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# Czechia and the Priorities of the Next Multiannual Financial Framework 2028–2034

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# Abstract

This paper examines key considerations for the upcoming Multiannual Financial Framework (MFF) for the 2028 to 2034 period from a Czech perspective. It analyses long-term trends in EU spending, including the gradual shift from traditional areas such as agriculture and cohesion to new priorities related to competitiveness, security and climate action. The paper considers both expenditure and revenue aspects of the EU budget, including the debate on new own resources and the possible use of common borrowing. It also reflects on the implications of EU enlargement and the evolving net position of Czechia, which may soon become a net contributor. While the Commission's July 2025 proposal introduced some significant changes, including a new budget structure and a crisis response mechanism, further reforms might be needed to ensure a more flexible, transparent and future-oriented EU budget. The paper outlines recommendations for how Czechia should position itself in the negotiations, balancing fiscal responsibility with support for common priorities and high European Added Value.

# Table of Contents

# Czechia and the Priorities of the Next Multiannual Financial Framework 2028-2034*

On 16 July 2025, the European Commission presented its proposal for the next Multiannual Financial Framework (MFF) 2028–2034.[1] This marked the start of what is likely to be a long negotiation between EU institutions, possibly lasting until the end of 2027. While this article does not analyse the Commission's MFF proposal in detail, it sets out some several key considerations (updated just as the proposal was released) to inform the upcoming legislative process. The EU has been grappling with new threats and crises in recent years – including health emergencies, migration pressures, security and defence challenges, rising energy prices, a looming trade war, and the fragmentation of the rules-based multilateral order. At the same time, the EU continues to face long-term structural challenges, including demographic decline, rising inequalities and divergence between well-performing regions and those lagging behind. Overcoming these challenges requires a mix of well-established and effective policies with new, innovative approaches. The EU's long-term budget needs to reflect both the 'old' as well as the 'new' needs of its Member States and citizens. However, without an increase in its size, the MFF will hardly be able to finance even existing priorities. Therefore, this article argues for increasing the EU budget, ensuring the effectiveness of spending, and prioritising long-term strategic goals over short-term objectives.

The text analyses the discussions that have preceded the proposal, highlights key features expected in the upcoming MFF, and captures the trade-offs policymakers are likely to face during the negotiations. Moreover, the analysis presents actionable recommendations for Czech and EU policymakers, considering both the specific context of the Czech Republic and the broader European landscape. The first section introduces the political context of the MFF, including its size, duration and overarching considerations. The second section

* This article is a translated and updated version of a background paper prepared for the roundtable of the Czech National Convention on the EU (28 March 2025), coordinated by the Office of the Government of the Czech Republic. EUROPEUM Institute for European Policy and the Prague University of Economics and Business served as expert guarantors. The article was last updated shortly after the Commission's MFF proposal of 16 July 2025 and provides background and recommendations for the negotiation process.

[1] European Commission, "An ambitious budget for a stronger Europe: 2028-2034," July 16, 2025, https://ec.europa.eu/commission/presscorner/detail/en/ip_25_1847.

explores the main areas of expenditure, while the third focuses on new sources of revenue. Section four analyses Czechia's net position vis-à-vis the EU budget and section five considers the potential impact of EU enlargement.

## 1. A Bigger and More Efficient EU Budget: Priorities, Trade-offs and the Case for Reform

The Multiannual Financial Framework (MFF) is the EU's long-term budget. It sets expenditure ceilings, generally over a seven-year period, and provides the framework for the annual budget and other budgetary instruments. The MFF sets the overall level of spending under different so-called headings, or broad policy areas. This includes traditional spending areas such as agriculture or cohesion policy, as well as horizontal priorities, like the green and digital transitions in the current 2021–2027 period. The next MFF, intended to begin in 2028, is expected to increase its focus on areas such as defence and competitiveness, which also feature among Czech priorities. Additionally, support for Ukraine and its reconstruction will likely continue to be an important item in the next EU budget.

Following a thorough consultation process, the European Commission presented its proposal for the 2028–2034 MFF in July 2025.[2] While the next MFF is only set to begin in 2028, the negotiations on the MFF are among the most important and complex at the EU level. Therefore, it makes sense to start early enough to allow a thorough discussion where everyone is heard. The MFF follows a special legislative procedure in which the Council must adopt the MFF regulation unanimously, after which the European Parliament must give its consent. In practice, preparatory and technical discussions take place within relevant Council working parties and configurations, particularly the General Affairs Council. The most important and final political decisions are taken by the European Council in the form of its conclusions, which shape the final agreement.[3]

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[2] European Commission, "An ambitious budget for a stronger Europe: 2028-2034," July 16, 2025, https://ec.europa.eu/commission/presscorner/detail/en/ip_25_1847.

[3] European Council, *European Council Conclusions, 10–11 December 2020* (Brussels, December 11, 2020), https://www.consilium.europa.eu/media/47296/1011-12-20-euco-conclusions-en.pdf.

On 20 March 2025, the European Council held a first exchange of views on the next MFF and on the so-called new own resources (i.e. new sources of revenue for the long-term EU budget).[4] The EU Commissioner for Budget also toured the Member States to get their preliminary views on the next MFF proposal ahead of time,[5] and the Commission organised a Citizens' Panel and a series of public consultations, which were concluded in May 2025.[6] In February 2025, before launching these consultations, the Commission had already presented an outline of the next MFF proposal,[7] which included a greater focus on efficiency, added value and simplification. At the same time, it stressed the need for more flexibility to make the budget more responsive to crises. It did not address directly the size of the budget nor the issue of common European debt but mentioned the need to ensure stable funding in light of new priorities, such as defence, climate and competitiveness. It also proposed to better link spending with the achievement of specific goals or targets in key policy areas, and to strengthen the rule of law conditionality mechanism.

The MFF proposal of 16 July 2025, reaffirmed the Commission's intention to aim for more flexibility within the next long-term budget, a strengthened conditionality mechanism and a modernised system of new own resources. It also set out a three-pillar structure based on so-called National and Regional Partnerships, a European Competitiveness Fund and a Global Europe Fund. The first pillar is to include pre-allocated national funding for regional and cohesion policy, as well as agriculture; the second pillar is designed to provide a unified umbrella for EU programmes to support innovation and competitiveness, ranging from basic to applied research, commercialisation to scale-up; and the third pillar should cover the Union's outward-oriented activities. Beyond these, only a few stand-alone programmes are expected to continue, notably Erasmus+ and

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[4] European Council, *European Council Conclusions, 20 March 2025,* EUCO 1/25 (Brussels, March 20, 2025), https://www.consilium.europa.eu/media/viyhc2m4/20250320-european-council-conclusions-en.pdf.
[5] European Commission, "Tour d'Europe: Advising Europeans on the EU Budget," accessed July 17, 2025, https://commission.europa.eu/strategy-and-policy/eu-budget/motion/tour-deurope_en.
[6] European Commission, "European Citizens' Panel: A New European Budget Fit for Our Ambitions," accessed July 17, 2025, https://citizens.ec.europa.eu/european-citizens-panels/european-citizens-panel-new-european-budget_en; European Commission, "You can now take part in shaping the next EU long-term budget," February 12, 2025, https://commission.europa.eu/news-and-media/news/you-can-now-take-part-shaping-next-eu-long-term-budget-2025-02-12_en.
[7] European Commission, *The road to the next multiannual financial framework,* COM(2025) 46 (Brussels, February 11, 2025), https://commission.europa.eu/document/download/6d47acb4-9206-4d0f-8f9b-3b10cad7b1ed_en.

AgoraEU, combining its predecessors Citizens, Equality, Rights and Values (CERV) and Creative Europe. [8]

This new structure presents a significant overhaul of the MFF's architecture and is already meeting strong opposition – mainly from representatives of regions and the agricultural industry.[9] Some MEPs, including Czech ones, have also come out against the proposal.[10] The group leaders of the Parliament's ruling coalition have criticised the renationalisation of funding under the National and Regional Partnership plans, arguing that it sidelines the Parliament and reduces the allocation for cohesion and agriculture.[11] However, these groups remain committed to a stronger EU budget. Conversely, Germany and the Netherlands – both net payers into the budget – oppose increasing its overall size and prefer a more efficient use of the resources already available.[12] Hungary has also criticised the budget for cutting funding to regions and farmers, but the real concern may lie in the strengthened rule of law conditionality mechanism, which could potentially block EU funding to the country altogether.[13]

Meanwhile, the research community welcomed the proposal's stronger focus on innovation through the European Competitiveness Fund.[14] Additionally, the Commission has proposed greater allocations for industry, defence and energy markets, and a

[8] European Commission, "An ambitious budget for a stronger Europe: 2028-2034," July 16, 2025, https://ec.europa.eu/commission/presscorner/detail/en/ip_25_1847.

[9] Committee of the Regions, "CoR President denounces massive renationalisation and undermining of Cohesion Policy through 'Monster National Plans'," July 16, 2025, https://cor.europa.eu/en/news/eu-long-term-budget-2028-34-cor-president-denounces-massive-renationalisation-and-undermining; Copa-Cogeca; "Presentation of the post 2027 MFF/CAP - The Black Wednesday of European Agriculture," July 16, 2025. https://copa-cogeca.eu/press-releases.

[10] Vincenzo Genovese, "EU budget: Parliament revolts against Commission proposal," *Euronews,* July 17, 2025. https://www.euronews.com/my-europe/2025/07/17/eu-budget-parliament-revolts-against-commission-proposal; Štěpán Svoboda, "Brusel předložil dvoubilionový rozpočet. Europoslanci zuří, zemědělci protestují, Síkela tleská," *Hospodářské noviny,* July 17, 2025. https://archiv.hn.cz/c1-67763340-brusel-predlozil-dvoubilionovy-rozpocet-europoslanci-zuri-zemedelci-protestuji-sikela-tleska.

[11] European Parliament, "Statement by group majority leaders on the EU long-term budget," July 16, 2025, https://www.europarl.europa.eu/news/en/press-room/20250714IPR29629/statement-by-group-majority-leaders-on-the-eu-long-term-budget.

[12] Eunews, "Germany, the Netherlands, Hungary: von der Leyen's MFF under fire from multiple fronts," July 17, 2025, https://www.eunews.it/en/2025/07/17/germany-the-netherlands-hungary-von-der-leyens-mff-under-fire-from-multiple-fronts/.

[13] Sandor Zsiros, "New rule of law conditions proposed for next EU budget could hit Hungary," July 16, 2025, https://www.euronews.com/my-europe/2025/07/16/new-rule-of-law-conditions-proposed-for-next-eu-budget-could-hit-hungary.

[14] Martin Greenacre and Eleonora Francica, "Praise for Commission's research programme proposal, but concerns linger over its vagueness," *Science Business,* July 17, 2025, https://sciencebusiness.net/news/planning-fp10/praise-commissions-research-programme-proposal-concerns-linger-over-its.

dedicated funding for Ukraine.[15] As such, the new MFF presents an opportunity to refocus some of the funding to areas with a higher potential. It is therefore crucial to remain open to such a restructuring when formulating a Czech position.

## From Stability to Flexibility: The Length of the Next Multiannual Financial Framework

Over the last three decades, the MFF has always been set for a seven-year period. However, Article 312 TFEU only requires that its duration be at least five years. Therefore, the debate on length is regularly re-opened with the arrival of a new financial period. Before 2020, the European Parliament had considered the benefits of shortening the framework – either entirely or in some areas – to five years, or adopting a 5+5 format in which the main parameters would be set for ten years, but priority funding areas could be flexibly adapted to align with the five-year mandates of both the Parliament and the Commission.[16] Nevertheless, the Parliament's Resolution of May 2025, serving as an input into the current MFF discussion, did not include a specific proposal to shorten the framework. While it stressed greater flexibility, it also highlighted the importance of long-term strategic aims.[17]

From the Member States' perspective, the seven-year model has proven efficient, as it guarantees stability and predictability in spending, particularly important for large infrastructure projects, such as Trans-European Networks (TENs) and cohesion policy projects.[18] Czechia is largely reliant on EU funding for such infrastructure projects, making a strong case for advocating a longer MFF to ensure their continuity. Beneficiaries and public authorities typically need time to readjust to new rules with each new financial framework cycle, which affects the speed at which the funds are disbursed to Member

[15] Politico, "EU budget: The winners and losers," July 17, 2025, https://www.politico.eu/article/european-commission-budget-ursula-von-der-leyen-ukraine-research-defense-technology-agriculture/.
[16] European Parliament, *Preparation of the Post-Electoral Revision of the MFF 2014–2020: Parliament's Input Ahead of the Commission's Proposal,* P8_TA(2016) 0309 (Brussels, July 6, 2016), https://www.europarl.europa.eu/doceo/document/A-82016-0224_EN.html; European Commission, *Reflection Paper on the Future of EU Finances*, COM(2017) 358 (Brussels, June 28, 2017), https://op.europa.eu/en/publication-detail/-/publication/5f9c0e27-6519-11e7-b2f2-01aa75ed71a.
[17] European Parliament, *A revamped long-term budget for the Union in a changing world,* P10_TA(2025) 0090, 2024/2051(INI) (Brussels, May 7, 2025), https://www.europarl.europa.eu/doceo/document/TA-10-2025-0090_EN.pdf.
[18] Julia Bachtrögler, "A Neglected Aspect of the Debates on the EU Budget: Duration of the MFF," *Intereconomics* 53, no. 4 (2018): 225–232, https://www.intereconomics.eu/contents/year/2018/number/4/article/a-neglected-aspect-of-the-debates-on-the-eu-budget-duration-of-the-mff.html.

States (i.e. absorption rate). As of April 2025, Czechia had the third highest absorption rate among Member States in the current 2021-2027 period.[19] While only 10.2% of EU funds had been disbursed on average, Czechia had reached 17.2%. This means that by almost mid-2025, only one tenth of the funds intended for the 2021-2027 period had been paid out.

As low absorption rates continue to be a widespread issue across the EU, a longer MFF period can provide sufficient time to spend the funds more effectively. This is particularly true for funding under so-called shared management, where the management and implementation of funds are shared between the Commission and Member States' national and regional authorities. Currently, around 70% of the EU budget is spent under shared management and this figure is even higher for countries, such as Czechia, which are major beneficiaries of cohesion policy funding.[20] It is therefore in Czechia's interest to maintain the seven-year duration of the next financial framework in line with the Commission's proposal.

Moreover, the funds from the current seven-year framework will remain available for three more years following the end of the current financial framework, which Czechia successfully advocated for during the negotiations.[21] By extending the period for the disbursement of funds, the 7+3 model enhances absorption capacity and reduces the risk of unspent funds. From the Czech perspective, continuing with this tried and tested model appears legally feasible, effective, and would require only minor adjustments to the current set-up, making it a desirable solution.

## The Size of the Common European Budget and Its Constraints

Between 2021–2027, the long-term EU budget will amount to €1.074 trillion in 2018 prices, equivalent to approximately €1.211 trillion in current prices, or roughly around €160–200

[19] DotaceEU.cz. "Česká republika patří mezi premianty v čerpání evropských fondů," May 13, 2025, https://www.dotaceeu.cz/cs/evropske-fondy-v-cr/novinky/ceska-republika-patri-mezi-premianty-v-cerpani-evr.
[20] European Commission, "Funding and Tenders: Funding Management Mode," accessed July 17, 2025, https://commission.europa.eu/funding-tenders/find-funding/funding-management-mode_en.
[21] Ministry of Finance of the Czech Republic, "Prostředky alokované pro ČR: Programové období 2021–2027," October 19, 2021, https://www.mfcr.cz/cs/zahranici-a-eu/hospodareni-eu/prostredky-alokovane-pro-cr/programove-obdobi-2021-2027.

billion per year.[22] During this period, the MFF's own resources ceiling for payments is capped at 1.40% of the EU's Gross National Income (GNI),[23] compared to 1.23% in the previous 2014–2020 period. This threshold sets the upper limit on the own resources the EU can collect from Member States to finance EU expenditures.[24] While this figure serves as a cap, the size of the EU budget is typically lower, at around 1% of the EU's combined Gross Domestic Product (GDP).[25] By comparison, EU Member States' spending in 2023 averaged 49% of GDP (in Czechia, the figure was 44% GDP).[26] The EU budget is therefore very limited in size compared to those of the Member States, but at the same time, it has to accommodate the often-competing priorities and perspectives of 27 members. According to Article 310 TFEU, the European budget must be balanced in terms of revenue and expenditure, which further distinguishes it from national budgets.

In addition to the 2021–2027 MFF, the Next Generation EU (NGEU) instrument was adopted to help kick-start the economy after the downturn caused by the COVID-19 pandemic, financing the National Recovery and Resilience Plans through the Recovery and Resilience Facility (RRF). In this context, the ceiling for total EU spending (MFF plus NGEU) has been temporarily raised to 2% of EU GNI.[27] This €750 billion emergency instrument (in 2018 prices, about €807 billion in current

**The repayment of NGEU debt, scheduled for 2028–2058, will place a significant burden on the common EU budget, particularly the upcoming MFF.**

[22] European Commission, "The 2021–2027 EU Budget – What's New?," accessed July 17, 2025, https://commission.europa.eu/strategy-and-policy/eu-budget/long-term-eu-budget/2021-2027/whats-new_en. Amounts in current prices were calculated at the start of the 2021-2027 MFF using a fixed 2% deflator, actual amounts may differ from the estimates. For details, see: https://commission.europa.eu/system/files/2021-01/mff_2021-2027_breakdown_current_prices.pdf.
[23] GNI is GDP adjusted for net primary income from or to non-residents. In Czechia, the GNI indicator has been consistently lower than GDP and this difference is mainly due to dividends paid abroad, which exceeded CZK 300 billion annually between 2015-2020. In 2023, the net outflow was about CZK 110 billion or about 1.5% of GDP. See: Czech Statistical Office, "Gross National Income of the Czech Republic 1990-2023," accessed June 17, 2025, https://apl.czso.cz/pll/rocenka/rocenka.presmsocas?jmeno_tabulka=M%202&rokod=1990&rokdo=2023&mylang=CZ&priznak=M00014%.
[24] European Commission, "EU Budget Revenue Ceilings," accessed July 17, 2025, https://commission.europa.eu/strategy-and-policy/eu-budget/long-term-eu-budget/2021-2027/revenue/revenue-ceilings_en.
[25] European Commission, "A budget for Europeans," accessed July 17, 2025, https://commission.europa.eu/topics/europes-budget_en.
[26] Eurostat, "Government Finance Statistics," data extracted: April 22, 2025, planned article update: October 21, 2025, accessed July 17, 2025, https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Government_finance_statistics.
[27] European Commission, "EU Budget Revenue Ceilings," accessed July 17, 2025, https://commission.europa.eu/strategy-and-policy/eu-budget/long-term-eu-budget/2021-2027/revenue/revenue-ceilings_en.

prices)[28] is financed outside the normal budgetary mechanisms of the MFF through the issuance of European bonds. Of its total volume, €360 billion is allocated as loans to be repaid by Member States individually, and €390 billion allocated as grants, which are to be repaid from the common EU budget starting under the next MFF.[29]

The repayment of this debt, scheduled for 2028–2058, will place a significant burden on the common EU budget, particularly the upcoming MFF. Although the repayments are spread over 30 years, the first instalments starting in 2028 are estimated at €25–30 billion per year.[30] As the principal amount gradually decreases, so will the repayments. If this debt were to be repaid entirely from the EU budget, the amount needed would correspond to around two thirds of the payments allocated to the Cohesion, Resilience and Values heading, with €44.5 billion earmarked for 2025.[31]

The size of the repayments may change in the future depending on the evolution of financial markets, EU budgetary possibilities and other (potential) decisions affecting the EU budget by Member States. Even if the size of the current seven-year budget remains roughly the same, these repayments will constitute a significant cost. From the perspective of Czechia's budgetary priorities, it is necessary to clarify its position on the EU's new own resources. Otherwise, there is a risk that the NGEU repayments will be financed by increasing Member States' national contributions to the EU budget.

The size of the next MFF will also be influenced by enlargement policy and in particular by expenditure related to Ukraine's reconstruction, which is estimated at €383 billion over the next ten years.[32] While the entire amount may not come from the EU budget, the next MFF must take into account these additional expenditures.

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[28] European Commission, "Recovery Plan for Europe," accessed July 17, 2025, https://commission.europa.eu/strategy-and-policy/recovery-plan-europe_en.
[29] European Commission, Council of the EU, "NextGenerationEU," accessed July 17, 2025, https://commission.europa.eu/strategy-and-policy/eu-budget/eu-borrower-investor-relations/nextgenerationeu_en.
[30] Gregory Clayes, Connor McCaffrey, and Lennard Welslau, "What Will It Cost the European Union to Pay Its Economic Recovery Debt," *Bruegel*, October 9, 2023, https://www.bruegel.org/analysis/what-will-it-cost-european-union-pay-its-economic-recovery-debt.
[31] Calculated based on data from Council of the EU, "EU budget for 2025: Council and Parliament reach agreement," November 16, 2024,https://www.consilium.europa.eu/en/press/press-releases/2024/11/16/eu-budget-for-2025-council-and-parliament-reach-agreement/.
[32] Johannes Lindner, Thu Nguyen, and Romy Hansum, "What Does It Cost? Financial Implications of the Next Enlargement," *Hertie School Jacques Delors Centre*, December 14, 2023, https://www.delorscentre.eu/en/publications/financial-implications-of-the-next-enlargement.

Considering also other new priorities, like defence and competitiveness, the Commission's July 2025 proposal was expected to present both a bigger and a more ambitious budget. According to some observers, there had been discussions about increasing the budget size to around 2–2.5% GDP.[33] Doubling the EU budget was supported by some Member States, like Spain and France, as well as some European experts.[34] Ultimately, the July 2025 proposal for the next MFF amounted to almost €2 trillion, equivalent to 1.26% GNI, which is a relatively moderate increase compared to the previous discussions.[35] But it also included components beyond this ceiling, notably €100 billion for Ukraine, €150 billion in policy loans under the National and Regional Plans, and a headroom of additional 0.25% GNI (approximately €395 billion) as a crisis mechanism, pushing the total potential size closer to 1.7% GNI, should this extra fiscal space be fully used.[36]

As previously noted, Germany, Hungary and the Netherlands have criticised the proposal.[37] Germany, the largest net contributor to the EU budget, has opposed financing an increased EU budget by issuing more common debt and higher national contributions, citing limited fiscal space.[38] The so-called frugal Member States (including Germany, the Netherlands, and the Nordics) have long emphasised fiscal responsibility, budget discipline and efficient spending.[39]

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[33] Ondřej Houska, "Evropa chystá velké změny podle Draghiho. Bude Česko proti všemu?," *Hospodářské noviny*, October 2, 2024, https://archiv.hn.cz/c1-67404340-evropa-chysta-velke-zmeny-podle-draghiho-ktere-maji-nakopnout-byznys-bude-cesko-proti-vsemu.

[34] Gregorio Sorgi and Hanne Cokelaere, "Spain Pushes Double EU Budget Over €2 Trillion Debt Borrowing Scheme," *Politico*, February 11, 2025, https://www.politico.eu/article/spain-pushes-double-eu-budget-over-e2-trillion-debt-borrowing-scheme/; Hans von der Burchard and Clea Caulcutt, "Macron tells Germans: Let's double the EU budget," *Politico*, May 27, 2024, https://www.politico.eu/article/emmanuel-macron-german-doubling-eu-public-spending-meet-future-challenges/; Marco Buti et al., "Memo to the commissioner responsible for the European Union budget," *Bruegel*, September 4, 2024, https://www.bruegel.org/sites/default/files/2024-08/Memos%20budget.pdf.

[35] European Commission, "An ambitious budget for a stronger Europe: 2028-2034," July 16, 2025, https://ec.europa.eu/commission/presscorner/detail/en/ip_25_1847.

[36] European Commission, *Communication from the Commission: A dynamic EU Budget for the priorities of the future - The Multiannual Financial Framework 2028-2034*, COM(2025) 570 final (Brussels, July 16, 2025), https://commission.europa.eu/document/download/26ff3426-b1db-44d5-ad9c-a646febb3222_en.

[37] Eunews, "Germany, the Netherlands, Hungary: von der Leyen's MFF under fire from multiple fronts," July 17, 2025, https://www.eunews.it/en/2025/07/17/germany-the-netherlands-hungary-von-der-leyens-mff-under-fire-from-multiple-fronts/.

[38] Jorge Liboreiro, "Friedrich Merz rules out permanent joint debt at EU level in his visit to Brussels," *Euronews*, May 9, 2025, https://www.euronews.com/my-europe/2025/05/09/merz-rules-out-permanent-joint-debt-at-eu-level; Andreas Rinke, "Germany sees limited financial leeway on next EU budget, policy paper shows," *Reuters,* July 14, 2025, https://www.reuters.com/markets/europe/germany-sees-limited-financial-leeway-next-eu-budget-policy-paper-shows-2025-06-14/.

[39] E3G, "Getting the numbers right – the EU's crucial challenge to transform its budget," July 9, 2025, https://www.e3g.org/news/eu-budget-mff-proposal/.

Although Czechia has traditionally been fiscally conservative and has typically advocated for a smaller budget, it generally supports the continued financing of both traditional areas like cohesion and agriculture, as well as new EU priorities. However, these objectives may conflict with one another. Given the investment needs in areas such as defence and competitiveness, it is impossible to support new priorities while maintaining existing spending and without increasing the budget. Moreover, it is estimated that debt service payments and NGEU repayments could reach between €140–168 billion over the 2028–2034 period.[40] Notwithstanding the new priorities, the seven-year budget will need to be increased by at least this amount just to maintain current spending levels.

**Czechia should support a more ambitious and simpler budget in the negotiations. Under the current budget size, the growing number of programmes and instruments is unsustainable.**

Czechia should support a more ambitious and simpler budget in the negotiations. Under the current budget size, the growing number of programmes and instruments is unsustainable. Therefore, it is advisable to consolidate fragmented, duplicate and overlapping initiatives. For instance, EU funding for the hydrogen value chain is now scattered across a multitude of programmes (RRF, Innovation Fund, the Connecting Europe Facility, Horizon Europe, cohesion funds, InvestEU, and Modernisation Fund), with different kinds of management modes (direct, indirect, shared and outside the EU budget), resulting in varying responsible authorities and administrative requirements.[41] Decreasing their number will help reduce administrative costs, freeing up resources for areas such as security and competitiveness. As outlined in the Commission's February 2025 draft, the reform of the MFF was expected to allow Member States to manage their funding more flexibly, while maintaining a strong focus on strategic investments.[42] Czechia should support an effective consolidation of funds and initiatives that builds on

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[40] Zsolt Darvas and Conor McCaffrey, *Management of debt liabilities in the EU budget under the post-2027 MFF*, PE 766.173 (Policy Department for Budgetary Affairs, October 2024), https://www.europarl.europa.eu/cmsdata/290726/5.%20Darvas%20-%20final.pdf.
[41] European Court of Auditors, *The EU's industrial policy on renewable hydrogen,* Special Report (Publications Office of the European Union, 2024), https://www.eca.europa.eu/ECAPublications/SR-2024-11/SR-2024-11_EN.pdf.
[42] European Commission, *The road to the next multiannual financial framework*, COM(2025) 46 (Strasbourg: February 2, 2025), https://commission.europa.eu/document/download/6d47acb4-9206-4d0f-8f9b-3b10cad7b1ed_en.

tried and tested programmes and does not create new administrative costs associated with the transition to new procedures.

A refusal to increase the EU budget may not be a sensible step in the current geopolitical and economic situation. The alternative to increasing the EU budget would be, first and foremost, to loosen fiscal and state aid rules and increase government spending in the Member States. This approach would favour countries with a larger fiscal capacity but may be very disadvantageous for the Czech Republic. It may lead to distortions of competition in the internal market, as evidenced by an increased spending in previous years. For instance, between March 2022 and January 2023, Germany and France were responsible for 77% of all public aid to companies in the EU, although their combined share of GDP is 'only' 41%.[43] Moreover, Germany has also recently announced its plan to significantly increase spending on infrastructure and defence after removing a constitutional debt-brake.[44] Finally, loosening fiscal rules also creates a potential risk of financial and economic instability, which could negatively impact the EU economy.

## European Added Value and Performance-Based Budgeting as Guiding Principles for the MFF

In the context of the MFF negotiations, the debate on European Added Value (EAV) and European Public Goods (EPG) regularly arises as well. EAV generally describes the added value of a joint EU initiative compared to measures taken by individual Member States.[45] EPGs, in turn, are defined as those policies and initiatives which generate greater value for citizens when delivered at the EU level rather than the national level.[46]

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[43] Polish Economic Institute, "A Threefold Increase in the Role of State Aid to Companies Threatens the Cohesion of the Single Market," January 26, 2024, https://pie.net.pl/en/a-threefold-increase-in-the-role-of-state-aid-to-companies-threatens-the-cohesion-of-the-single-market/.

[44] Tessa Walther, "Germany's massive spending spree: How will the EU react?," *Deutsche Welle*, May 13, 2025, https://www.dw.com/en/germanys-massive-spending-spree-how-will-the-eu-react/a-72527680.

[45] European Court of Auditors, ***Future of EU finances: reforming how the EU budget operates,*** Briefing paper (Publications Office of the European Union, February 2018), https://www.eca.europa.eu/lists/ecadocuments/briefing_paper_mff/briefing_paper_mff_en.pdf.

[46] Clemens Fuest and Jean Pisani-Ferry, *A Primer on Developing European Public Goods,* EconPol Policy Report 16/2019, vol.3 (The European Network for Economic and Fiscal Policy Research, November 2019), https://www.ifo.de/DocDL/EconPol_Policy_Report_16_2019_EuropeanPublicGoods-v2.pdf.

EAV can come from synergies or economies of scale, for example, when the EU jointly negotiates the supply of energy, critical raw minerals or defence material. This way, it can ensure lower prices than Member States would have negotiated individually. In the case of harmonised European legislation, the EAV stems from the reduction of administrative costs for public authorities and companies operating in different EU countries. Instead of navigating different national regulations, these actors only have to comply with a single set of rules. Last but not least, EAV is created through positive externalities arising from the expenditure of the common EU budget, which is why the concept is closely linked to the MFF.

Following this logic, common EU spending in some areas may generate greater EAV than the mere sum of equal amounts of expenditure by individual Member States.[47] Therefore, the EU budget should not serve merely as a redistributive mechanism from richer to poorer Member States, but should prioritise areas where common spending delivers the greatest EAV. Different budget headings  generate varying levels of EAV. Assessing EAV can thus help determine which chapters of expenditure should be strengthened within the MFF to maximise the effect of the EU budget. Agricultural subsidies typically generate a low EAV compared to other spending areas, cohesion policy delivers medium EAV and the highest EAV is created by supporting areas such as research and innovation. While EAV estimates vary in their methodologies and timeframe, a meta-analysis of several available studies reports that that some estimate a GDP multiplier effect of around €1.5–2.7 for every euro invested in cohesion policy, whereas research spending may generate up to €6–11 for every euro spent.[48] These figures, however, remain sensitive to the specific assumptions and economic conditions underlying each study.

In the debate preceding the 2021–2027 framework, strengthening the role of EAV was advocated mostly by the largest net contributors to the common EU budget – Germany, the Netherlands and France.[49] In the context of the next MFF, the debate on the EAV of

[47] Matthew Bassford et al., *The European Added Value of EU Spending: Can the EU Help its Member States to Save Money?,* Exploratory study (Gütersloh: Bertelsmann Stiftung, 2013), https://aei.pitt.edu/74017/1/European_Added_Value_of_EU_Spending.pdf.
[48] Adriaan Schout and Davide Bevacqua, *European Added Value of EU Spending,* Policy brief (Clingendael Institute, December 2018), https://www.clingendael.org/sites/default/files/2018-12/PB_European_added_value_0.pdf.
[49] German Federal Ministry of Finance "A Modern Budget for a Strong Europe," November 13, 2018, https://web.archive.org/web/20200919080611/https://www.bundesfinanzministerium.de/Content/EN/Standardartikel/To

the budget has particularly focused on strengthening the so-called performance-based finance. This principle has been applied, for example, in the RRF, whose funding is linked to the achievement of milestones and targets in Member States' reform plans. Making disbursements conditional on the achievement of specific targets should not only contribute to a more effective and outcome-oriented use of funds, but also to accelerate their disbursement. However, as the European Court of Auditors has pointed out, the set-up of the RRF still leads to delays, and due to weaknesses in monitoring, it is not possible to guarantee the achievement of the set goals or targets.[50] The quality of monitoring and control depends on the availability of high-quality data.[51] Therefore, Czechia should advocate the application of the performance-based principle to enhance effectiveness and accelerate disbursement. However, the application of this principle should be based on efficient processes and not create redundant administrative burdens, either for public institutions or for recipients of EU funds.

The Commission has indicated its intention to strengthen the performance-based principle in the next MFF. In addition to emphasising the achievement of investment and reform objectives, the Commission also stressed the importance of strategic planning and the decoupling of funding from project costs.[52] These steps are in line with the EU Council conclusions of June 2024, which highlighted the opportunity to make cohesion policy more effective by building on its strengths: shared management, multi-level governance, a place-based approach and the partnership principle.[53] In a letter from November 2024, a group of six countries (Germany, France, Poland, Romania, Ireland and Slovenia – representing both the largest payers and major beneficiaries of cohesion funds) endorsed

pics/Public-Finances/Articles/2018-11-08-modern-budget-for-europe.html; French Government, *Note du Gouvernement sur le Budget de l'UE 2020-2027* (Paris: December 2017), https://cdn5.regie-agricole.com/ulf/data/001-arno/180110-notegouvernementsurbudgetUE2020-2027.PDF; Government of the Netherlands, *NL Position Paper on the Multiannual Financial Framework (MFF)* (February 2018), *Politico*, https://www.politico.eu/wp-content/uploads/2018/02/NL_position_paper_MFF_February_2017.pdf.

[50] European Court of Auditors, *Absorption of funds from the Recovery and Resilience Facility - Progressing with delays and risks remain regarding the completion of measures and therefore the achievement of RRF objectives,* Special report 13/2024 (Publications Office of the European Union, September 2, 2024), https://www.eca.europa.eu/en/publications/sr-2024-13.

[51] Iain Begg et al., *Performance and mainstreaming framework for the EU budget*, Study commissioned by the Budget Committee (Brussels: European Parliament, October 2024), https://www.europarl.europa.eu/RegData/etudes/STUD/2024/767500/IPOL_STU(2024)767500_EN.pdf.

[52] European Commision, *The road to the next multiannual financial framework*, COM(2025) 46 (Strasbourg: February 11, 2025), https://commission.europa.eu/document/download/6d47acb4-9206-4d0f-8f9b-3b10cad7b1ed_en.

[53] Council of the EU, *Council Conclusions on the 9th Cohesion Policy Report,* 10655/24 (Brussels: June 5, 2024), https://data.consilium.europa.eu/doc/document/ST-10655-2024-INIT/en/pdf.

a pro-reform and pro-investment cohesion policy with a focus on performance.[54] At the same time, they stressed the need to preserve the central role of regions in the design and implementation of programmes and the selection of projects. In the Czech Republic, the distribution of most EU funds is centralised at the national level, but the involvement of regions (*kraje*) in the process can contribute to a more efficient allocation in line with the principle of shared management. It remains to be seen how the proposed National and Regional Partnership Plans would affect the modus operandi of the relevant authorities in Czechia and other Member States.

## 2.Reconciling Traditional Policies with Emerging Priorities in the EU Budget

The following section examines the key expenditure headings of the MFF as well as several horizontal and cross-cutting budget priorities. Around two-thirds of the current EU budget is allocated to cohesion policy and the Common Agricultural Policy (CAP). Agriculture has long dominated EU spending, but since the 1990s, economic, social and territorial cohesion policy has gained importance in preparation for the enlargement of the EU to include several countries, including the Czech Republic. Over the last three MFFs, the share of these two areas has gradually decreased and new priorities such as science, research, education, innovation, migration, external border protection and security have become increasingly important. This trend is expected to continue in the period 2028–2034. Support for development, particularly for neighbouring and candidate countries – notably Ukraine in recent years – will also constitute an important budget line.

According to the Commission's July 2025 proposal, the next EU long-term budget should consist of three headline priority areas: National and Regional Partnership Plans, with a total allocation of €865 billion; the European Competitiveness Fund, with €450 billion; and the Global Europe Instrument, with €200 billion. It should also include other programmes,

[54] German Federal Ministry for Economic Affairs and Energy, *Territorial Design and Implementation of Structural Funds Programmes,* Position paper supported by DE, FR, IE, PL, RO, SI (November 28, 2024), https://www.bmwk.de/Redaktion/EN/Downloads/S-T/territorial-design-and-implementation-of-structural-funds-programmes.pdf.

such as the Connecting Europe Facility (€81 billion), Erasmus+ (€41 billion), but also the repayments from the NGEU worth €168 billion.[55]

## The Future of the CAP: A Smaller Budget with More Targeted Funding?

The CAP spending has long been criticised for its low EAV compared to other areas, such as research and infrastructure development.[56] In particular, direct payments to farmers – which for a long time were conditional only on land ownership and which, from an economic point of view, were seen as a financial transfer with minimal multiplier effects – have been a key target of such criticism. On the other hand, proponents of CAP argue that it delivers EAV through market stability, shared environmental standards, rural cohesion and by helping avoid subsidy races between Member States.[57] And while some say that direct payments to farmers effectively increase land use and greenhouse gas emissions,[58] others argue that targeted subsidies improve eco-efficiency and sustainability.[59] Overall, the EAV of CAP remains contested and appears to depend on several factors, including the precise policy design, coordinated funding, and context-sensitive national implementation.

The introduction of sustainability and environmental conditions in agriculture[60] has only had a limited effect on the CAP's contribution to climate action, failing to reach the set objectives. For example, in 2014–2020, 20% of MFF expenditure was supposed to be

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[55] European Commission, *Communication from the Commission: A dynamic EU Budget for the priorities of the future - The Multiannual Financial Framework 2028-2034*, COM(2025) 570 final (Brussels: July 16, 2025), https://commission.europa.eu/document/download/26ff3426-b1db-44d5-ad9c-a646febb3222_en.

[56] Matthew Bassford et al., *The European Added Value of EU Spending: Can the EU Help its Member States to Save Money?,* Exploratory study (Gütersloh: Bertelsmann Stiftung, 2013), https://aei.pitt.edu/74017/1/European_Added_Value_of_EU_Spending.pdf.

[57] European Commission, *Programme Statement: Common Agricultural Policy (CAP) - European Agricultural Guarantee Fund (EAGF) and European Agricultural Fund for Rural Development (EAFRD),* Programme Statements DB2021 (June 2020), https://commission.europa.eu/system/files/2020-06/db_2021_programme_statement_common_agricultural_policy_cap_eagf_eafrd.pdf.

[58] Mark Brady et al., *Impacts of direct payments: Lessons for CAP post-2020 from a quantitative analysis*, Report 2017:2 (Lund: AgriFood Economics Centre, 2017), http://www.agrifood.se/Files/AgriFood_Rapport_20172.pdf.

[59] Bazyli Czyzewski and Marta Guth, "Impact of Policy and Factor Intensity on Sustainable Value of European Agriculture: Exploring Trade-Offs of Environmental, Economic and Social Efficiency at the Regional Level," *Agriculture* 11, no. 1 (2021): 78, https://doi.org/10.3390/agriculture11010078.

[60] European Parliament, *First Pillar of the Common Agricultural Policy: Direct Payments to Farmers,* accessed July 17, 2025, https://www.europarl.europa.eu/factsheets/en/sheet/109/first-pillar-of-the-common-agricultural-policy-cap-ii-direct-payments-to-farmers.

dedicated to climate action, but according to an audit by the European Court of Auditors (ECA), the actual figure was only 13%. Climate spending was overstated by €72 billion, including €60 billion related to agricultural funding.[61] Despite almost €100 billion of the CAP funding being classified as 'climate action' in 2014–2020, there has been almost no reduction in emissions from agriculture. Many of the measures labelled as climate action in fact addressed other issues such as biodiversity, water and air quality, or social and economic needs.[62]

Proponents of the CAP point out that without common EU agricultural spending, compensation to farmers would have to be paid by individual Member States, which could mean additional costs of around €23 billion per year (based on estimates from 2010; newer estimates not available).[63] According to the European Commission, abolishing the CAP would lead to an 18% drop in farmers' incomes, a threat to the economic viability of rural areas and a significant drop in production.[64] However, this approach has been criticised for merely defending the status quo without offering a deeper analysis of the real benefits of CAP.[65] In contrast, partial renationalisation of agricultural policy (with a 30–40% national co-financing rate) could create annual savings of around €15 billion, which could be used in other policy areas.[66]

If funding from agricultural policy were to be redirected to areas with a higher EAV, then CAP reform must begin with the negotiations on the next MFF. Some suggestions to streamline CAP were already proposed in May 2025 as part of an effort to cut down administrative burden.[67] The July 2025 proposal allocated €295 billion for direct payments

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[61] European Court of Auditors, *Climate Spending in the 2014-2020 EU Budget: Not as High as Reported,* Special Report 09 (Luxembourg: Publication Office of the European Union, 2022), https://www.eca.europa.eu/Lists/ECADocuments/SR22_09/SR_Climate-mainstreaming_EN.pdf.
[62] European Court of Auditors, *The CAP and Climate: Half of EU Climate Spending but Farm Emissions Are Not Decreasing,* Special Report 16 (Luxembourg: Publications Office of the European Union, 2021), https://www.eca.europa.eu/Lists/ECADocuments/SR21_16/SR_CAP-and-Climate_EN.pdf.
[63] Bertelsmann Stiftung, *The European Added Value of EU Spending,* exploratory study (Gütersloh: 2013), https://www.bertelsmann-stiftung.de/fileadmin/files/BSt/Publikationen/GrauePublikationen/GP_The_European_Added_Value_of_EU_Spending.pdf.
[64] Robert M'Barek et al., *Scenario 2030: Pathways for the European Agriculture and Food Sector Beyond 2020* (Publications Office of the European Union, 2017), https://doi.org/10.2760/749027.
[65] European Court of Auditors, Realising European added value*, Journal of the European Court of Auditors, no. 3/2020,* https://www.eca.europa.eu/lists/ecadocuments/journal20_03/journal20_03.pdf.
[66] Ákos Kengyel, "Would Renationalisation and Co-financing of the Common Agricultural Policy Be Justified?" *Intereconomics* 57, no. 2 (2022): 113-119, https://doi.org/10.1007/s10272-022-1038-5.
[67] European Commission, "Commission simplifies Common Agricultural Policy to support farmers and enhance competitiveness," May 14, 2025, https://ec.europa.eu/commission/presscorner/detail/en/ip_25_1205.

to farmers, with rural development set to be grouped together with regional funds. For comparison, direct payments amounted to approximately €270 billion under the current 2021–2027 financial framework, while CAP as a whole was allocated €387 billion.[68] Although the proposed figures are comparable in nominal terms, they would still represent a cut in agricultural funding when adjusted for inflation.

However, proceeding with these proposed changes will require the support of all Member States, including major beneficiaries of agricultural funds such as France. In view of the EU's expected enlargement, notably the accession of Ukraine, CAP reform will eventually become inevitable given the size of Ukraine's agricultural sector. The amount of CAP expenditures would need to be substantially increased or redistributed, which would be politically very sensitive. The increasingly unpredictable impacts of climate change on the agricultural sector may also become another catalyst for change.[69]

In this regard, Czechia should support a CAP reform that promotes the social, environmental and economic development of rural areas and reduces the share of expenditures that are not clearly linked to public policy objectives, while maintaining support for priorities such as climate action. The new CAP should thus work more as a structural policy, in which subsidies compensate for positive externalities rather than serve primarily as income substitution. The reform should also continue efforts to even out the conditions for agricultural spending between old and new Member States, particularly regarding the level of direct payments. The negotiations should also address the need to reduce the administrative burden on farmers and to resolve the issue of leaving land fallow.[70]

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[68] Gerardo Fortuna, "Ringfenced, but reduced: EU Commission shrinks agriculture share in record budget. 17 July 2025," *Euronews*, July 17, 2025, https://www.euronews.com/my-europe/2025/07/17/ringfenced-but-reduced-eu-commission-shrinks-agriculture-share-in-record-budget.
[69] Elsa Régnier et al., *The Common Agricultural Policy and the Next Multiannual Financial Framework,* Study n. 01 (Sciences Po, Institute for Sustainable Development and International Relations (IDDRI), March 2024), https://www.iddri.org/sites/default/files/PDF/Publications/Catalogue%20Iddri/Etude/202404-ST0124-CAP%20MFF.pdf.
[70] Council of the EU, *Council Conclusions on a Farmer-Focused Post-2027 Common Agricultural Policy,* 16694/24, (Brussels: December 9, 2024), https://data.consilium.europa.eu/doc/document/ST-16694-2024-INIT/en/pdf.

## Cohesion Policy as a Continued Cornerstone of EU Investment

Cohesion policy is a major contributor to public investment in many countries, including in Central and Eastern Europe. For the Czech Republic, cohesion policy has long been the largest source of funding from the EU budget, bringing in almost €900 billion since EU accession.[71] In 2023, for example, the Czech Republic drew CZK 81 billion (around €3.4 bn) from the Structural and Cohesion Funds, CZK 28.3 billion from CAP (€1.2 bn), CZK 39.5 billion from the NGEU (€1.6 bn), and CZK 7.5 billion (€0.3 bn) from centralised EU programmes.[72] Cohesion funds constitute a substantial proportion of public investment – during the last two financial periods, they financed 40–50% of public investment in the Czech Republic.[73]

It is in Czechia's interest to keep cohesion policy among the key priorities of the new EU budget, but this will put pressure on strengthening the revenue side given the new spending priorities. And this also conflicts with the positions of net payers, like Germany or the Netherlands, who wish to maintain a smaller, yet efficient budget. The challenge in this respect will be to address the positions and concerns of the main net contributors, who have historically taken a very minimalist approach to budget negotiations (aiming to keep it around 1% of GDP). A key role will be played by Germany, who is the biggest contributor to the EU budget. While Germany overcame its debt brake issues to increase its fiscal space – primarily for defence spending at national level, it still takes a cautious approach to increasing the EU budget, referring to Member States' limited financial leeway. Germany, alongside other fiscally conservative Member States, continues to emphasise efficiency and discipline in EU spending. In this context, increasing the EAV of EU expenditures via strengthening the application of the performance-based principle may be key to unlocking the necessary increase in the European budget.

[71] ČTK, "ČR od vstupu do EU získala z unie dva biliony Kč, zaplatila 876,6 mld. Kč.," February 25, 2024, https://www.ceskenoviny.cz/zpravy/2484273.
[72] Ministry of Finance of the Czech Republic, "Česká republika získala v roce 2023 z rozpočtu EU o téměř 50 mld. Kč více, než zaplatila," February 8, 2024, https://www.mfcr.cz/cs/ministerstvo/media/tiskove-zpravy/2024/ceska-republika-ziskala-v-roce-2023-z-rozpoctu-eu-54803.
[73] European Commission, *Communication from the Commission on the 8th Cohesion Report: Cohesion in Europe towards 2050,*COM(2022) 34 final (Brussels: February 4, 2022), https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52022DC0034.

In its February 2025 draft outline, the European Commission already signaled its intention to simplify cohesion and agricultural policy by merging all pre-allocated funding into 'national envelopes' and granting Member States greater spending flexibility to accelerate absorption rates.[74] For the Czech Republic, the new EU cohesion policy framework should maintain a strong investment character and continued focus on reducing regional disparities, supporting all regions according to their specific needs. This approach is fully compatible with a stronger performance-based principle. Keeping an adequate budget, linking structural reforms to strategic investments and maintaining shared management to allow greater involvement of local actors will be key. It is also in the interest of the Czech Republic to promote greater flexibility and administrative simplification.

**A key role will be played by Germany, the biggest contributor to the EU budget. While it has increased its national fiscal space for defence, the country remains cautious about expanding the MFF.**

## Climate Policy as a Horizontal Priority in the Next MFF

Regarding climate change adaptation and mitigation, instruments are already in place in the current financial period to support the green transition and bear its associated costs. Key instruments include the Just Transition Fund (JTF), the Social Climate Fund (SCF) and the Modernisation Fund. The JTF is part of the cohesion policy framework to support the regions most affected by the transition to a climate neutral economy. The SCF is aimed at reducing the social impacts of climate reforms, with a focus on vulnerable households and transport users. The Modernisation Fund intends to support the modernisation of energy systems and the improvements in energy efficiency in lower-income Member States. The SCF and the Modernisation Fund are financed from the proceeds of emissions trading under the EU Emissions Trading System (ETS).[75]

[74] European Commission, *The road to the next multiannual financial framework,* COM(2025) 46 (Strasbourg: February 2, 2025), https://commission.europa.eu/document/download/6d47acb4-9206-4d0f-8f9b-3b10cad7b1ed_en.
[75] However, the Modernisation Fund is not part of the EU budget but a financial mechanism governed by EU rules, with fund allocation managed by Member State authorities.

The SCF was created after the current MFF was approved as part of the Fit for 55 package.[76] It remains outside the EU budget and it will only start to operate from 2026. The fund has up to €65 billion at its disposal until 2032 and will extend into the new MFF period. ETS revenue is also part of the Commission's December 2021 proposal for new own resources for the EU budget (see section 3 for details). It is therefore likely that the SCF will become part of the budget negotiations, particularly in the context of new sources of revenue. The July 2025 MFF proposal also included a 35% horizontal target on the amount of spending which should be used for climate action across all headings.[77] But it will be crucial to also ensure that the targets are actually fulfilled.

## Expanding the Role of Financial Instruments in the Next MFF

The next financial framework is also expected to introduce a higher share of spending in the form of financial instruments, such as the InvestEU programme, which will achieve greater leverage by involving more national, private and institutional funding. This may be a challenge for the Czech Republic, as it would also mean a reduction in the amount of grants it has traditionally relied on. From the Czech perspective, the use of financial instruments should be limited to areas where it is appropriate and effective. They should not replace subsidies across the board but rather complement them in areas where financial instruments can be more effective, such as research and development or support for SMEs. At the same time, a gradual phase-in of financial instruments would help prepare Czech entities for the new model of using EU funds.[78]

## Directly Managed Programmes and Shifting EU Priorities

Around 20% of the European budget is managed and distributed by the European Commission and its executive agencies through centralised programmes. In the current

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[76] European Parliament and Council, *Regulation (EU) 2023/955 of the European Parliament and of the Council establishing a Social Climate Fund and amending Regulation (EU) 2021/1060,* Official Journal of the European Union L 130/1 (Strasbourg: May 16, 2023), https://eur-lex.europa.eu/eli/reg/2023/955/oj/eng.
[77] European Commission, "Statement by President von der Leyen on the next long-term EU budget," July 16, 2025. https://ec.europa.eu/commission/presscorner/detail/et/statement_25_1851.
[78] Ministry of Regional Development of the Czech Republic, *Východiska pro pozici České republiky ke směřování politiky soudržnosti po roce 2027,* June 2024, https://www.dotaceeu.cz/getmedia/54324ad9-5faf-47c3-b9f6-9945f87fca46/Vychodiska_CR_pro_smerovani_PS.pdf.aspx.

period, the largest of these are Horizon Europe, with €95.5 billion (in current prices), and the Innovation Fund, with around €40 billion in expected revenue (depending on the market price of emission allowances under the ETS). Other directly managed funds include a portion of Erasmus+ (€26.2 billion, 80% of which is shared-managed), the European Defence Fund (€9.5 billion), Digital Europe (€7.6 billion), LIFE (€5.4 billion), EU4Health (€4.4 billion) and Creative Europe (€2.4 billion). In total, there are close to 50 programmes operating at the EU level, which can lead to inefficiencies and overlapping priorities.[79]

By contrast, one of the key elements of the next MFF is expected to be significant simplification, with the new European Competitiveness Fund playing a key role in integrating programmes across strategic sectors and technologies, according to the recent Competitiveness Compass.[80] This fund was presented alongside the July 2025 proposal and is expected to build largely on existing instruments. However, the combined capacity of the above-mentioned funds falls well short of €200 billion over the seven-year MFF, far below the €750–800 billion per year estimated in the Draghi report as necessary to safeguard Europe's long-term competitiveness.[81]

**Strengthening Europe's competitiveness, prosperity and security is a central priority for the new von der Leyen Commission.**

Support for the defence industry, which represents an area with a potentially significant EAV, is also set to receive a significant boost in the next MFF. At present, the European defence industry is highly fragmented, leading to duplication of expenditure, especially in research and development. Only 18% of defence investments are made in cooperation between several Member States.[82] In addition, EU countries have six times more variants

[79] European Commission,"Fact Check on the EU budget," accessed July 17, 2025, https://commission.europa.eu/strategy-and-policy/eu-budget/news-events-and-publications/publications/fact-check-eu-budget_en.
[80] European Commission, *A Competitiveness Compass for the EU,* COM(2025) 30 final, (Brussels: January 29, 2025), https://commission.europa.eu/document/download/10017eb1-4722-4333-add2-e0ed18105a34_en.
[81] European Commission, *The Future of European Competitiveness: A Competitiveness Strategy for Europe* (Luxembourg: Publications Office of the European Union, September 2024), https://commission.europa.eu/document/download/97e481fd-2dc3-412d-be4c-f152a8232961_en.
[82] European Defence Agency, *2022 Coordinated Annual Review on Defence Report*, (Brussels: November 2022), https://eda.europa.eu/docs/default-source/eda-publications/2022-card-report.pdf.

of weapon systems than the US (178 versus 30),[83] which increases development, production and maintenance costs. Strengthening European defence cooperation could bring savings of around €18-57 billion per year. [84]

Strengthening Europe's competitiveness, prosperity and security is a central priority for the new von der Leyen Commission. According to its July 2025 proposal, the MFF heading covering these areas is set to amount to €590 billion, with several flagship programmes expected to receive significant increases: Horizon Europe is proposed to nearly double to €175 billion; Defence and Space to receive €131 billion; the Connecting Europe Facility €81 billion; Clean Transition and Decarbonisation €67 billion; Digital Leadership €55 billion; and the Erasmus+ programme €41 billion, among others.[85]

The Czech Republic should support strengthening budget areas with a high EAV, including the centrally managed programmes listed above and falling under the proposed European Competitiveness Fund.  As centralised programmes gain a larger share in the overall EU budget, Czechia should push to make it possible to finance investments in transport infrastructure, including high-speed rail, as well as electricity, energy and e-mobility infrastructure. Programmes such as Horizon Europe, the Connecting Europe Facility and REPowerEU represent Czech priority areas, including the support for transport and energy infrastructure, and research and innovation. Targeted mechanisms should be maintained and strengthened for these programmes to ensure that a dedicated part of the budget is allocated to less-developed EU Member States. Active participation of Member States with different levels of economic development should be incentivised in order to increase their ability to benefit from directly managed EU programmes. Many Central and Eastern European countries have relied predominantly on cohesion funding for a long time and making the switch to centrally managed programmes could leave a funding gap if not properly addressed.

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[83] Munich Security Conference, *More European, More Connected and More Capable,* (Stiftung Münchner Sicherheitskonferenz, 2017) https://securityconference.org/assets/02_Dokumente/01_Publikationen/MSCEuropeanDefenceReport2017.pdf.

[84] Marco Centrone and Meenakshi Fernandes, *Improving the quality of European defence spending: Cost of non-Europe report,* European Parliamentary Research Service (EPRS), PE 762.855 (Brussels: November 2024), https://www.europarl.europa.eu/RegData/etudes/STUD/2024/762855/EPRS_STU(2024)762855_EN.pdf.

[85] European Commission, *Communication from the Commission: A dynamic EU Budget for the priorities of the future - The Multiannual Financial Framework 2028-2034*, COM(2025) 570 final (Brussels: July 16, 2025), https://commission.europa.eu/document/download/26ff3426-b1db-44d5-ad9c-a646febb3222_en.

## Czech Budgetary Priorities and Strategic Positioning in the MFF Debate

The Czech approach to the negotiations of the next long-term EU budget can range between two extreme poles: a balance-sheet approach and a strategic approach, with the latter looking at the budget from multiple perspectives. The former is primarily based on the Czech position vis-à-vis the budget and maximisation of net revenues from the EU. The latter takes into account the broader effects of EU membership, which cannot be explicitly measured in terms of budget-related financial flows. This includes, for example, the contributions to European security, including assistance to Ukraine, green transition or modernisation of the economy. Given these factors, reform of the revenue side of the budget will also become increasingly relevant in the negotiations, as detailed in the following section. From the Czech perspective, the importance of a timely introduction of new own resources will also grow as the country approaches the point when it becomes a net contributor rather than a net beneficiary of the EU budget.

# 3. New Revenue Sources and the Role of Common Debt in Financing the EU Budget

This section examines the current and possible new budget resources. The revenue of the EU budget now mainly comes from three so-called own resources: value added tax (VAT)-based contributions, customs duties and contributions based on GNI. In the past, customs duties on imported products constituted a major source of revenue for the budget. However, as trade liberalisation has progressed, the importance of this revenue source has gradually declined to around €20 billion per year (about 10-15% of the yearly revenue).[86] GNI-based contributions now account for about 70% of budget revenue,[87] the

[86] European Commission, "EU Customs Union: Revenue from Customs Duties," accessed July 17, 2025, https://taxation-customs.ec.europa.eu/customs-4/eu-customs-union-facts-and-figures/customs-duties-mean-revenue_en.
[87] European Commission, "EU Budget Own Resources: National Contributions," accessed July 17, 2025, https://commission.europa.eu/strategy-and-policy/eu-budget/long-term-eu-budget/2021-2027/revenue/own-resources/national-contributions_en.

VAT resource contributes another 10%, and since 2021, the EU has introduced a tax on non-recycled plastics, which now contributes about 4% of the budget's revenue.[88]

Following a December 2020 agreement between the European Parliament, the Council and the Commission,[89] in December 2021, the European Commission presented a proposal for the introduction of new own resources for the budget[90] and in June 2023, a subsequent revised version of the proposal.[91] Based on an agreement between the EU institutions, both proposals foresaw the introduction of resources based on the ETS and the new Carbon Border Adjustment Mechanism (CBAM). These systems charge for emissions produced in the EU (ETS) and for embedded emissions in imported products (CBAM). In the first phase starting in 2028, the CBAM is set to apply to products with the largest carbon footprint, such as steel, iron, aluminium, electricity, hydrogen, cement and fertilisers. In the longer term, it is expected to be extended to other sectors to level the playing field for EU manufacturers, but realistically this will take at least until 2030–2035.

According to the Commission's proposal, 30% of the proceeds from the ETS and 75% of those from the CBAM should be dedicated to the EU budget. CBAM-based own resources are estimated at €1.5 billion per year (but only from 2028 onwards). The ETS-based own resource is expected to generate around €7 billion, equivalent to about 4% of the budget at its current size. After 2028, this figure is expected to rise to about €19 billion a year, or about 11% of the budget, mainly due to the introduction of ETS2, which will extend emission allowances to cover the heating of buildings and road transport from 2027.[92]

Czechia actively advocated for a postponement of ETS2, with Poland, Slovakia and Bulgaria supporting this initiative.[93] However, given that a full postponement is unlikely to gain sufficient backing, more recently, Czechia instead led a joint effort of 18 Member

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[88] European Parliament, "The Union's Revenue," accessed July 17, 2025, https://www.europarl.europa.eu/factsheets/en/sheet/27/the-union-s-revenue.

[89] European Parliament, Council of the European Union, and European Commission, *Interinstitutional Agreement of 16 December 2020,* Official Journal of the European Union, L 433I/28, (Brussels: December 22, 2020) https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.LI.2020.433.01.0028.01.ENG.

[90] European Commission, "The Commission proposes the next generation of EU own resources ," December 22, 2021, https://ec.europa.eu/commission/presscorner/detail/en/ip_21_7025.

[91] European Commission, "Commission puts forward an adjusted package for the next generation of own resources," June 20, 2023, https://ec.europa.eu/commission/presscorner/detail/en/ip_23_3328.

[92] European Commission, *The Next Generation of EU Own Resources*, (June 20, 2023), https://commission.europa.eu/system/files/2023-06/Factsheet_NOR_20.06_11h45.pdf.

[93] Aneta Zachová and Barbora Pištorová, "Dekarbo Brief: Hra na odklad ETS 2," *Euractiv*, February 3, 2025, https://euractiv.cz/section/klima-a-zivotni-prostredi/news/dekarbo-brief-hra-na-odklad-ets-2/.

States urging the Commission to guarantee that emission allowance prices will be lower, less volatile and more predictable.[94] While ETS2 is still set to begin in 2027 as a climate policy, there is growing uncertainty about whether its revenues will contribute to the EU's new own resources as originally planned. In the absence of alternative sources by 2028, Member States may have to increase their national contributions to maintain the size of the EU budget and cover NGEU repayments. ETS2-related revenue would also be missing from instruments such as the SCF and the Modernisation Fund, which rely in part on proceeds from emissions trading.

Regarding the CBAM, in February 2025, the Commission presented the first Omnibus simplification package, which included measures to reduce the administrative burden of the CBAM for SMEs.[95] As presented, this package is not expected to significantly reduce the scope of the CBAM and should therefore only have a limited impact on potential revenue. However, the package has not yet been agreed by the co-legislators.

The Commission's revised package of new own resources from June 2023 also included a temporary statistical-based own resource, which is calculated as 0.5% of companies' gross operating surplus (a proxy for companies' profits). However, according to the Commission's plan, it would not be levied as a direct tax on companies but paid into the budget by Member States. This source is intended to act as a placeholder until the BEFIT package (Business in Europe: Framework for Income Taxation) is adopted, which aims to reform corporate taxation. This statistical resource would later be replaced by an own resource based on taxation of reallocated corporate profits. However, reaching consensus on these issues will be extremely complicated as reforms to EU own resources and tax measures require unanimity among Member States. According to the Commission's estimates, the statistical-based own resource should generate around €16

[94] Ministry of Environment of the Czech Republic, "ČR odeslala Evropské komisi požadavky 18 unijních států na změnu obchodování s emisními povolenkami. Zajistí stabilní cenu povolenek a zabrání negativním dopadům," July 2, 2025, https://mzp.gov.cz/cz/pro-media-a-verejnost/aktuality/archiv-tiskovych-zprav/cr-odeslala-evropske-komisi-pozadavky-18.
[95] European Commission, "CBAM: new Commission proposal will simplify and strengthen," news announcement, February 26, 2025, https://taxation-customs.ec.europa.eu/news/cbam-new-commission-proposal-will-simplify-and-strengthen-2025-02-26_en.

billion per year, bringing total new own resources to around €36 billion annually over the 2028–2034 period.[96]

However, the Council has yet to agree on the package of proposed new resources, including the modification of the ETS and CBAM. If this does not happen by 2028 and the EU is unable to find new budget sources, Member States will have to pay the missing money through national contributions. In such a case, the Czech Republic should seek to ensure that the payments among Member States are distributed fairly based on their differing economic power.

With the unveiling of the newly proposed MFF structure, the Commission also presented yet another package of new own resources. It still includes the revenues from ETS1 and CBAM, which would jointly contribute around €11 billion per year; a contribution based on the non-collected e-waste, amounting to €15 billion annually; a tobacco excise duty own resource (TEDOR), expected to generate around €11.2 billion per year; and a corporate resource for Europe (CORE), collected as a lump sum from large companies with an EU turnover over €100 million, which should amount to €6.8 billion a year.[97] The current own resources would also be adjusted upwards by €14.3 billion, bringing the total to an estimated €58.2 billion in additional revenues per year (in 2025 prices).

However, this new set of revenues is also likely to face resistance. The ETS and CBAM-based resources may continue to be criticised for lacking predictability in generating revenue. The e-waste resource could prove promising – similar to the non-recycled plastic resource, which has already demonstrated its effectiveness – as it taps into a growing source of waste across the EU.[98] The CORE appears to replace the statistical-based resource with a simplified logic and a lump sum collection. But both TEDOR and CORE would effectively redirect taxes collected at the Member State level to the EU budget,

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[96] European Commission, *An adjusted package for the next generation of own resources,* COM(2023) 330 final (Brussels: June 20, 2023), https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52023DC0330.
[97] European Commission, "Proposal for a Council decision on the system of own resources of the European Union and repealing Decision (EU, Euratom) 2020/2053" COM(2025) 574 final, (Brussels: July 16,2025) https://commission.europa.eu/document/download/eb03e969-37ed-4697-98a8-a9709a09a9c4_en?filename=COM_2025_574_1_EN_ACT_part1_v5.pdf.
[98] Eurostat, "Waste statistics - electrical and electronic equipment," Data from: October 2024, accessed July 17, 2025, https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Waste_statistics_-_electrical_and_electronic_equipment.

which remains controversial since taxation is a competence reserved to EU Member States.

According to the 2020 Interinstitutional agreement, the Commission was supposed to present a proposal for a financial transaction tax in 2024. However, the Commission has yet to present such a proposal, and this is not featured in the Commission's work programme for 2025 either.[99] Even a minimum tax of 0.1% on share and bond trading and 0.01% on derivatives trading could raise around €38 billion a year.[100] The introduction of such a tax could help curb speculative transactions and stabilise the financial sector. In view of the EU's aim of greater capital markets integration, this could become an interesting source of revenue for the European budget in the future.

**The newest proposal followed the recommendations of the Draghi Report, which advocated for more common debt in the interest of strategic investments.**

The July 2025 MFF proposal also included several programmes financed through loans and common EU borrowing, including the €100 billion fund for Ukraine, €150 billion Catalyst Europe (loans for Member States to support their National and Regional Partnership Plans), and a new extraordinary and temporary mechanism aimed to respond to severe crises, hardships or threats. This instrument, amounting to 0.25% GNI (or about €395 billion) would allow the Commission to raise funds on capital markets and provide loans to Member States backed by EU borrowing, but only for the period of the upcoming long-term budget.[101] These extraordinary loans should be repayable by Member States and therefore should not have a negative effect on the EU budget.

The newest proposal followed the recommendations of the Draghi Report, which advocated for more common debt in the interest of strategic investments, but the report's

[99] European Commission, *Annexes to the Commission work programme 2025,* COM(2025) 45 (Strasbourg: February 11, 2025), https://commission.europa.eu/document/download/7617998c-86e6-4a74-b33c-249e8a7938cd_en.

[100] Atanas Pekanov and Margit Schratzenstaller, "A Global Financial Transaction Tax: Theory, Practice and Potential Revenues," Austrian Institute of Economic Research, working papers, no. 582 (2019), https://www.econstor.eu/bitstream/10419/207155/1/166860552X.pdf.

[101] European Commission, *Communication from the Commission: A dynamic EU Budget for the priorities of the future - The Multiannual Financial Framework 2028-2034*, COM(2025) 570 final (Brussels: July 16, 2025), https://commission.europa.eu/document/download/26ff3426-b1db-44d5-ad9c-a646febb3222_en.

suggestion was also to use debt financing to help safeguard the EU's competitiveness.[102] Some countries, most notably Germany, continue to take a cautious or negative stance towards this option.[103] The growing debt levels of Member States are putting pressure on the interest rates of national bonds. By contrast, common European bonds could be better equipped to withstand this pressure by spreading the risk, meaning that the EU could borrow on the financial markets more cheaply than many Member States.[104] Moreover, common bonds can also play an important role in mobilising private capital.

When introducing new own resources into the EU budget, Czechia should advocate for those which are primarily designed to generate revenue and offer, as far as possible, a stable and predictable income stream. Many of the newly proposed resources, such as ETS or CBAM-based resources, do not necessarily have this quality on their own. This is why Czechia should also support a diversification of the EU budget's revenue sources. On the issue of common European debt financing for strengthening Europe's resilience, security and defence, Czechia should support the overarching goal, while carefully reviewing the details of the proposal and seeking to build broad consensus with countries that share similar geopolitical and economic priorities, such as Poland.

Introducing new resources could also be beneficial if they are based on a fair distribution of the burden among Member States and their citizens. At the same time, differentiated national contributions to the EU budget should be maintained, reflecting the varying economic levels of individual Member States and the principle of solidarity between more and less developed countries. The collection of the new revenues should be as administratively simple and efficient as possible, with minimal costs for both collection and management. It should also ensure stable financial flows that are not easily affected by external shocks, such as the decline in tariff revenues that can occur due to trade liberalisation or a sudden drop in international trade.

[102] European Commission, *The Future of European Competitiveness: A Competitiveness Strategy for Europe* (Luxembourg: Publications Office of the European Union, September 2024), https://commission.europa.eu/document/download/97e481fd-2dc3-412d-be4c-f152a8232961_en.
[103] Giovanna Faggionato and Hans von der Burchard, "Germany's Lindner Rejects Draghi's Common Borrowing Proposal," *Politico*, September 9, 2024, https://www.politico.eu/article/germanys-lindner-rejects-draghis-common-borrowing-proposal/.
[104] Fitch Ratings, "Fitch Affirms European Union & Euratom at 'AAA'; Outlook Stable," February 12, 2024, https://www.fitchratings.com/research/sovereigns/fitch-affirms-european-union-euratom-at-aaa-outlook-stable-12-02-2024.

# 4. Shifting From a Net Beneficiary to a Net Payer

This section presents Czechia's net position in relation to the EU budget and considers the communication potential of the EU budget. The evolution of the budgetary position of Czechia is illustrated in the graphs below. They show that, since joining the EU, the country has cumulatively received CZK 1 trillion from the budget in net terms (that is, after deducting its contributions to the EU budget). However, Czechia's net positive position is clearly diminishing (excluding the exceptional NGEU revenue) and the next MFF may be the last one in which the country remains a net beneficiary.

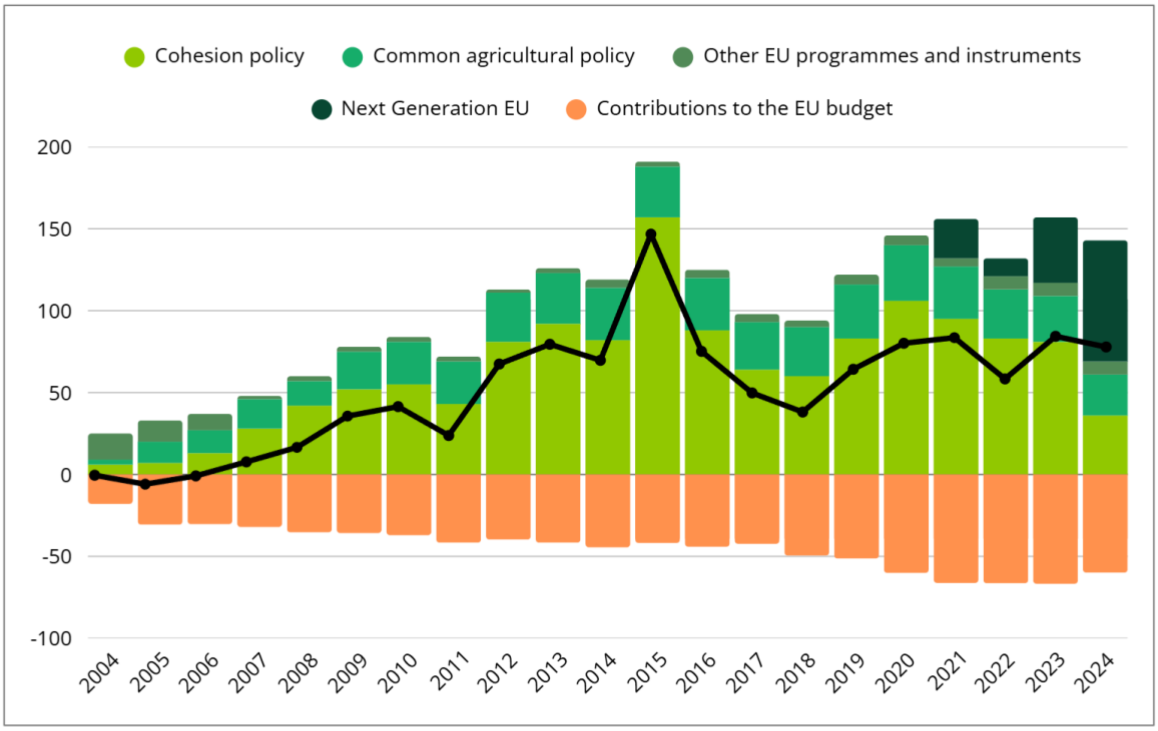


*Figure 1 Authors' approximation based on data from the Ministry of Finance of the Czech Republic.* [105]

[105] Ministry of Finance of the Czech Republic, "Čistá pozice ČR ve vztahu k rozpočtu EU: 2004 – 2024," data updated: February 11, 2025, data published: July 25, 2025, accessed July 17, 2025, https://www.mfcr.cz/cs/zahranici-a-eu/hospodareni-eu/pozice-cr-vuci-rozpoctu-eu/2024/cista-pozice-cr-ve-vztahu-k-rozpoctu-eu-2004-2024-56484.

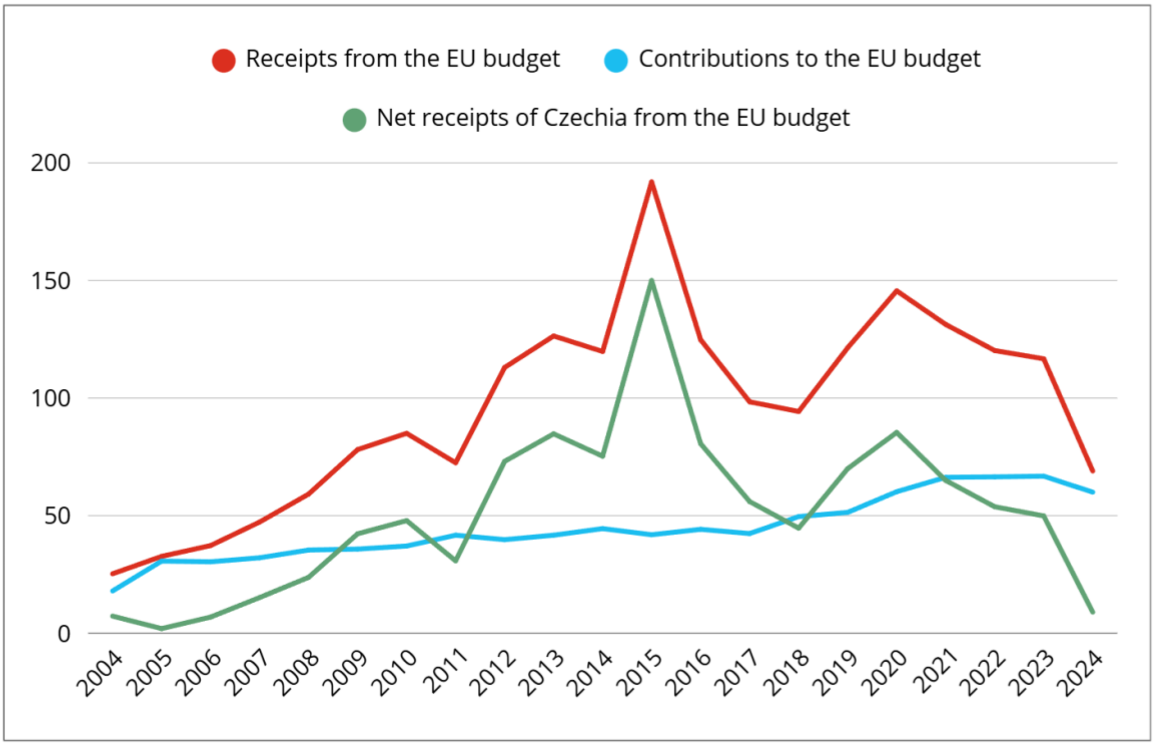


*Figure 2 Authors' approximation based on data from the Ministry of Finance of the Czech Republic.* [106]

Because of the catching-up effect and the potential EU enlargement, Czechia is likely to exceed the average EU economic level in the future. During the current MFF period, Czechia has already surpassed the economic threshold that made it eligible for certain funding instruments, such as the Modernisation Fund.[107] If this fund continues to operate after 2030, when the current financing period is set to expire, Czechia would no longer be eligible if the same thresholds were to apply. For other programmes, such as the Cohesion Fund, the country is close to reaching the eligibility threshold; its status will depend on the calculation method used in the next financial period (for instance, in the past, a three-year average of GDP per capita was used).[108] For other structural funds, such as the European Regional Development Fund (ERDF), no major changes to eligibility are currently

[106] Ibid.
[107] The Modernisation Fund lies outside the MFF and is available until 2030. However, Czechia has already surpassed the 60% of EU average GDP per capita threshold, which may make it ineligible for future funding. See: https://ec.europa.eu/eurostat/databrowser/view/tec00001/default/table?lang=en&category=t_na10.t_nama10.t_nama_10_ma
[108] The Cohesion Fund is available to Member States whose GNI per capita is below 90% of the EU average; using GDP as a rough approximation, Czechia is around this threshold. See note 13 for more on the definition of GNI: https://ec.europa.eu/eurostat/databrowser/view/tec00114/default/table.

expected.[109] It is therefore advantageous for Czechia to maintain the current categorisation of regions into less developed, transition and more developed regions, especially in relation to the ERDF. At the same time, Czechia should strive for a much greater involvement of Czech entities in directly managed programmes, for example, by increasing the participation of EU-13 countries, including Czechia, in competitive funding schemes.

In terms of communicating the benefits of the EU budget to Czech citizens, continuing a strong focus on the position of a net beneficiary is unsustainable in the long term since Czechia might become a net contributor to the EU budget over time. Large parts of the Czech public have insufficient or inaccurate information about how much the country contributes and receives from the common EU budget. For example, in 2020, the Czech net position vis-à-vis the EU budget was CZK 86 billion (€3.2 billion).[110] However, according to a survey, 13% of the population erroneously believed that Czechia was a net contributor, 18% thought the budget was roughly balanced, and almost half did not know or did not dare to estimate.[111] These views of the Czech public appear to be quite stable over time, so it does not seem effective to communicate the benefits of the EU budget by stressing Czechia's net beneficiary position. The emphasis on net positions in political debates also undermines the quality of discussions on the MFF, which become centred on maximising national returns rather than assessing the efficiency of EU spending.

In contrast, a more effective communication strategy is to highlight the EAV of EU-funded projects that would not have been realised without EU support, as well as the growing importance of benefits such as access to European research programmes or a more integrated and better-functioning EU internal market.

[109] For the ERDF, GDP per capita (in PPS) is decisive at the NUTS2 region level, according to which regions are classified into less developed (< 75% of the EU average), transition (75-100%) and developed (> 100%). Compared to the 2015-2017 average, there had been no shift of Czech regions between these categories by 2023. See: https://ec.europa.eu/regional_policy/policy/how/is-my-region-covered_en and https://ec.europa.eu/eurostat/web/products-eurostat-news/w/ddn-20250211-2.

[110] ČTK, "Česko loni z EU získalo o 85,7 miliardy korun víc, než zaplatilo. Je to druhý nejlepší výsledek," iROZHLAS, February 2, 2021, https://www.irozhlas.cz/ekonomika/evropska-unie-eu-penize-pro-cesko-do-ceska-2020-prijmy-vydaje_2102021516_ako.

[111] STEM, "O Evropské unii skoro nic nevíme, peníze z fondů ale dostáváme rádi," February 18, 2020, https://www.stem.cz/o-evropske-unii-skoro-nic-nevime-penize-z-fondu-ale-dostavame-radi/.

# 5. EU Enlargement in the Context of the Next MFF

This final section outlines the potential effects of enlargement on the EU budget. Of the candidate countries, Montenegro, North Macedonia and Serbia are currently closest to accession. However, given their relatively limited economic weight, the first two candidate countries would not significantly impact the EU budget (their combined share of the EU's GDP is slightly over 0.1%). Serbia, on the other hand, is economically larger (representing just under 0.5% of the EU's GDP) and could pose a greater challenge to the EU budget.[112] However, its membership in the next budget period (2028-2034) is considered unlikely, due to the current geopolitical situation (particularly regarding Serbia's relations with Russia or Kosovo), but also its limited progress in strengthening the rule of law.

**Montenegro is now the closest to EU membership. Montenegro is the only candidate country to have opened all negotiating chapters and to have already provisionally closed some.**

Montenegro is now the closest to EU membership. Even the President of the European Commission, Ursula von der Leyen, stated in autumn 2024 that its accession to the EU by 2028 is achievable if the country carries out the necessary reforms in the areas of the rule of law and the judiciary. Therefore, Montenegro is the only candidate country to have opened all negotiating chapters and to have already provisionally closed some. Its accession would mean another country participating in cohesion policy (its GDP per capita is around 50% of EU average).[113] The CAP would also need to take into account that agriculture in Montenegro accounts for approximately 4% of GDP and employs about 6% of the population.[114]

With regard to Ukraine, a major challenge for the EU budget will be the post-war reconstruction assistance and, potentially, its future accession. Ukraine now receives

[112] Own calculation based on data for 2024. Eurostat, "Gross domestic product at market prices, nama_10_gdp," data extracted June 20, 2025, Eurostat Data Browser, accessed July 17, 2025. https://ec.europa.eu/eurostat/databrowser/view/TEC00001/default/table?category=na10.nam.

[113] Statistical office of Montenegro, "Gross domestic product (GDP) and actual individual consumption (AIC) per capita in purchasing power standards (PPS)," December 23,2024, https://www.monstat.org/eng/novosti.php?id=4059.

[114] European Commission, *Agri-food trade statistical factsheet: European Union - Montenegro* (Directorate-General for Agriculture and Rural Development: May 7,2025), https://agriculture.ec.europa.eu/system/files/2023-05/agrifood-montenegro_en.pdf.

financial support from the EU through the Macro-Financial Assistance and the Ukraine Facility, which was integrated into the current MFF after last year's revision, with a €50 billion allocation.[115] Ukraine is also covered under the MFF by the Instrument for Pre-Accession Assistance (IPA III), which is mainly targeted at candidate and potential candidate countries seeking EU membership. Although IPA III represents a relatively small share of EU funding to Ukraine, it plays an important role in supporting the reforms necessary to meet the accession criteria. Its importance can be expected to grow after the end of the war.

The MFF proposal from July 2025 includes a dedicated €100 billion for Ukraine, which would also be financed through common EU borrowing 'over and above the ceiling' of 1.26% GNI.[116] It is crucial that strong and stable support for Ukraine is maintained across the EU, especially in light of recent instances where Member States such as Hungary or Slovakia have linked their support to broader political or budgetary negotiations.[117] The new proposal also included an MFF revision mechanism, which would be triggered in case a new Member joins the EU.[118] However, the preparations for a new Member State need to be planned well in advance, especially if they could have a large impact on the EU budget.

In view of the planned EU enlargement, reform of both agricultural and cohesion policy will be eventually necessary since all the candidate countries would qualify for some type of support. In line with the long-term priorities of the Czech foreign and EU policies,[119] the Czech Republic should support measures to facilitate the implementation of the required reforms in the next MFF. This would also clearly signal the EU's commitment to the candidate countries. The ongoing enlargement process is in Czechia's interest, as it can

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[115] Council of the EU, "Ukraine Facility", last review July 10, 2025, accessed July 17, 2025, https://www.consilium.europa.eu/en/policies/ukraine-facility.

[116] European Commission, *Communication from the Commission: A dynamic EU Budget for the priorities of the future - The Multiannual Financial Framework 2028-2034*, COM(2025) 570 final (Brussels: July 16, 2025), https://commission.europa.eu/document/download/26ff3426-b1db-44d5-ad9c-a646febb3222_en..

[117] AFP, "Hungary, Slovakia Warn Against Changes To EU Unanimity Rule" *Barron's,* April 28, 2025, https://www.barrons.com/news/hungary-slovakia-warn-against-changes-to-eu-unanimity-rule-61b0b8d2.

[118] European Commission, "Proposal for a Council Regulation laying down the multiannual financial framework for the years 2028 to 2034," COM(2025) 571 final (Brussels: July 17, 2025) https://commission.europa.eu/document/download/4a196248-7f64-4275-bec6-ebf0a7686ead_en?filename=COM_2025_571_1_EN_ACT_part1_v5.pdf.

[119] Ministry of Foreign Affairs of the Czech Republic,"Politika rozšíření Evropské unie," June 27, 2022, https://mzv.gov.cz/jnp/cz/zahranicni_vztahy/cr_v_evrope/vnejsi_vztahy_eu/index_1.html.

contribute to the stabilisation and greater security of the wider region. Extending the internal market to candidate countries will also bring economic benefits to an export-oriented economy like that of the Czech Republic. Given that these candidate countries are less economically developed, their gradual convergence presents significant growth potential for Czech exporters and investors.

## 5. Conclusion

This paper has presented several key considerations for the debate on the next Multiannual Financial Framework (MFF) for the 2028–2034 period, which was officially set in motion with the presentation of the Commission's proposal in July 2025. While the existing seven-year structure is likely to be preserved, the context for the next MFF will be markedly different from previous cycles. The EU faces a broader and more urgent set of priorities, including security and defence, industrial competitiveness, digital sovereignty, and the climate transition, while continuing to support traditional areas such as agriculture and cohesion. The political pressure to maintain support for established programmes, combined with the rising cost of new priorities, points to a significant increase in the overall volume of the MFF. Some have even suggested a doubling of its size, making the Commission's 1.26 % GNI proposal seem relatively moderate. However, with all the emergency capacity included, the total spending could potentially approach 1.6–1.7% GNI, which would already be a noticeable difference. In this context, Czechia should remain open to the possibility of an expanded budget and associated off-budget instruments, while ensuring that new financial mechanisms reflect the economic diversity of Member States.

The Czech Republic will enter the next MFF negotiation as a significant net beneficiary, and the political debate in Prague is still largely dominated by concerns over the country's net position. However, a narrow focus on returns can obscure more strategic questions. The analysis in this paper has demonstrated that different types of EU expenditure deliver varying degrees of European Added Value (EAV). While direct agricultural payments continue to account for a large portion of the budget, they tend to have a limited multiplier effect. Cohesion policy offers moderate EAV, particularly in less developed regions, though its long-term convergence effects are mixed. In contrast, investments in research, innovation, and infrastructure consistently demonstrate high returns in terms of growth, competitiveness and strategic resilience. A shift toward high-EAV spending would therefore better reflect both EU-wide priorities and Czechia's long-term economic interests. To fully benefit from this shift, Czechia should strengthen its institutional and expert capacities to participate more effectively in centrally managed programmes, which are set to receive a significant boost with the European Competitiveness Fund at the forefront.

The revenue side of EU budget will also come under pressure. As repayments of the Next Generation EU (NGEU) borrowings begin from 2028 onwards, the EU's ability to raise sufficient and predictable revenue will become a critical issue. Yet progress on new own resources remains slow and politically contested. The new set of revenues presented alongside the MFF proposal was expected to bring a fresh perspective into the discussion, but some of the proposals are already facing criticism from various angles. However, without credible new sources of revenue, the EU risks being forced to finance repayments through larger national contributions, which could crowd out other expenditures and reignite distributive tensions between Member States. This risk is particularly relevant for net beneficiary countries like Czechia, which may face pressure to accept a smaller share of funding if additional revenue does not materialise. Given these dynamics, Czechia should engage constructively in discussions on potential new own resources and, where appropriate, support the use of debt instruments for financing key common priorities such as defence, security and resilience.

At the same time, the European Commission has proposed an ambitious restructuring of the MFF architecture, aiming to make the budget more transparent, strategic, and flexible. According to the Commission's July 2025 proposal, the new MFF should consist of (1) National and Regional Partnership Plans, comprising both agricultural and cohesion expenditure; (2) a European Competitiveness Fund, targeting research and development, innovation, commercialisation and scale-ups; and (3) a Global Europe Fund, supporting external action. Such a model represents a major streamlining and functional overhaul of the EU budget. But if done correctly, it may help better align the revenue and expenditure sides and potentially increase public and political clarity over how EU funds are used. Czechia should follow these developments closely and seek to shape the structure and criteria of these new instruments in a way that reflects its national priorities and comparative advantages while also supporting strategic EU-wide objectives.

This MFF reform debate cannot be separated from the challenge of future EU enlargement. The prospective accession of Ukraine, Moldova, and Western Balkan countries will require a rethinking of existing allocation criteria and governance mechanisms. Under current rules, enlargement would place unsustainable pressure on both the CAP and cohesion envelopes, and would likely dilute funding for existing Member States, including Czechia. Without a corresponding increase in the overall budget or a revision of eligibility criteria, the political viability of enlargement could come under strain. The next MFF will thus need to start building structural flexibility to accommodate a larger and more diverse Union. As part of this process, Czechia should advocate for reforms that balance solidarity with effectiveness, ensuring that new Member States are gradually integrated without undermining the impact of existing EU policies.

Finally, the recent crises – from COVID-19 and the ensuing energy shock to Russia's war against Ukraine – have shown that the EU's current budget structure remains too rigid to respond swiftly and effectively to emerging challenges. This rigidity has been further compounded by persistently low absorption rates across the whole Union. The next MFF must therefore include stronger flexibility mechanisms, more realistic mid-term adjustment options, and a greater capacity to mobilise resources for common priorities. This includes not only short-term crisis management, but also long-term public investment at EU scale. The Commission's MFF proposal introduces some of these beneficial elements, including the Crisis Mechanism worth up to €395 billion in loans. After the difficult discussions on the NGEU, it seems useful to frontload some of the debates regarding common-debt financing to the context of current MFF negotiations rather than scrambling to reach a compromise when a crisis hits.

Czechia should support enhanced flexibility at both the EU and national level, while also investing in the administrative capacity needed to better absorb EU funds and engage stakeholders across ministries, regions, cities and other groups in the implementation of the next MFF. Public communication should shift away from a narrow focus on the net position and instead highlight the broader value of EU investments for the country's resilience, growth and global engagement. From the Czech perspective, the Commission's MFF proposal can be considered a good starting point as it addresses two of Czechia's key priorities – security and competitiveness. But its shape may still change a lot over the course of the next two years of negotiations. Czechia should continue to play an active role, not necessarily putting 'narrow' national interests first but rather aligning itself with broader EU-wide strategic objectives, where it can build effective coalitions of Member States.

## About the authors

**Mgr. Ing. Filip Křenek** joined the Green Europe team at the EUROPEUM Institute in May 2024 as an analyst in the areas of European economy, competition, competitiveness and climate. He also focuses on EU economic security in the areas of supply chains, sources of critical raw materials and foreign investment screening. He gained his experience in European affairs during his time in Brussels, where he worked from 2018 at the European Commission in the Directorates-General for Competition, International Trade and Regional Development.

**EUROPEUM Institute for European Policy** is a non-profit, non-partisan, and independent think tank focused on European integration and cohesion. EUROPEUM contributes to strengthening democracy, security, stability, freedom, and solidarity across Europe, as well as to the active engagement of the Czech Republic within the European Union. EUROPEUM conducts original research, organises public events and educational activities, and formulates new ideas and recommendations to improve both domestic and European policies.

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