

# THE PATH TOWARD AN ENHANCED PROVISION OF EUROPEAN PUBLIC GOODS

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TEPSA BRIEFS  
11/2025



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trans-european  
policy studies  
association



Co-funded by  
the European Union

In the face of mounting global uncertainty, enhancing European Public Goods (EPGs) has become a strategic imperative. This policy brief analyses a series of proposals to strengthen EPG provision through increased revenue and incentive-based reforms, concluding that both strategies must move in tandem. Furthermore, while the Commission's Multiannual Financial Framework (MFF) 2028-2034 proposal represents an incremental step, achieving optimal EPG provision requires overcoming entrenched national priorities and fostering genuine European added value.

## The case for enhanced EPGs

Amidst an increasingly antagonistic international system, in which the challenges faced by Member States have acquired an inherently cross-border scope, delivering an EU-level response has become not just an efficiency-driven priority, but also a political imperative for securing strategic autonomy. In order to achieve this, it is crucial to strengthen the provision of EPGs – broadly speaking, that is, public goods which bring greater value to the EU community as a whole if provided at the Union level, rather than nationally. Examples include climate action, research, foreign policy, development cooperation, digital sovereignty, migration and border management, security and defence, among others, revealing a substantial divergence from the traditional

priorities of the EU budget.

In the late 1970s, when the concept first entered the European policy-making agenda with the publication of the [MacDougall Report](#), more demanding criteria to justify Community provision was formally established, notably economies of scale, externalities/spillovers and political homogeneity. While food security and the promotion of economic and social cohesion (when targeted toward catching-up countries) are often defined as EPGs, both the current design of the Common Agricultural Policy and Cohesion policy fail to meet the economic criteria, reaping mostly local and national benefits. Such an outcome is understandable, as both policies emerged not so much out of efficient centralisation, but rather through Treaty commitments and the need to support the common/single market. Taking this into account, as non-public goods are better left in the hands of market provision, so are policies characterised by local added value better left to national/regional administrations, implying a comprehensive redesign of the Union's foundational policy priorities.

As past budget negotiations have shown, intergovernmental bargaining prioritises national net balances over the pursuit of European Added Value (EAV), hindering an optimal provision of EPGs. Consequently, this brief analyses different proposals to overcome this challenge, firstly, through the increase in budgetary revenue, and, secondly, by tackling the problem at its core, making EPGs more attractive to decision-makers. When appropriate, these considerations are weighed against the Commission's current efforts in their [draft proposal](#) of the 2028-2034 MFF, which serves as a modestly promising prelude for the future of EPGs.

## Increasing revenues

Stemming from free rider temptations, prioritisation of local goods for electoral gains, and path dependency leading to institutional inertia, Member States display relatively low incentives to fund EPGs. In light of this, the Commission should hold a central role as policy entrepreneur, advancing proposals to address the issue. Accordingly, in order to improve the chances of success of such initiatives, these EPGs could potentially be financed through a combination of the following mechanisms: new Own Resources, a permanent joint debt issuance facility, and, to a smaller extent, through the enhanced coordination of relevant financiers.

Regarding Own Resources, these are the main sources of revenue of the EU budget, and include customs duties, contributions based on the Value Added Tax collected by Member States, and direct contributions by the EU countries. For the 2028-2034 MFF, the Commission has advanced five new Own Resources, alongside adjustments to current ones; however, in real terms, these translate into a shy budgetary increase of only 0.02 percentage points of the EU's Gross National Income, in comparison to the prior MFF ([according to the European Parliamentary Research Service](#)). On the other hand, in respect to new rounds of joint debt issuance, the Commission has proposed the creation of a new extraordinary instrument to steadily respond to potential crises (this time, under a new legal basis, ensuring the European Parliament's full involvement, in an effort to increase its democratic legitimacy). Moreover, the Commission has also put forward a EUR 150 billion loan scheme, entitled Catalyst Europe, through which Member States will be able to seek further financing for strategic investments at beneficial rates. [According to experts from the Jacques Delors Center](#), however, this facility not only lacks size and purpose, but also diverts attention from the substantive discussion that should be taking place: whether joint borrowing

should target the financing of EPGs, which, otherwise, Member States would not provide on their own.

In this context, it is striking how the unravelling of the Recovery and Resilience Facility agreement - whose original structure, truth be told, aimed at assisting Member States, rather than investing in EPGs - sheds light on the core of the problem. Indeed, in the aftermath of intergovernmental negotiations, the shrinking share of financial resources directed towards EPGs demonstrates how the provision of EPGs is dependent on the decision-makers' incentives, or, more specifically, [on the lack of those](#). Such evidence calls for consideration of how to address this issue.

Lastly, regarding opportunities to further unlock financing, coordination among relevant financiers - namely the European Investment Bank and a European Stability Mechanism (ESM) of broadened scope - [has been discussed by experts](#) as a potential avenue for progress. It is important to note, nonetheless, that borrowing through the ESM to finance EPGs would require changing its foundational Treaty, a difficult issue since the last failed reform, blocked by Italy in 2023. Whether unlocking a new ESM functionality could result in a package deal appealing to the Italian executive, linking it to broader gains through cheaper access to capital, remains nothing but an interesting hypothetical possibility.

## Redesigning incentives

Notwithstanding the merits of the above-mentioned reforms, increasing the revenue side of the EU budget does not tackle the issue of incentives per se. Enticed by electoral gains, decision-makers, particularly in the Council, frequently opt for spending choices that reap benefits for their respective constituencies (and disperse the associated costs), rather than prioritising EAV policies. In light of this, [German](#)

[economist Friedrich Heinemann](#) proposes strategies to increase the relative attractiveness of EPGs, notably by amplifying the visibility of their benefits. Examples of these strategies include marketing efforts to promote EPGs, even though they lack an intrinsic communicative potential by virtue of their often intangible nature, diffuse benefits, and lack of emotional attachment, particularly when compared to tangible community-level projects, like those funded by the Cohesion policy.

Although amplifying the visibility of the benefits to voters may prove challenging, several prescriptions exist for directly targeting decision-makers. These comprise, for instance, the redesign of indicators and evaluation procedures, aimed at quantifying the EAV of providing for these outcomes at the European level, the temporary Europeanisation of certain policy domains on a trial basis, allowing for a certain dose of experimentalism in integration, and contract arrangements of centralised service-provision between the EU and Member States, particularly in the case of goods not subject to free-riding.

These proposals rely on the optimistic assumption that information and persuasion are sufficient to change long-entrenched behavioural patterns of decision-makers; by contrast, increasing the costs of local goods relative to EPGs would be a more assertive strategy. From this perspective, differentiated co-financing, whereby higher co-financing rates are applied to policies with limited EAV, emerges as a promising option. This principle already applies to Cohesion policy, and it could be extended to the Common Agricultural Policy's direct income support, ensuring that Member States provide a fair share of contributions. A second option would be pre-defined net balances, which would entail determining the net balance of each Member State before the MFF structure is set,

and triggering correction payments when spending decisions diverge from it (a bolder version of the [critical-threshold mechanism proposed by the Commission in 2004](#) and kept at a standstill by the Council).

Whereas these approaches nudge Member States towards EPGs through immediate cost-based considerations, a series of institutional and procedural reforms would embed more Europeanness in budgetary negotiations by default. These are grounded on the assumption that certain actors, like the European Parliament, hold relatively less parochial tendencies than the Council (if empirically corroborated, this expectation would make a strong case for transnational lists, further diluting any potentially sensitive inclinations of Members of the European Parliament toward their constituencies). In accordance with this perspective, former Commission director for Revenue and the MFF, Stefan Lehner, [argued](#) in favour of installing a preliminary round of trilogues prior to the launch of the Commission's MFF proposal, similar to [what is foreseen in the annual budgetary procedure](#). Among the issues to be agreed upon through joint conclusions, setting a percentage target for operational expenditure (excluding spending under the CAP and Cohesion policy) and linking the achievement of this target to the European Parliament's consent to the MFF would likely make this format more impactful.

A second innovation could involve making use of Art. 312.2 Treaty on the Functioning of the EU, according to which the European Council can unanimously authorise the Council to adopt an MFF by a qualified majority. This 'passerelle' clause would forge consensus, yielding a higher EAV than the lowest common denominator. Lastly, one final innovation – this time not foreseen by the Treaties and therefore requiring their reform – would be to allow for the adoption of the MFF, along with the multi-annual spending programmes, through the Ordinary Legislative Procedure (a proposal outlined in the

[European Parliament's 2023 report on Treaty amendments](#)). [Miccosi and Gros](#) had already defended this vision 20 years ago, alongside the synchronisation of budgetary decisions with the European Parliament's electoral terms, in order to spur the visibility of the MFF's negotiations (which is of particular importance in the absence of a truly European public sphere). A more feasible version would [limit the Council's monopoly](#) to the budget-ceiling decision, leaving the expenditure structure to the annual budgetary procedure, in which the European Parliament acts as co-legislator.

The 2028-2034 MFF proposal aligns, to some extent, with these flexibility considerations, particularly on strengthening the annual budgetary procedure. Its new composition of three pillars and consolidation of programs into broader envelopes provides room for adjustments within specific headings, which, although short of a paradigm rupture in the decision-making architecture behind the EU budget, represents an incremental step toward more dynamism.

## Pathways forward

The increase in financing sources for the delivery of EPGs - notably through the increase of the Union's Own Resources, new rounds of joint debt issuance and coordination of relevant financiers - is a necessary but insufficient condition for the provision's enhancement. Consequently, the Commission should make use of its entrepreneurial action, not only to engender innovations on the revenue side, but also to tackle the budgetary disincentives, boosting the relative desirability of EPGs *vis-à-vis* local goods.

Achieving this is no easy task; hence, a combination of strategies is needed to amplify the visibility of the benefits of EPGs in the eyes of both local constituencies and

decision-makers. Approaches such as this are optimistic in assuming that persuasive efforts are enough to prompt ideational shifts through the "Europeanisation" of the Council members. Conversely, strategies based on the relative price increase of local goods would be more assertive; however, such a contentious proposal is unlikely to make it to the governmental agenda. Likewise, reforming budgetary procedures to boost the involvement of actors like the European Parliament is doomed to face similar constraints.

Were such ambitious proposals to be pursued based on scholarly interest rather than on the actual political will of Member States, a tapestry of policy innovations and Treaty revisions would emerge, fostering much-needed EU-level solutions. Yet, the prevailing dynamics among Member States suggest that a long and winding road lies ahead on the path toward enhanced EPGs. Only time will reveal whether Member States will reconcile their state-centric budgetary predispositions with the urgency to address cross-border challenges, bound to fail without bold joint endeavours.


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Editing and formatting: Allegra Wirmer (TEPSA)

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