



**ESTONIA
POSITION PAPER
THE EU'S LONG-TERM BUDGET AND
OWN RESOURCES PROPOSALS FOR 2028-2034**

The size, structure and modernisation of the MFF

Estonia welcomes the ambitious overall size of the European Union's 2028–2034 MFF proposal, amounting to €1.985 billion. This level of funding is essential to enable the Union to deliver on its new strategic objectives, including strategic aim of EU enlargement, while safeguarding adequate financing for existing programmes. Estonia supports the proposed budget structure which indeed results in a simpler, more flexible, strategic, and streamlined budget framework. Furthermore, a modernised, performance-based budget with rule of law conditionality is expected to focus spending on the EU's political priorities and ensure clear results.

The main priorities

Estonia finds it of utmost importance that the next MFF ensures sufficient and predictable funding, as a minimum at the level of Commission's proposal, for the following priorities:

- European public goods in order to achieve the biggest added value for EU.
- European Defence Union development and build-up to promote the security of the EU.
- Ukraine support must meet the actual needs and be provided for as long as necessary.
- Cross-border transport and energy connectivity development to deepen common market, enhance competitiveness and achieve climate targets.
- National and Regional Partnership Plans' (NRPP) budgets must be safeguarded to achieve the objectives of the cohesion policy, the common agricultural policy as well as border management and internal security.
- Member States bordering aggressor countries on the eastern border must receive additional top-up funding, which is urgently needed to help mitigate the devastating socio-economic impacts.

Top-up funding for eastern border countries

Estonia argues that Member States bordering aggression countries must receive top-up funding for the NRPPs, which is justified to mitigate the devastating socio-economic impacts resulting from Russia's war of aggression on the regions at the EU's Eastern border. Eastern border regions have faced severe negative effects on private consumption, investment, inflation, trade, and fiscal position. The aggression war has undermined the investment climate in the region, has led to deterioration of trade relations, has disrupted supply chains, and has resulted in the loss of supply and sales markets. Therefore, there is a clear need for additional funding for those regions on top of the proposed NRPP budgets. The EU budget must also address competitiveness challenges in EU Eastern border Member States through European Competitiveness Fund, including supporting the resilience of existing critical energy infrastructure and funding critical defence industry projects to enhance the energy security and defence capabilities of the Union.



European Defence Union and support for Ukraine

The MFF must respond decisively to the deteriorated security environment in Europe. Consequently, strengthening the EU's defence readiness and ensuring comprehensive support for Ukraine should be fully reflected in the size of the next long-term EU budget. Estonia supports the Commission's proposal that provides considerable horizontal funding for boosting the production capacity of the EU defence industry, developing defence capabilities, addressing capability gaps, as well as defence innovation. Estonia's position is that the budget of €100 billion for the Ukraine Reserve should be regarded as a bare minimum, and therefore an increase could be considered. Ukraine's expected accession to the EU should also be reflected in the MFF agreement.

National and Regional Partnership Plan

Estonia supports merging shared management funds into a single National and Regional Partnership Plan (NRPP). Given the new structure of the MFF, the budget for NRPPs must be safeguarded from any possible cuts. NRPP should enhance coherence, efficiency and synergies in the planning and implementation of shared management funds. The NRPPs have to take due account of specificities of the Common Agricultural Policy, the Common Fisheries Policy, and internal security policy.

NRPPs should duly reflect the heightened geopolitical risks stemming from Russia's war of aggression and address the specific challenges these risks create, which undermine the socio-economic development and long-term resilience of the EU's eastern border regions. To this end, adequate flexibility to address local circumstances should be ensured for Member States.

Estonia finds the proposed minimum national co-financing rate of 40% for transition regions unreasonably high, since it limits the effective uptake of EU funds and places a disproportionate burden on national budgets at a time of heightened fiscal pressure. Also, it undermines the core objective of NRPP, including Cohesion Policy, to reduce disparities and support balanced territorial development across the Union. In addition, Member States should be allowed to differentiate co-financing rates across measures taking into account national, regional and beneficiary financial capacities, and it should be possible to count the own contribution of beneficiaries under national co-financing.

The MFF should support the ongoing efforts to ensure a level playing field for farmers in all Member States through the Common Agricultural Policy. For agricultural measures co-financed by Member States, a minimum EU co-financing rate should be established alongside the maximum EU co-financing rate.

Strengthening cross-border connectivity

The development of cross-border transport and energy connections has to be one of the main priorities of the MFF and therefore budget cuts cannot be envisaged. The well-functioning climate friendly cross-border transport and energy connections are essential for the integrity of the common market, for continuing cohesion between Member States, and the Union's ability to respond to geopolitical and security challenges.

Therefore, Estonia strongly supports the budget proposed by the Commission for transport and energy connections as well as military mobility in the Connecting Europe Facility (CEF). Rail Baltic project has been a long-standing priority for the Baltic countries for integration into EU



gauge rail network and Estonia is fully committed to have it operational by 2030 - for this additional funding is needed from CEF in the next MFF. Protection of critical cross-border connections infrastructure (both existing and new) must be eligible from EU funding, including European Competitiveness Fund. Estonia also supports the proposal for the CEF co-financing rate of 75% for transport projects in Member States with *per capita* GNI below 90% of the EU average and for energy projects of common interests to the Union . In addition, increase of the EU co-financing rate for transport projects in relation to EU eastern border Member States by 10 percentage points should be considered, including for military mobility infrastructure projects.

European Competitiveness Fund

The Commission's proposal takes into account the funding needs for boosting defence readiness. Ensuring access to funding for small and medium-sized enterprises across the EU is important. The negative impact of the war of aggression on the competitiveness of eastern border regions should also be taken into account by providing targeted funding to these regions. There is a need to explore the best ways to ensure that small and medium-sized enterprises, as well as companies from the eastern border regions, have access to funding from the European Competitiveness Fund across the EU. Possible measures could include dedicated calls for application, differentiated co-financing rates, etc., in specified parts of the Competitiveness Fund.

Budget revenue

Estonia supports an EU own resources system that is as fair, stable and simple as possible. A new own resource should deliver clear added value over the GNI-based contributions and ensure a fair distribution of the burden among Member States. Further analysis is needed to determine whether the proposed own resources meet these criteria, and above all, generate fresh revenue to relieve pressure on Member States' budgets. In this context, the new own resources should be assessed against the GNI-based contributions, as a larger budget could still be financed through higher GNI-based contributions. Estonia is firmly against the use of Emissions Trading System's revenue as a new own resource for the EU budget because it would significantly reduce our possibilities to invest in climate goals and is highly regressive by nature. Estonia supports the CBAM-based own resource, as it is a genuine own resource bringing added value to Member States' contributions. Estonia also believes that lump-sum rebates for wealthier countries should be discontinued, as this would make the own resources system simpler and fairer.