



Putting the MFF in its place

Why Europe's budget cannot
ignore geography

Event report



EURASHE

European Association for the Applied
Sciences in Higher Education

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On 13th October 2026, during the European Week of Regions and Cities, the European Association for the Applied Sciences in Higher Education (EURASHE), together with the Centre for European Policy Studies (CEPS), and Friends of Smart Specialisation (FoSS), organised a side event on the EU's next Multi Annual Financial Framework.

Following a short introduction by Dimitri Corpakis (FoSS), the event started with a keynote speech by Prof. Andrés Rodríguez-Pose, Professor of Economic Geography at the London School of Economics, and was followed by a panel discussion moderated by EURASHE President Hannes Raffaseder, including:

- Lina Gálvez Muñoz, Member of the European Parliament
- Jekaterina Novikova, European Commission DG Research and Innovation
- Robert Praas, CEPS

A Fork in the Road

According to Prof. Rodríguez Posé, the new MFF is a sweeping overhaul of the European Union's budget with a focus on streamlining investments towards competitiveness, strategic autonomy and security. However, the current proposals will not harness the strength of Europe's regional diversity and instead may risk aggravating territorial inequalities and political polarisation.

On the one hand, proposals for the Cohesion Policy could harm less developed regions and undermine the political legitimacy of the European Union project by considering planning at national level as far more important than at regional level. Until now, the emphasis was put on multi-level governance aimed at developing all regions while the attention shifts to stronger sectoral governance, largely subordinating regional cohesion to aggregate national competitiveness. On the other hand, the MFF budget heading on competitiveness (including the new European Competitiveness Fund – ECF and Horizon Europe) could concentrate its investments in Europe's already more developed regions.



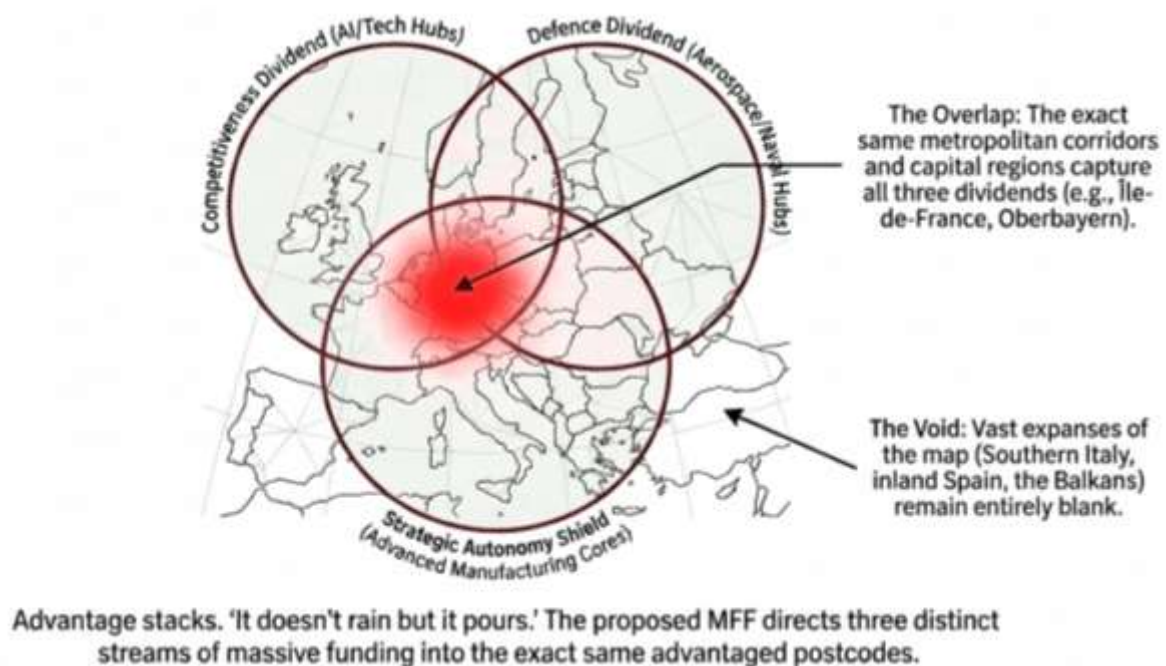
The European Union faces a defining choice: As illustrated above, does it choose territorially inclusive competitiveness that builds on the strengths of its regions, or does it chase short-term centralised competitiveness? Prof. Rodríguez-Pose argued that 'cohesion vs competitiveness' is a false dichotomy that must be resolved through the integration of regional knowledge economies.

An industrial policy for the whole EU or only its geographical core?

Prof. Rodríguez-Pose examined the three principles, which will guide investments in the MFF: Competitiveness, Strategic Autonomy, and Defence. Worryingly for more peripheral parts of the EU, his analysis showed that if not managed correctly, all three are likely to disproportionately benefit the core, as shown in the figure below.

- If competitiveness is focused only on the generation of knowledge and high-tech startups, investment will flow to a small number of regions that currently compete internationally. This is shown in particular by the location of AI startups. However, in this example, if investment targets AI applications/use then the economic geography is more balanced and a greater number of regions would potentially benefit.
- The exposure of European regions to global competition varies within countries more than between them. However, investments to build strategic autonomy through advanced manufacturing hubs will also occur in regions that are already highly developed.
- Defence naturally favours the core since most of these strategically sensitive investments cannot be located on Europe's Eastern side, which is closer to threats from Russia.

"THE CUMULATIVE GEOGRAPHY OF POLARISATION"



The suggestion that investments in Europe's core will trickle down to its periphery was shown by Prof. Rodríguez-Pose to be spurious. Furthermore, the chances of this happening are low because the priorities established in the ECF are sectors where Europe does not currently have a comparative advantage over its international competitors. Following the Ricardian principle instead, these priorities should be sought by building on and combining regional strengths to develop comparative advantages.

Avoiding a centralised approach to investments

The recently published report on the EU Science, Research and Investment Performance (SRIP) report by the European Commission,¹ illustrates the fact that the nature and characteristics of knowledge economies vary substantially across regions.² A centralised approach that does not take into account these differences, whether at national or supranational level, is not able to harness all of Europe's strengths. Yet this tendency is apparent in the MFF proposals where:

- Cohesion Policy is replacing operational programmes with nationally managed, performance based, single development plans (National and Regional Partnership Plans – NRPPs). Multi-level governance, shared management and local entrepreneurial knowledge risks being replaced by top-down decisions by governments, which are shown to be much less effective (“picking winners”).
- Centrally managed programmes are mostly place blind. As Lina Galvez pointed out, partners in consortia for EU funded collaborative research and innovation projects are usually plugged into the productive logic of other regions and not their own, leading to brain drain and more inequality. Robert Praas also noted that investments in ecosystems that would allow a bottom-up component of industrial policy are far too small to make an impact.

What can be done?

In addition to the economic analysis in the introductory keynote address, Lina Gálvez Muñoz also stressed that recent election trends showed that living in regions with fewer opportunities, jobs and support becomes a threat to democracy. The 'Widening programme'³ is a good start, but she argued for the need to improve the framework to allow for equal opportunities in all territories, as excellence can be found everywhere but not opportunities. The introduction of horizontal priorities such as gender has shown to work and this could also be done for the territorial dimension with more attention to place-based impacts.

Jekaterina Novikova suggested that an experience from the current framework programme may provide lessons and a path forward. The Regional Innovation Valleys, a flagship action of the New European Innovation agenda, pioneered tightly coordinated calls of European Innovation Ecosystems and Widening funded by Horizon Europe with the Interregional Innovation Investments (I3) initiative of the European Regional Development Fund.⁴ These synergies could be further strengthened, but they should originate from

¹ [Science, research and innovation performance of the EU 2026 - Publications Office of the EU](#)

² See Chapter 6: The European R&I Divide

³ [Widening participation and spreading excellence - Research and innovation](#)

⁴ [Regional Innovation Valleys - Research and innovation - European Commission](#)

the very onset of policy design, Once legal bases of different instruments and application structures are put in place these become difficult to achieve.

Robert Praas illustrated a path forward through the case of chip firm ASML in the Netherlands⁵: ASML is not a stand-alone company but relies on 2000 suppliers, many of which are European. He called for stronger regional and cross-country collaboration to develop the sector. This requires a greater investment in ecosystems and the effective alignment of regional Smart Specialisation Strategies with European priorities. As a general-purpose technology, he also argued for connecting AI to existing regional strengths through smart specialisation.

Conclusion and a call to action

The three main conclusions from the side event can be summarised as:

1. Negotiations on the next MMF should not be reduced to a trade-off between competitiveness and cohesion. Inclusive territorial competitiveness will strengthen the EU as a whole, or as EURASHE President Hannes Raffaseder remarked, *“As we know from music, first violins alone do not make a full symphony orchestra; we need every voice, from the first violins to the triangle, to create the sound of Europe.”*
2. There are real risks to a centralised MFF in which national governments pick winners rather than allowing knowledge to emerge from regional innovation ecosystems. The search for and focus on both comparative advantage at the regional level and the strengthening of European industrial value chains offer a developmental approach to investment.
3. Place-based investments are needed in the centrally managed programmes as well as in Cohesion Policy. The integration of research, innovation and skills development is only possible through pan European programmes which include a place-based dimension. The current proposals for a future Horizon Europe, the ECF and Erasmus+ do not seem to provide a sufficiently ambitious agenda to achieve these objectives.

Postscript

Thanks to the opposition in the European Parliament and the Council of Ministers, it seems that the original ‘centralisation’ architecture will not be introduced in the NRPP template. A separate chapter will be reserved for ‘regions’ as proposed by Belgium, Germany and Spain with their federal structures (institutional realities need to be reflected in the architecture of the NRPPs). Although it remains to be seen how this will be done across all 27 countries, the battle will now shift to implementation. What will an NRPP look like when place takes its place? Who will be the main actors?

⁵ ASML is an innovation leader in the semiconductor industry providing chipmakers with the hardware, software and services they need to mass produce microchips by the design and manufacture the lithography machines – an essential part of chip manufacturing.

About EURASHE

EURASHE is the European Association for the Applied Sciences in Higher Education, the leading voice for applied sciences and professional higher education in Europe. With 100+ members based in Europe and beyond, EURASHE advocates for the interests of more than 550 applied higher education institutions. Founded in 1990, EURASHE has a mission to promote the value of applied higher education at both national and European levels. It is committed to fostering international cooperation and enhancing the global engagement of its member institutions. Through these efforts, EURASHE contributes to the advancement of higher education and research, and in particular its role in meeting societal and economic challenges. For more information, visit www.eurashe.eu