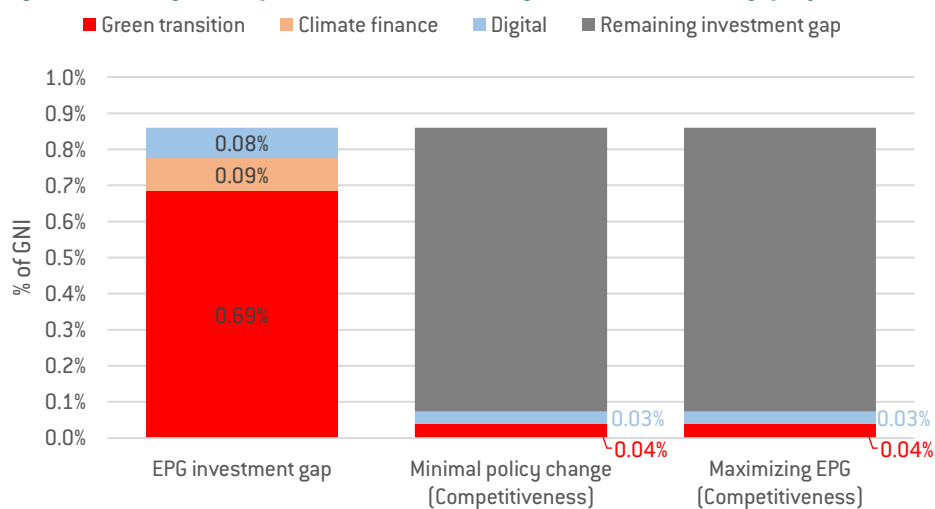
11 Although some flexibility exists in allocation margins, we abstract from it to avoid further complicating the scenario analysis.

budget. By contrast, the health, biotechnology, agriculture and bioeconomy priority policy area appears primarily focused on health-related objectives, and we therefore assume that it does not contribute to the investment gaps identified in this paper.

Funds under CEF Energy can be fully allocated to investment needs in energy systems, particularly electricity grids. CEF Transport is assumed to be fully allocated to Trans-European Transport Network (TEN-T) infrastructure, where an EPG investment gap exists. Neither instrument can fully close its respective gap. CEF Energy and CEF Transport would reduce the investment gap related to cross-border energy grids by about 60 percent, and the TEN-T investment gap by about 5 percent.

Under these allocation assumptions, around 9.5 percent of the EPG component of the investment gap could be filled under the second heading (Figure 8).

**Figure 8: Heading 2 (Competitiveness Fund), closing the EPG investment gap, by scenario**



Source: Bruegel. Note: these scenarios assume most ECF spending to be done via grants.

In total, the combination of both headings leads to the following results:

- Minimal policy change scenario: 12 percent of the EPG investment gap would be closed (0.1 percent of GNI out of 0.86 percent of GNI);
- Maximising EPG scenario: 22 percent of the EPG investment gap would be closed (0.19 percent of GNI out of 0.86 percent of GNI).

This indicates progress towards a more EPG-oriented budget, but also highlights that the proposal for 2028-2034 falls short of the scale required to close the investment gaps identified across the EU. Our scenario analysis highlights the importance of allocating NRPP funds effectively and making strategic use of the new Competitiveness Fund. We also note that our investment-gap analysis focuses only on green and digital investment needs and excludes other spending priorities, such as defence. Consequently, reallocating resources within the proposed budget would not be sufficient to close the investment gap. Given the additional needs of around 0.6 percent of GNI beyond what the proposal addresses, we recommend that the EU budget should be expanded by this amount.

Since a significant share of EU budget spending is intended to crowd in private investment, our analysis also considers private investment needs (see the right column of Table 2). Here, we focus primarily on the second heading. Since the thematic allocations are fixed, the scenarios differ in two ways:

- The assumed multiplier (see Box 1 for a discussion);
- The size of the InvestEU ECF instrument.

The Commission proposes a minimum guarantee envelope of €17 billion and a maximum of €70 billion for 2028-2034, with flexibility to adjust the maximum by up to 20 percent through a delegated act, implying a range of approximately €56 billion to €84 billion. The provisioning rate<sup>12</sup> is proposed to increase to 50 percent from the 40 percent applied under the 2021-2027 InvestEU programme, reflecting the higher risk profile of investments.

We therefore vary the size of the InvestEU ECF instrument between €17 billion and €70 billion, in line with the proposed regulation. We also vary the multiplier to reflect uncertainty about future mobilisation effects. In the *minimal policy change* scenario, we assume a guarantee envelope of €17 billion, reflecting the relatively limited role of InvestEU at present. Although a large share of the private investment generated under the future InvestEU instrument would not support EPGs, we retain the label *maximising the EPG component* scenario for the intermediate case and assume a guarantee envelope equal to the midpoint between the minimum and maximum values.

The *maximising total investment* scenario represents the opposite extreme, seeking to close as much of the private investment gap as possible through full use of the permissible InvestEU envelope. The scenarios also differ in their multiplier assumptions. The *maximising total investment* scenario uses the Commission's estimated multiplier of around 14, which is likely optimistic, while the *maximising the EPG component* scenario uses the more conservative historical estimate of 11 from the European Court of Auditors (see Box 1). Finally, the *minimal policy change* scenario assumes a multiplier of eight to capture a lower-bound estimate. Table 4 summarises the assumptions and corresponding investment mobilised, while Figure 8 presents the results graphically.

**Table 4: Scenarios for ECF InvestEU Instrument**

|                          | Minimal policy change | Maximize EPG       | Maximise total investment |
|--------------------------|-----------------------|--------------------|---------------------------|
| Total guarantee envelope | €17 billion           | €40 billion        | €70 billion               |
| Multiplier               | 8                     | 11                 | 14                        |
| Investment mobilised     | 0.1 percent of GNI    | 0.3 percent of GNI | 0.5 percent of GNI        |

Source: Bruegel. Note: investment mobilised refers to the amount across all four priority policy areas.

<sup>12</sup> The provisioning rate is the share of an InvestEU guarantee that must be set aside in the budget as a buffer against expected losses. A guarantee of €X with a provisioning rate of p requires budget resources equal to  $p \times €X$ . The remaining guarantee capacity, combined with the assumed multiplier, determines the private investment mobilised.

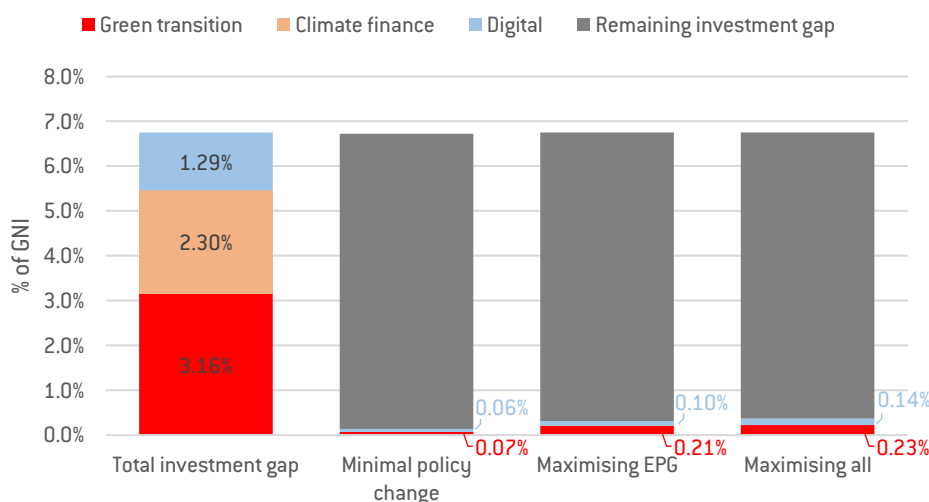
We assume that mobilised investment would be allocated across priority policy areas according to their shares of proposed ECF spending. This implies around 11 percent for clean transition and industrial decarbonisation and 23 percent for digital leadership. (As discussed above, we abstract from the remaining areas: health, biotechnology, agriculture and bioeconomy; resilience and security; and defence industry and space)<sup>13</sup>.

In the *minimal policy change* scenario, we estimate that around 2.0 percent of the total investment gap, equivalent to 0.13 percent of GNI, could be addressed. We allocate the clean transition and digital leadership policy areas to their corresponding investment-gap estimates, which results in relatively small contributions to the green and digital investment gaps.

In the *maximising the EPG component* scenario, about 0.17 percent of GNI, or 2.6 percent of the total investment gap, could be mobilised with a slightly higher allocation across the two transition spending needs.

Lastly, under the *maximising total investment* scenario, approximately 0.24 percent of GNI, corresponding to 3.5 percent of the total investment gap, could be addressed. Figure 9 summarises these results. Combining these amounts with the funding identified under Heading 1 increases total coverage to roughly four percent to eight percent of the total investment gap.

**Figure 9: Heading 2 contribution to filling the investment gap under different assumptions**



Source: Bruegel. Note: These scenarios assume the majority of ECF to be spent on guarantees.

These findings show that, while the EU budget can help mobilise private investment, it cannot do so at the scale required to close the investment gap. Other policy initiatives, particularly progress towards the Savings and Investments Union<sup>14</sup>, will therefore be crucial for increasing private investment in the EU. We also note that public R&D

<sup>13</sup> Available resources for the resilience and security and defence industry and space priority policy areas range from 0.15 percent to 0.34 percent of GNI. Compared with NATO's 5 percent of GDP spending target, this represents a relatively small amount. While much of the NATO target relates to military capabilities and equipment, part of it is likely to support the development of Europe's industrial base.

<sup>14</sup> See European Commission, 'Savings and investments union', [https://finance.ec.europa.eu/regulation-and-supervision/savings-and-investments-union\\_en](https://finance.ec.europa.eu/regulation-and-supervision/savings-and-investments-union_en).

investment is already relatively high in the EU compared with many other jurisdictions. Public financing alone will not provide all the investment the EU requires, underlining the need for policies that encourage private-sector investment through instruments beyond financial guarantees.

Sansonetti *et al* (2026) conducted a similar study of the EU 2028-2034 budget proposal. Our calculations and results differ for several reasons. Most importantly, we express investment needs as a share of GNI to account for inflation and economic growth. By contrast, Sansonetti *et al* (2026) compared the 2028-2034 budget in current prices with the Draghi (2024) investment gap estimates, such as those for the green transition, which are expressed in 2022 prices. Additional differences relate to multiplier assumptions, including the use of multipliers for CEF and Horizon Europe, which we do not incorporate. Sansonetti *et al* (2026) also assumed higher multipliers than us, and lower provisioning rates than those used here.

### 4.3 Heading 3: Global Europe

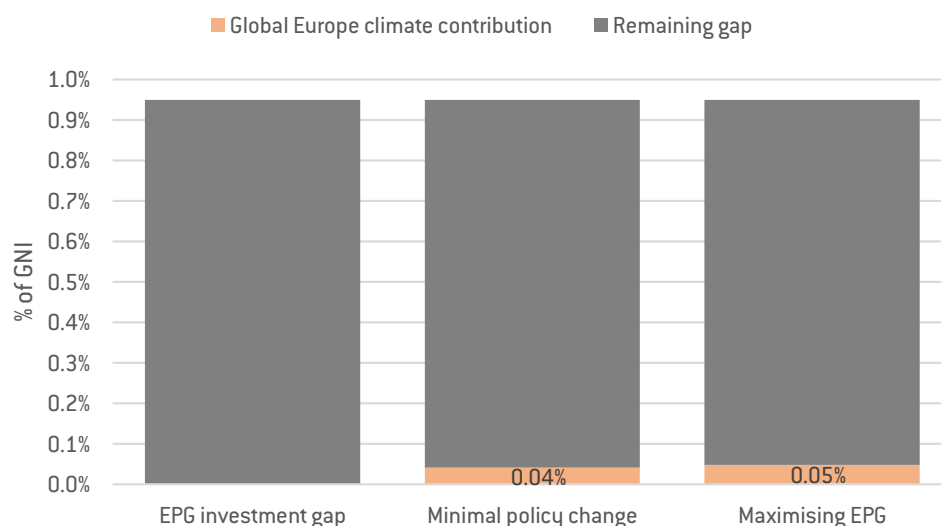
Within Heading 3, we focus on international climate finance, the only external component of the investment gap addressed through the EU budget. Although international climate finance falls outside the domestic investment gap, it represents a genuine EU commitment under the Paris Agreement. We estimate this need at 0.09 percent of GNI (€16 billion) on the European-public-good measure, based on a global financing gap of €410 billion (Bolton *et al*, 2025).

As a first step, we determine how much of the current external action envelope is already directed to climate finance and should therefore be maintained under the 2028-2034 budget. The current Neighbourhood, Development and International Cooperation Instrument (NDICI) – Global Europe regulation (Regulation (EU) 2021/947) requires at least 30 percent of expenditure to contribute to climate objectives. We therefore take 30 percent of the 2021-2027 envelope as the baseline. Consistent with our approach, only climate finance above this baseline counts towards closing the gap.

By contrast, the proposed Global Europe Instrument for 2028-2034 does not include thematic targets (Greppi-Maturana and Poitiers, 2026). The binding climate spending target would be removed and climate spending would fall instead under the budget-wide target of allocating 35 percent of expenditure to climate and environmental objectives. Within this framework, Global Europe is assigned an indicative contribution of around 30 percent. Because this contribution is indicative rather than binding, actual climate-finance spending depends on the climate-mainstreaming share applied to the fixed envelope, which we vary across scenarios.

In the *minimal policy change* scenario, we assume that Global Europe maintains the current 30 percent climate share, delivering around 0.04 percent of GNI to international climate finance. In the *maximising the EPG component* scenario, we apply the proposed budget-wide climate and environment target of 35 percent, increasing climate finance to around 0.05 percent of GNI. Only spending above current levels contributes to closing the EPG climate-finance gap, amounting to approximately 0.009 percent and 0.016 percent of GNI, respectively.

**Figure 10: Heading 3 (Global Europe), closing the EPG investment gap, by scenario**



Source: Bruegel.

## 5 Conclusion and policy recommendations

The debate on the next MFF takes place against the backdrop of persistently high EU investment needs, particularly for the green and digital transitions, innovation and strategic infrastructure. While the European Commission's proposal for the 2028-2034 MFF represents a meaningful shift in priorities, most notably towards competitiveness and defence, it remains an open question whether the proposed budget is commensurate with the scale and composition of Europe's investment challenge.

We have assessed the extent to which the proposed MFF could contribute to closing the EU's investment gap, drawing on recent estimates in the literature and focusing specifically on green, digital, innovation and international climate finance-related investment needs. Our results point to a consistent and robust conclusion. Even with optimistic assumptions, the proposed MFF would cover only a relatively small share of the EU's investment needs. For the EPG component of the investment gap, amounting to roughly 0.8-0.9 percent of GNI annually, the combination of Heading 1 (National and Regional Partnership Plans, NRPPs) and Heading 2 (competitiveness instruments) would narrow the gap by about 12 percent in a minimal policy change scenario, and up to 22 percent in an EPG maximising scenario. Contributions to international climate finance will remain very limited. When accounting for private-investment mobilisation through guarantee-based instruments, the overall contribution would increase, but will remain modest: at best, some four to eight percent of the total (public and private) investment gap would be filled.

These findings highlight two key constraints of the proposed framework. First, the EU budget is too small overall relative to the scale of the investment needs identified in the literature. Should the size of the next budget be reduced compared to the European Commission's proposals, as advocated by several EU net-contributor countries, it

**Even with optimistic assumptions, the proposed MFF would cover only a relatively small share of the EU's investment needs**

will make even less of a contribution to closing existing investment gaps. Second, the budget's potential to address investment needs depends critically on allocation choices, particularly within the flexible components of Heading 1 and the design and deployment of instruments under Heading 2. While the proposal for 2028-2034 has introduced tools aimed at crowding-in private investment, these mechanisms alone cannot compensate for the underlying gap in public funding, nor can they fully address investment needs in areas that primarily constitute EPGs.

On the basis of this analysis, we derive the following policy recommendations:

#### **Increase the overall size of the EU budget**

This increase should be directed towards the instruments with the strongest EPG character: cross-border infrastructure, centrally managed innovation support under Horizon Europe and the ECF, and international climate finance, for which the proposed contribution falls furthest short of the identified need. To make a meaningful contribution to closing Europe's investment gap, the EU budget should be expanded beyond the level proposed by the Commission. Our estimates suggest that an increase of around 0.6 percent of GNI would be required to align the EU budget more closely with identified investment needs for EPGs.

#### **Use NRPPs strategically to prioritise investment**

To operationalise this approach, the European Parliament and Council of the EU could introduce minimum earmarking shares for green, digital and other EPG-relevant investment in the criteria for NRPP approval. Disbursement would be conditional on meeting these requirements, similar to the climate mainstreaming targets in 2021-2027. The flexibility embedded in the NRPPs offers an opportunity to better align spending with investment needs. EU countries should prioritise allocations that support the green and digital transitions and other EPG-relevant investments, rather than replicating historical spending patterns. Importantly, EU budget spending should focus on contributions to EPGs, rather than being spread broadly across general investment needs. Without such prioritisation, the potential of the new architecture will remain underutilised.

#### **Reassess the role and limits of guarantee-based instruments**

Guarantee-based instruments are best suited to investments that are privately profitable but face financing frictions. Where returns are primarily social, as is often the case for environmental spending and basic research, grants and direct public investment remain indispensable. Realistic multiplier assumptions, rather than the Commission's estimates, should guide the allocation between these two types of instruments. Instruments such as the ECF InvestEU component can play an important role in mobilising private investment, but their aggregate impact will remain limited relative to overall investment needs. Policymakers should therefore avoid over-reliance on financial engineering and should complement these tools with direct public investment, particularly in areas in which market failures are pronounced or returns are primarily social rather than private.

## Strengthen the analytical basis for defence-related investment needs

Despite the growing political emphasis on defence spending, there is currently a lack of robust, comparable estimates of the investment gap in defence-related industrial capacity and R&D. Closing this gap should be a priority for future research and policy design, especially given the potential role of the EU budget in supporting cross-border defence industrial cooperation.

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# Annex

**Table A1: Annual additional 'investment' needs**

|                                                                           | Draghi (2024)                      | Bouabdallah <i>et al</i> (2024)  | Bouabdallah <i>et al</i> (2025)<br>Updates Bouabdallah <i>et al</i> (2024) | Felbermayr & Pekanov (2024) | Pisani-Ferry & Tagliapietra (2024); Burilkov and Wolff (2025) |
|---------------------------------------------------------------------------|------------------------------------|----------------------------------|----------------------------------------------------------------------------|-----------------------------|---------------------------------------------------------------|
| Public share of total                                                     | 25% - 35%                          | 25%                              | 43%                                                                        | -                           | Green transition: 25%-50%                                     |
| EU share of public share                                                  | -                                  | 30%                              | -                                                                          | -                           |                                                               |
| Additional annual total (private and public) investment needs, € billions |                                    |                                  |                                                                            |                             |                                                               |
|                                                                           | 750-800                            | 617-926                          | 1200                                                                       | -                           | -                                                             |
| Additional annual public (national and EU) investment needs, € billions   |                                    |                                  |                                                                            |                             |                                                               |
| Green transition                                                          | 113-158                            | 117-175                          | 123-185                                                                    | -                           | 86-172                                                        |
| Digital                                                                   | 38-53                              | 11-17                            | 32-48                                                                      | -                           | -                                                             |
| Defence                                                                   | 13-18                              | 21-32                            | 259-388                                                                    | -                           | -                                                             |
| Innovation                                                                | 25-53                              | -                                |                                                                            | -                           | -                                                             |
| Infrastructure                                                            | -                                  | -                                |                                                                            | -                           | -                                                             |
| Additional annual EU investment needs, € billions                         |                                    |                                  |                                                                            |                             |                                                               |
| Green transition                                                          | -                                  | 32-48                            |                                                                            | -                           | -                                                             |
| Digital                                                                   | -                                  | 11-17                            |                                                                            | -                           | -                                                             |
| Defence                                                                   | -                                  | 3-4                              |                                                                            | 180                         | 125                                                           |
| Innovation                                                                | -                                  | -                                |                                                                            | 180                         | -                                                             |
| Infrastructure                                                            | -                                  | -                                |                                                                            | 180                         | -                                                             |
| Total public                                                              | 190-280<br>(1.1% - 1.6% of EU GNI) | 149-223<br>(0.8%-1.2% of EU GNI) | 414-621<br>(2.3%-3.5% of EU GNI)                                           | -                           | 211-298 (1.2%-1.7% of EU GNI)                                 |
| Total EU                                                                  | -                                  | 47-70<br>(0.3%-0.4% of EU GNI)   | -                                                                          | 540<br>(3.0% of EU GNI)     | -                                                             |

Source: Bruegel. Note: investment needs calculated over 2025-2030 in Draghi (2024) and 2025-2031 in Bouabdallah *et al* (2024, 2025). We consider a 25-35 percent range for the public share of total investment for the following reasons. Draghi (2024) suggested a 20-50 percent range, excluding public incentives for private investment – an element Draghi (2024) deemed necessary. Therefore, we set the lower bound of the range at 25 percent. As regards the upper bound of the range, a 50 percent public contribution to all investment needs appears excessive based on other studies, such as Darvas and Wolff (2023) and Bouabdallah *et al* (2024). Consequently, we adopt a more conservative upper bound of 35 percent. Numbers for Bouabdallah *et al* (2024, 2025) are read visually from the graph in the paper and a +/-20 percent range is applied, as suggested by the authors. Felbermayr and Pekanov (2024) proposed their numbers in the context of the next EU budget. 'Infrastructure' in Felbermayr and Pekanov (2024) refers to the financing of pan-European infrastructure projects such as electricity, which are all classed under the green transition in other studies. Shares of EU GNI based on 2024 numbers at €17900 billion. Numbers are rounded and sums might thus not correspond to sub-components.

**Table A2: Categorisation of special objectives of 2021-2027 cohesion spending**

| Spending need category | Special objectives allocated                |
|------------------------|---------------------------------------------|
| Green investment       | RSO2.1 Energy efficiency,                   |
|                        | RSO2.2 Renewable energy                     |
|                        | RSO2.3 Smart energy systems                 |
|                        | RSO2.4 Climate change adaptation            |
|                        | RSO2.5 Sustainable water                    |
|                        | RSO2.6 Circular economy                     |
|                        | RSO2.7 Nature protection and biodiversity   |
|                        | RSO2.8 Sustainable urban mobility           |
|                        | RSO2.9 Clean technologies                   |
|                        | RSO3.1 Sustainable TEN-T                    |
|                        | RSO3.2 Sustainable transport                |
| Digital investment     | RSO1.2 Reaping the benefits of digitisation |
|                        | RSO1.5 Digital connectivity                 |
| Innovation investment  | RSO1.1 Enhancing research and innovation    |
|                        | RSO1.3 Growth and competitiveness of SMEs   |

Source: Bruegel based on European Commission.

**Table A3: Mapping of policy windows from 2021-2027 InvestEU and Horizon Europe funds and 2028-2034 ECF/Horizon Europe**

| 2028-2034 ECF/Horizon                               | 2021-2027 InvestEU                          | 2021-2027 Horizon                                                |
|-----------------------------------------------------|---------------------------------------------|------------------------------------------------------------------|
| Clean Transition and Industrial Decarbonisation     | Sustainable infrastructure                  | Climate, Energy and Mobility                                     |
|                                                     | SME policy (1/3)                            |                                                                  |
| Digital Leadership                                  | Research, innovation and digitisation (2/3) | Digital, Industry and Space (2/3)                                |
|                                                     | SME policy (1/3)                            |                                                                  |
| Resilience and Security, Defense Industry and Space | SME policy (1/3)                            | Digital, Industry and Space (1/3)                                |
|                                                     |                                             | Civil Security for Society                                       |
| Health, Biotech, Agriculture and Bioeconomy         | Research, innovation and digitisation (1/3) | Health                                                           |
|                                                     |                                             | Food, Bioeconomy, Natural Resources, Agriculture and Environment |
| Society                                             | Social investment and skills                | Culture, creativity and inclusive society                        |

Source: Bruegel based on Regulation 2021/523 establishing the InvestEU Programme.



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