

EU REPORT 2025

REPORT ON THE FINANCIAL MANAGEMENT OF EUROPEAN
UNION FUNDS IN THE CZECH REPUBLIC

PART TWO

PREPARATION OF THE MULTIANNUAL FINANCIAL FRAMEWORK 2028+

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Editors' notes:

The editorial deadline for Part Two of the *EU Report 2025* was set at 30 June 2025. With a few minor exceptions, it contains summary data, numerical values and contextual information available up until the date indicated, or later, but current as at that date. Exceptions to this principle are rare, taking into account the significance and thematic relevance of the presented data. These data, however, are not subject to any deeper analysis or comparison and are purely illustrative.

INTRODUCTION

Part Two of the *EU Report 2025* is devoted entirely to the preparation of the new Multiannual Financial Framework (MFF) of the European Union (EU). As this is a highly topical subject, the editorial deadline for this part was postponed to 30 June 2025¹.

The objective of the presented text is to:

- provide readers with the main recommendations that the Supreme Audit Office (SAO) makes with regard to the preparation of the MFF from its position as an independent institution, based on its extensive experience in auditing EU budget funds;²
- briefly introduce the reader to the rules for preparing and drawing up the MFF and to quickly summarise the history of long-term EU budgetary plans;³
- describe the current situation with regard to the preparation of the new MFF as at the editorial deadline of this second part of the EU Report;⁴
- inform the reader about the initial plans of the European Commission (Commission) concerning the design of the new MFF⁵ as well as the views of the European Parliament (EP)⁶ and the European Court of Auditors (ECA)⁷ regarding the Commission's plans;
- highlight selected activities related to the preparation of the new MFF in the Czech Republic and the SAO's participation in those activities;⁸
- give the reader closer look at the public consultations, in which the SAO also participated;⁹
- present some of the views of the National Budget Council (NBC) as another independent institution;¹⁰
- briefly summarise the findings of the supreme audit institutions (SAIs) of the EU Member States with regard to the efficiency of use of EU budget funds.¹¹

We trust that the information presented on the following pages will provide the reader with a clearer view of the issues involved in the development of the new MFF and highlight the significant risks associated with its incorrect setting.

1 The editorial deadline for "standard" Sections I and II was traditionally set at 31 March 2025.
2 See the introduction of Chapter 1.
3 See paragraphs 1.1.1 and 1.1.2.
4 See, in particular, the infographics on pages 12 and 13 and Subchapter 1.2.
5 See paragraph 1.2.1.
6 See paragraph 1.2.2.
7 See paragraph 1.2.3.
8 See Subchapter 2.1.
9 See Subchapter 2.2.
10 See Chapter 3.
11 See Chapter 4.

1. DEVELOPMENT AND THE CURRENT SITUATION REGARDING THE PREPARATION OF THE NEXT MULTIANNUAL FINANCIAL FRAMEWORK

The preparation and design of the MFF is one of the key topics for the future functioning and development of the entire European Union. It will set a direction for the EU in the coming years, as it will determine where the Union will invest, and what and whom it will support. However, discussions on the focus and objectives of the next MFF are taking place not only at EU level, but also at the level of individual Member States.

The Supreme Audit Office has long been deeply involved in auditing funds related to the EU budget in the Czech Republic and has consistently drawn attention to problems with the use of these funds.

In addition to the 225 audit reports concerning EU budget funds published by the SAO over the past 22 years (see Annex to Part Two), since 2008 the SAO has been publishing an annual “EU Report – Report on the financial management of European Union funds in the Czech Republic”, where it summarises its audit findings and also provides important contextual information and a number of recommendations for remedying the identified shortcomings. Last but not least, the issue of European funds is addressed each year in the SAO Annual Report, which regularly devotes an entire chapter to this topic. On the basis of its activities, the SAO has acquired deep understanding of this area; based on this knowledge, it feels obliged to formulate certain recommendations aimed at setting up the new MFF in such a way that would bring the greatest possible benefit to the Czech Republic.

Using the outputs of its audit work and regular monitoring of EU funds,¹² the SAO has been involved in discussions on the preparation of the new MFF for the period after 2027 (MFF28+) at various levels (including roundtable discussions¹³, public consultations¹⁴, Contact Committee¹⁵ (CC) of the supreme audit institutions of the EU Member States¹⁶); following an assessment of these discussions and its previous experience, the SAO presents below its recommendations for the further preparation of the MFF28+:

prioritise areas that are most suitable for or most in need of public support and focus on addressing new challenges (including defence, security and strengthening EU competitiveness), even at the expense of some areas that have been supported so far;

reduce the number of supported areas and direct resources to those areas where they have the highest potential to support long-term growth and where they will bring the highest added value;

simplify the MFF structure (the fragmentation of support into a large number of programmes, often overlapping in terms of objectives and instruments, reduces its efficiency);

reduce bureaucracy and complexity in the EU funds system and optimise administrative capacity at national level (streamlining the provision of support);

increase the emphasis on the actual benefits and impact of supported projects, e.g. by establishing clear rules for their selection;

increase the efficiency of subsidy funds by simplifying the administration of subsidies, e.g. by reducing the need for applicants/beneficiaries to turn to specialised bodies focusing on the “subsidy business”;

continuously assess the performance of policies and programmes and flexibly take measures to improve their effectiveness;

increase the incentive for beneficiaries to use support economically, efficiently and effectively, e.g. by limiting the maximum share of subsidy in eligible costs;

increase the use of financial instruments and simplified forms of cost reporting;

increase the MFF flexibility to better respond to crises.

The specific reasons that led the SAO to formulate the above ten recommendations are set out in the following text¹⁷.

¹² See also the *EU Report 2024*, Chapter A.

¹³ See Subchapter 2.1.

¹⁴ See Subchapter 2.2.

¹⁵ The Contact Committee is an independent and apolitical platform that brings together the heads of the supreme audit institutions of the Member States and the European Court of Auditors.

¹⁶ See Chapter 4.

¹⁷ See, in particular, Chapters 2 and 4.

1.1 HISTORY OF THE MULTIANNUAL FINANCIAL FRAMEWORK

The Multiannual Financial Framework is the EU's long-term budget plan, which sets spending ceilings for different EU policies for a period of at least five years, but usually seven years, to ensure that EU finances are spent properly within the limits of its own resources. The legal basis for the MFF is Article 312 of the *Treaty on the Functioning of the European Union*.

The MFF provides a framework for the EU's annual budgets, which must adhere to the agreed spending ceilings. The MFF makes the following possible:

- ensuring stability and predictability of the EU budget;
- planning the financing of policies and programmes over a longer time horizon;
- setting annual ceilings for spending in each category of the EU budget.

The MFF Regulation sets expenditure ceilings for general categories of expenditure, known as headings.

1.1.1 MFF DESIGN PROCEDURE

The Multiannual Financial Framework is now adopted in the form of a Council Regulation, which sets annual expenditure ceilings for a period of at least five, but usually seven, years.¹⁸

The first step in creating a new MFF is taken by the Commission, whose task is to draw up a legislative proposal for the MFF and submit it to the European Parliament and the Council of the European Union (Council) no later than one year before the end of the current MFF (see Article 312 of the *Treaty on the Functioning of the European Union*).

The EP discusses the Commission's proposal in the Committee on Budgets. It adopts the relevant resolution and gives its formal consent to the proposal as a necessary condition for the continued legislative process.

This is followed by a Council meeting under a special legislative procedure, where the proposal must be adopted unanimously. This results in the adoption of the relevant Council Regulation, which directly introduces new EU expenditure ceilings for the upcoming MFF.

The European Council (i.e. the heads of the Member States and their governments) is also involved in the process of drawing up the MFF, providing political guidance and giving preliminary approval to expenditure ceilings. Its conclusions then guide the Council's final negotiations with the European Parliament.

After formal approval by the Council, the regulation is published in the *Official Journal of the European Union* and usually enters into force on 1 January of the following year.

¹⁸ See also paragraph 1.1.3.

1.1.2 MFF HISTORY

The first interinstitutional agreement was concluded in 1988 and provided a financial perspective for the period 1988–1992. This MFF is also known as the *Delors Package I*¹⁹; it was intended to provide the means necessary to implement the *Single European Act*²⁰.

On 29 October 1993, a new interinstitutional agreement was concluded together with the financial perspective for the period 1993–1999 (*Delors Package II*), which made it possible to double structural funds and increase the ceiling for own resources.

The third interinstitutional agreement on the financial perspective for the period 2000–2006, known as *Agenda 2000*, was signed on 6 May 1999. One of its main objectives was to secure the financial resources required for the enlargement of the EU. Given that the Czech Republic joined the EU in 2004, it was directly affected in the second half of the duration of this MFF.

The fourth period covered by the interinstitutional agreement, i.e. 2007–2013, was marked by the *Lisbon Strategy for Growth and Jobs*²¹. At the time of this MFF, the *Treaty of Lisbon*²² entered into force, establishing a specific legislative procedure for the adoption of the MFF. This changed the MFF status from an interinstitutional agreement to a Council Regulation, which must be adopted unanimously by the Council. The Regulation must also be approved by the EP.

The fifth MFF was adopted for the period 2014–2020, and its guiding strategy was the *Europe 2020* strategy. This was the first MFF to undergo a mid-term review, which made it possible to reassess and, if need be, adjust²³ the budgetary needs during the MFF implementation. The MFF for 2014–2020 provided more flexibility than the previous frameworks; this facilitated the full utilisation of the planned amounts and paved the way for a genuine own resources system for the EU.

¹⁹ Jacques Delors, President of the European Commission from 7 January 1985 to 24 January 1995.

²⁰ The *Single European Act* was signed on 17 February 1986 in Luxembourg and on 28 February 1986 in The Hague; it entered into force on 1 July 1987. It was a key step towards the creation of the single internal market.

²¹ Its priorities were “convergence”, “regional competitiveness and employment” and “European territorial cooperation”.

²² The *Treaty of Lisbon* was signed on 13 December 2007 and entered into force on 1 December 2009.

²³ On 20 June 2017, the revised MFF was adopted with additional support for measures related to migration, employment and growth. The flexibility instrument and the emergency aid reserve were also strengthened, allowing for the transfer of additional funds between budget headings and between individual years of the MFF in order to respond more effectively to unforeseen events and new priorities.

Multiannual Financial Framework 2021–2027

The most complex negotiations to date have been those relating to the adoption of the current MFF for 2021–2027 (MFF21+). The Commission presented its legislative proposals on 2 May 2018, with commitment appropriations of almost EUR 1,135 billion²⁴. It proposed increasing the funds allocated to border management, migration, security, defence, development cooperation and research, while cuts were planned mainly in economic, social and territorial cohesion policy (Cohesion Policy) and the common agricultural policy (CAP). The overall structure of the MFF was to be simplified (from 58 to 37 expenditure programmes) and the revenue side was to be modernised by introducing several new categories of own resources. The Commission also proposed incorporating the *European Development Fund* into the MFF structure and creating a set of special instruments outside the MFF ceilings to allow for more flexible EU budgeting.

The EP submitted amendments to the Commission's proposals, including an increase in commitment appropriations to EUR 1,324 billion, i.e. by 16%. Contrary to the Commission's proposal, the EP demanded that the volume of funds for the Cohesion Policy and the CAP be maintained at the previous level (in real terms) and that additional priorities be introduced (including the *Horizon Europe*, *Erasmus+* and *LIFE* programmes). The EP also proposed creating the new Child Guarantee and the *Just Transition Fund*, as well as more than quadrupling the funds earmarked for decentralised agencies working in the field of migration and border management. With a view to implementing the *European Green Deal*, the EP proposed, among other things, to contribute at least 25% of the MFF spending to this area, with this share increasing to 30% by 2027.

The Council was the last to present its proposals; unlike the other bodies, it suggested allocating a significantly lower volume of funds to commitments, specifically EUR 1,087 billion.

In response to the serious economic impact of the COVID-19 pandemic, the Commission amended its original proposals, adjusting the volume of the MFF to EUR 1,100 billion and establishing an additional recovery support instrument, *NextGenerationEU*²⁵ (NGEU), in the amount of EUR 750 billion²⁶. The Commission obtained the funds for this instrument in the form of loans on the capital markets. Hence, for the first time, this instrument provided large-scale financing for reforms in the individual Member States, in addition to investment financing.

On 21 July 2020, the Council accepted most of the Commission's proposals, but lowered the ceiling for commitments under the MFF21+ to EUR 1,074 billion and introduced a regime of conditionality (protecting EU funds from breaches of the rule of law). Agreement was also reached on new own resource based on non-recycled plastic packaging waste and plans were made to introduce further own resources.

Although the EP subsequently supported the introduction of the NGEU, it expressed regret at the cuts made to future-oriented programmes and insisted on a re-increase in the amounts concerned and on an agreement on the reform of the EU's own resources system so that at least the costs related to the NGEU would be covered.

24 Here and also further in the text, the paragraph refers to 2018 prices.

25 This is a one-off temporary instrument with a very short investment timeframe. The NGEU is an instrument complementary to the MFF21+ and is financed by common borrowing. Its main component is the *Recovery and Resilience Facility*. The Commission implements it by means of "direct management", where Member States are either beneficiaries (in the case of grants) or debtors (in the case of loans).

26 Expressed in constant 2018 prices.

Tripartite negotiations among the EP, the Council and the Commission were concluded on 10 November 2020; Regulation 2020/2093²⁷ itself was adopted on 17 December 2020 after its approval by the EP. The agreed form of the MFF also includes a new regime of conditionality for the protection of the EU budget and the NGEU instrument from breaches of the principles of the rule of law, which entered into force on 1 January 2021.²⁸ All 27 EU Member States (EU-27) ratified the decision on own resources by 31 May 2021, enabling the EU to start issuing bonds on capital markets under the NGEU instrument.

In its communication of 18 May 2022²⁹, the Commission stated that “[t]hese unforeseen needs created by war in Europe are well beyond the means available in the current multiannual financial framework.” This was followed by a series of measures and complex negotiations, which resulted in a revision of the MFF³⁰, including cuts to the *Horizon Europe* and *EU4Health* programmes and direct management of the CAP and the Cohesion Policy, as well as limited new funding for the *Strategic Technologies for Europe Platform*³¹ (STEP).

The revision of the MFF²¹⁺³² led, among other things, to:

- the allocation of EUR 50 billion for the period 2024–2027 to Ukraine, which has been affected by Russia’s invasion;
- increased funding for migration, external action and *European Defence Fund* (within the STEP platform);
- increased funding for special instruments (the flexibility instrument and the European Solidarity Reserve for recovery from extreme weather events and natural disasters);
- the establishment of an unlimited special EURI instrument³³, which protects programmes from significant cuts.

The current MFF had to respond to challenges for which it was effectively unprepared, whether in substance or in form. The first of these challenges or crises was linked to the COVID-19 pandemic (unavailability of medical supplies and medicines, restrictions on the free movement of goods and people, etc.).³⁴ In autumn 2021, there was a rise in energy prices (energy crisis), followed in February 2022 by a crisis triggered by the Russian invasion of Ukraine. This invasion led to another sharp rise in energy prices, followed by a general increase in prices across all areas of human activity; this affected all Member States, albeit to varying degrees. All these challenges/crises required a swift response from the EU.

The above description clearly shows the extreme complexity of the MFF preparation, as it is largely limited by the need for broad political agreement concerning, *inter alia*, EU priorities, which are subject to significant changes over time.

27 Council Regulation (EU, Euratom) 2020/2093 of 17 December 2020 laying down the multiannual financial framework for the years 2021 to 2027.

28 Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council of 16 December 2020 on a general regime of conditionality for the protection of the Union budget.

29 Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: *Ukraine relief and reconstruction*, COM(2022) 233 final, 18 May 2022.

30 Council Regulation (EU, Euratom) 2024/765 of 29 February 2024 amending Regulation (EU, Euratom) 2020/2093 laying down the multiannual financial framework for the years 2021 to 2027.

31 Regulation (EU) 2024/795 of the European Parliament and of the Council of 29 February 2024 establishing the Strategic Technologies for Europe Platform (STEP), and amending Directive 2003/87/EC and Regulations (EU) 2021/1058, (EU) 2021/1056, (EU) 2021/1057, (EU) No 1303/2013, (EU) No 223/2014, (EU) 2021/1060, (EU) 2021/523, (EU) 2021/695, (EU) 2021/697 and (EU) 2021/241.

32 Communication from the Commission to the European Parliament and the Council: *Technical adjustment of the multiannual financial framework for 2024 in accordance with Article 4 of Council Regulation (EU, Euratom) 2020/2093 laying down the multiannual financial framework for the years 2021 to 2027 updating and replacing Communication COM(2023)320 final*, COM(2024) 110 final of 29 February 2024.

33 *The European Union Recovery Instrument (EURI)* is an extraordinary EU financial mechanism established under the NGEU package to mitigate the socio-economic impact of the COVID-19 pandemic and to support the recovery of Member States’ economies.

34 In addition to significant national interventions, the Covid crisis also required substantial financial support provided through the *NextGenerationEU* instrument to revive the EU economy.

STEPS TAKEN IN PREPARING THE MFF28+: CURRENT STATUS AND DEVELOPMENTS

The long-term budget approval process involves several stages and requires the active cooperation of all three main institutions. Below we outline the main steps taken so far and the positions of the individual stakeholders.

30–31 January 2025

Expert conference on the MFF

An international expert conference on the MFF28+ was held during the Polish Presidency of the Council, where representatives of the Member States discussed their expectations regarding the new draft MFF (e.g. reinforcing defence and security, addressing migration, supporting competitiveness and the Cohesion Policy, preparing for EU enlargement and new sources of funding).

28 March 2025

Council conclusions on the Cohesion Policy

The Member States' ministers (the General Affairs Council in its Cohesion configuration) approved conclusions on the future of the Cohesion Policy after 2027. They confirmed the aim of reducing regional disparities as well as the fact that EU cohesion and competitiveness were mutually complementary. The General Affairs Council emphasised the need to maintain proven principles such as multi-level partnership and shared management with the regions, and reiterated that cohesion should continue to play a key role in the next MFF.

7 May 2025

Resolution of the European Parliament

The EP adopted a resolution on the priorities of the MFF28+, calling for a significantly more ambitious long-term budget (the current ceiling of 1% of the EU-27's gross national income is not sufficient, according to the EP) and presenting its vision for the future: among other things, the EP rejected simplification to a single national plan modelled on the *Recovery and Resilience Facility* and called for a reinforcement of crisis reserves, adherence to the principles of the rule of law and the introduction of new own resources for financing.

11 February 2025

Commission communication plan

The Commission issued a strategic report entitled "*The road to the next multiannual financial framework*" in the form of a Communication. This Communication outlines the starting points and main priorities for the EU budget for 2028–2034 (security, prosperity, sustainable development) and emphasises the need for a simpler and more flexible budget.

6 May 2025

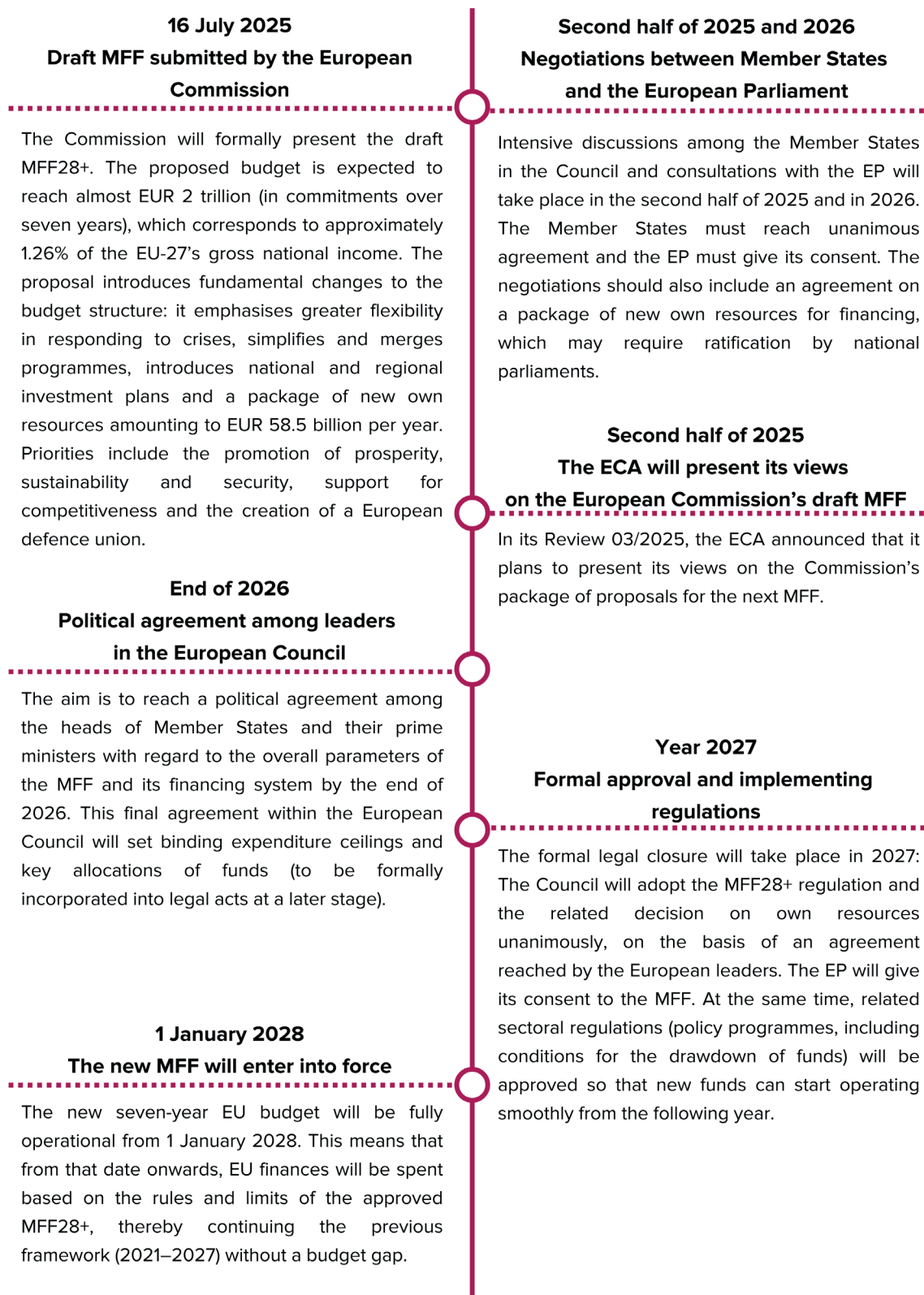
ECA – Review 02/2025

The ECA published a review in which it quite strongly criticised the financing system which the Commission applied to the *Recovery and Resilience Facility* and also intended to apply to the MFF28+ to a considerable extent (i.e. a system of financing that is not linked to costs).

16 June 2025

ECA – Review 03/2025

The ECA published a review setting out opportunities that the Commission could consider when finalising the MFF proposal. Among other things, the ECA reiterated its criticism of the system of "financing not linked to costs" and identified opportunities to strengthen the rule of law in the next MFF.



1.2 PREPARATION OF THE POST-2027 MULTIANNUAL FINANCIAL FRAMEWORK

The MFF28+, currently under preparation, is the seventh in the history of the EU. Although work on its preparation only began recently and the first formal step in this process was taken on 11 February 2025³⁵, it is already clear that negotiations on the MFF28+ will be very difficult and lengthy.

The complexity and length of the MFF28+ negotiations are not only due to the strict legislative rules governing the process³⁶. The shape of the new MFF will also be significantly influenced by the difficulties and complications that the EU has faced and continues to face during the implementation of the MFF21+.

The Commission is currently facing a crucial milestone: to prepare the MFF28+ so that it:

- responds flexibly to potential crises (the MFF must include sufficient financial reserves);
- responds to newly emerging EU priorities (e.g. defence, security);
- takes into account measures adopted in response to past crises (e.g. NGEU repayments);
- responds to the EU's declining competitiveness;
- upholds the objectives of a free and democratic Europe (e.g. protection of the rule of law).

It is clear from the above that it is not possible to maintain the current form and operating principles of the MFF and that radical changes need to be made; otherwise the EU will “miss the boat”.

In paragraphs 1.2.1 to 1.2.3 below, we summarise the current positions of the relevant European institutions (i.e. the Commission³⁷, EP³⁸ and the European Court of Auditors³⁹) with regard to the planned form of the MFF28+. The following text therefore represents the views of those institutions, which may be contradictory. It also does not necessarily reflect the views and positions of the SAO on this issue.

35 On 11 February 2025, the Commission published a communication entitled “*The road to the next multiannual financial framework*” (Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions: *The road to the next multiannual financial framework*, COM(2025) 46 final of 11 February 2025), in which it outlined current and future key political and budgetary challenges. Following a public consultation and the Budget Commissioner’s “tour of Europe”, the Commission plans to present a formal proposal for the MFF28+ in July 2025. Under the current MFF Regulation, the Commission is required to do so by 1 July 2025.

36 The main institutions at EU level (Commission – Council – EP) must reach a consensus and, in addition, all the Member States must give their consent, which is problematic in the light of their diverse priorities.

37 See paragraph 1.2.1.

38 See paragraph 1.2.2.

39 See paragraph 1.2.3.

1.2.1 COMMUNICATION FROM THE COMMISSION: *THE ROAD TO THE NEXT MULTIANNUAL FINANCIAL FRAMEWORK*

On 11 February 2025, the Commission published a communication entitled “*The road to the next multiannual financial framework*”⁴⁰ (Communication). In its Communication, the Commission assesses the current MFF and outlines and highlights the main political and budgetary challenges of the next MFF with a view to launching a broad dialogue that will help to better prepare and target the draft MFF28+.

The Commission stated that in recent years, it had faced major challenges/crises (see above) which required a common and rapid EU-wide response. These new policy challenges entailed significant expenditure (e.g. financing the NGEU instrument through borrowing on the capital markets or support for Ukraine), and the need to finance them exhausted the MFF21+ and necessitated its revision (see above).⁴¹

The Commission notes that given the geopolitical situation in Europe (and elsewhere in the world), it is necessary to revise the current form of the MFF, reform it and reinforce it. The next MFF must be able to respond flexibly to developments in the geopolitical situation while ensuring repayment of the NGEU instrument.

1.2.1.1 KEY POLICY CHALLENGES FOR THE MFF28+

The Commission stated that the MFF28+ should focus on common challenges where spending at European level brings the highest added value. Specifically, these are the following challenges:

- 1. Strengthening the EU’s competitiveness** – The EU’s competitiveness is hindered by the remaining barriers in the single market, unfair international competition, high energy prices, skills and labour shortages, etc. EU’s future competitiveness will depend on its ability to start a new age of invention and to put research and innovation at the centre of the EU economy.
- 2. Strengthening the EU’s security and defence** – The EU must respond to security threats amid growing geopolitical tensions. The European Defence Technological and Industrial Base suffers from decades of underinvestment. There is a need to improve and unify border protection procedures. Investment in defence readiness, including through space assets, and military mobility, will serve as a deterrent against future aggression. All this requires increasing and optimising financing for defence across the EU.
- 3. Strengthening migration solutions** – Migration remains a priority for the EU in the coming period. The geopolitical situation further drives illegal migration to the EU countries. The next MFF should address migration issues, including effective protection of the EU’s external borders.
- 4. Strengthening the EU single market** – While regional and territorial disparities have been reduced, 29% of EU citizens still live in regions with a GDP per capita below 75% of the EU average and about 135 million people live in places which, in the last two decades, have slowly fallen behind. Small and medium-sized enterprises face barriers, including complex bureaucratic procedures, high administrative burdens, and regulations. These challenges need to be addressed through a modernised Cohesion Policy and investment in human capital, while working in partnership with national, regional and local authorities.

40 Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions: *The road to the next multiannual financial framework*, COM(2025) 46 final of 11 February 2025.

41 The expenditure ceilings were revised, resulting in a significant reallocation and the creation of new specific instruments.

- 5. Improving the EU's food security** – Food security and nature protection sustain Europe's quality of life. The CAP needs to be modernised in the areas of digitalisation, and green and energy transition. The new CAP should provide targeted support to farmers who need it most. There is also a need to simplify the rules and make support more targeted.
- 6. Addressing the impacts of climate change** – The average cost of natural disasters have risen significantly in recent decades; in 2021 and 2022, the costs exceeded EUR 50 billion each year and they reached EUR 40 billion in 2023. Climate resilience, water resilience and preparedness need to be ensured.
- 7. Continuing the support of third countries** – The global political and economic landscape poses challenges of unprecedented magnitude for the EU. Europe's financial, political and military support for Ukraine must be sustained for as long as it takes and is an investment in European security.
- 8. Continuing the process of EU enlargement** – The EU must step up support to prepare candidate countries, through investment and reforms, to their perspective membership.

All of the above challenges call for an ambitious draft MFF28+, both in size and design.

1.2.1.2 MAIN AREAS FOR CHANGES IN THE MFF28+

The Commission has identified several areas for changes to the next MFF, striving for a simpler, more targeted and more effective EU budget. This concerns the following areas:

A more focused EU budget –

The Commission wants to increase the flexibility of the EU budget and better align it with its priorities. Flexibility is key in guaranteeing the budget's ability to respond to a changing reality. However, this is not possible if EU funds are nearly all pre-programmed from the start (more than 90% of the MFF21+ funds were pre-allocated).

An EU budget with greater impact –

Primarily, this involves placing greater emphasis on performance. Implementing investments and reforms through national plans should utilise a performance/results-based principle (using the model currently applied in the *Recovery and Resilience Facility* (RRF)). A stronger focus on performance needs to come together with administrative simplification. However, important factors of accountability and traceability of the EU funds must be equally taken into consideration.

A more flexible EU budget –

The next MFF must ensure predictability for long-term investments, but also flexibility needed to respond to crises. The current budget also has some in-built financial flexibilities, but these are limited in size and are often rigid in their use. Special instruments over and above the expenditure ceilings can help cater for unexpected needs.

A simpler EU budget – There are still over 50 spending programmes in the EU budget (and other programmes outside of it). While this illustrates the large scope of EU funding, it increases the risk of overlaps and reduces the impact and transparency while possibly leaving gaps due to the lack of comprehensive and coordinated funding approaches for cross-cutting priorities such as competitiveness. The budget does not provide seamless financing from research to innovation through development and deployment. This fragmentation, coupled with complexity and rigidities, weighs on the effectiveness of EU funding. Complex administration affects beneficiaries, who have difficulties in navigating the multiplicity of rules and criteria.

A budget that delivers on EU priorities – All investments supported by the EU budget, whether implemented by the Commission or together with Member States and their regions, should contribute to these commonly agreed priorities. No EU budget funds should be spent for activities where the principles of the rule of law are not safeguarded or the protection of the financial interests of the EU not guaranteed.

1.2.1.3 THE MFF28+ FINANCING

The revenue side of the MFF requires modernisation, as the MFF28+ implementation will be accompanied by major changes. On the one hand, repayment of the NGEU loans will begin in 2028 and the EU will always honour these commitments. On the other hand, an EU budget fit for the Commission's ambitions cannot be squared with stable national contributions and the absence of new own resources.

About EUR 25–30 billion per year may be needed over the MFF28+ to reimburse the principal and interest of NGEU debt. This is almost 20% of the current annual EU budget and the principal will be fully repaid by 2058. It is therefore necessary to consider an introduction of new own resources. The Commission presented a comprehensive package on the next generation of own resources in 2021 and further adjusted it in 2023. The package includes revised proposals on the Emissions Trading System and Carbon Border Adjustment Mechanism and an own resource linked to company profits in the corporate sector. The Commission is also proposing a reform of the tax framework in the package. The Commission therefore calls on the Council to swiftly resume work on the issue of new own resources, in line with the Interinstitutional Agreement from 2020 and the *Budapest Declaration on the New European Competitiveness Deal*.

1.2.1.4 THE COMMISSION SUMMARISES: THE STATUS QUO IS NOT AN OPTION

Europe is in an era of profound change – for our society and our security, our economy and our planet. The speed of change creates challenges which can only be solved through joint action in a united EU.

It is imperative that the next MFF28+ plays a central role in promoting the EU's sustainable prosperity, strengthens defence and security, bolsters EU competitiveness, as well as social and territorial cohesion. All the attributes must be supported by upholding the highest standards on rule of law and democratic values.

In the light of the challenges discussed above, for the MFF28+ to achieve these objectives, the status quo is not an option. The next MFF will have to address the complexities, weaknesses and rigidities that are currently present and maximise the impact of every euro it spends, focusing on EU priorities and objectives.

The Commission is therefore proposing a modern budget based on the following pillars:

1. **A national plan for each Member State** with key investments and reforms, focusing on joint priorities, promoting social, economic and territorial cohesion and recognising the central role of European regions, to be developed in cooperation with national, regional and local authorities.
2. **A European Competitiveness Fund**, establishing an investment capacity that will support strategic and critical technologies involving science and research.
3. **External action of the EU** supporting a common foreign policy that is more in line with the EU's strategic interests.
4. **Strong safeguards for the protection of the rule of law.**
5. **Strengthened and modernised revenues**, notably via new own resources, to ensure sufficient and sustainable financing for our common priorities.

In the conclusion of the Communication, the Commission outlined the next steps in the preparation and negotiation of the draft MFF28+. The Commission reiterated the crucial role of dialogues with the Member States at various levels across the EU, a series of thematic public consultations, in which the SAO also participated⁴², as well as discussions with the EP, the ECA, the Committee of the Regions and other partners.

One thing is certain: the MFF28+ must lay the foundations for a stronger EU that is better prepared for the future.

42 See Subchapter 2.2.

1.2.2 THE EUROPEAN PARLIAMENT'S OPINION AND REQUIREMENTS FOR THE MFF28+

On 7 May 2025, the EP adopted a resolution⁴³ setting out its vision and requirements for the next MFF. In its resolution, the European Parliament also responded to the Communication⁴⁴.

Members of the EP call on the Commission to present a significantly more ambitious budget that will be able to meet the growing expectations of EU citizens in a complex global situation. **The EP states that the current spending ceiling of 1% of the EU's gross national income (GNI) is insufficient to address the crises and challenges. The EP resolution already takes into account the global retreat of the USA in relation to the war in Ukraine, so the EU will have to take a greater share of responsibility in the resolution of this war. Moreover, the EU must address economic and social challenges, declining competitiveness, and worsening climate change.**

The EP summarised its priorities in the following points:

The EP does not support the format of one national plan for each Member State – this approach cannot be the basis for spending in the Member States. The EP rejects copying the RRF model (see also ECA's findings⁴⁵). The EP calls for a structure that ensures transparency and accountability and involves regional and local authorities and all stakeholders. The EP confirms the role of the Cohesion Policy in deepening the single market.

The EP supports competitiveness and defence – the EP considers the proposed “Competitiveness Fund”, merging several existing programmes, not fit for its purpose. The EP calls for the establishment of a new fund, which would aim to support private and public investment with EU contributions through risk reduction mechanisms. The EP considers increased defence spending to be necessary, but adds that it must not come at the expense of social and environmental spending, which is the subject of long-term EU policy.

Simplification, flexibility and the rule of law – the MFF28+ must reduce unnecessary bureaucracy for beneficiaries, without creating greater leeway for the Commission to act beyond the bounds of the European Parliament's supervision. A simpler EU budget must be more transparent. The EP considers flexibility in spending to be crucial. The budget must include crisis response capacities for each EU policy area. Flexibility for humanitarian aid should be ring-fenced. The next MFF should include two special instruments – one dedicated to ensuring solidarity in the event of natural disasters and one for general-purpose crisis response. The EP emphasised that compliance with Union values and the rule of law is an essential pre-requisite to access EU funds. The EP advocates for a smart conditionality approach so that beneficiaries are not penalised because of their government's actions.

Repayment of NGEU and joint loans – The EP insists that the repayment of NGEU borrowing must not endanger the financing of EU priorities. The EP calls for a clear separation of NGEU debt from programme expenditure and (like the Commission) urges the Council to find new genuine own sources of revenue. Joint borrowing presents a viable option to ensure that the Union has sufficient resources to respond to crises.

⁴³ European Parliament resolution of 7 May 2025 on a revamped long-term budget for the Union in a changing world (2024/2051(INI)).

⁴⁴ See paragraph 1.2.1.

⁴⁵ See paragraph 1.2.3.

1.2.3 POSITION OF THE EUROPEAN COURT OF AUDITORS ON THE MFF28+

The European Court of Auditors focused on the preparation of the new MFF and related topics in the following publications, in particular:

- Review 02/2025 dated 6 May 2025⁴⁶;
- Review 03/2025 dated 16 June 2025⁴⁷.

In connection with the MFF28+, matters have to be discussed in relation to the need to repay loans that the EU has taken out on capital markets to finance the RRF. The ECA addressed the issue of repayment of these loans, for example, in its *Annual report on the implementation of the EU budget for the 2023 financial year*⁴⁸.

1.2.3.1 REVIEW 02/2025: PERFORMANCE-ORIENTATION, ACCOUNTABILITY AND TRANSPARENCY – LESSONS TO BE LEARNED FROM THE WEAKNESSES OF THE RRF

The RRF⁴⁹ is an instrument based on “financing not linked to costs”, meaning that, apart from pre-financing, all payments are based on Member States’ achievement of relevant milestones and targets (MaT). While the compliance of RRF spending with all applicable EU and national rules is not a condition for a Member State to receive payment, Member States, together with the Commission, need to ensure the protection of the EU’s financial interests in line with their responsibilities, with the Commission being ultimately responsible.

One of the aims of the review was to contribute to the ongoing discussion on the MFF28+, in particular with regard to any future instruments based on financing not linked to costs.

Council Regulation 2020/2094⁵⁰ (RRF Regulation) refers to the “performance-based nature”, but does not define “performance”. According to the ECA definition and in line with Financial Regulation 2018/1046⁵¹ performance is a measure of the extent to which an EU-funded action, project or programme has met its objectives and provides value for money.

The RRF covers objectives in a wide range of policy areas, which increases the risk of overlaps with other EU instruments and of lack of focus. The systems set up by the Commission and the Member States are not sufficient to adequately mitigate the increased risk of double funding between the RRF and other EU funds.

⁴⁶ See paragraph 1.2.3.1.

⁴⁷ See paragraph 1.2.3.2.

⁴⁸ See paragraph 1.2.3.3.

⁴⁹ The RRF has several features that distinguish it from “regular” EU instruments:

- Although the RRF is implemented under direct management by the Commission, the Council is required to approve the RRFs and payment requests, with Member States as beneficiaries.
- It marks the first time the “financing not linked to costs” model has been implemented on a large scale. Payments are conditional upon the satisfactory fulfilment of previously agreed milestones and targets rather than being based on cost reimbursement.
- The RRF finances measures linked to the country-specific challenges identified under the European Semester, and therefore includes reforms in addition to investments.
- The RRF is financed almost entirely by borrowing from the markets. Around half of the funding is provided to Member States in the form of loans.
- There is no legal requirement for co-financing, and the maximum allocation to a Member State is limited to the total estimated costs of measures included in its RRF.

⁵⁰ Council Regulation (EU) 2020/2094 of 14 December 2020 establishing a European Union Recovery Instrument to support the recovery in the aftermath of the COVID-19 crisis.

⁵¹ Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012.

The Commission takes corrective action in cases of serious irregularities and system weaknesses but cannot make corrections for individual breaches of public procurement rules except in cases of serious irregularities. This means that RRF payments can be made in full even when public procurement irregularities have occurred.

The allocation keys for the distribution of funds to Member States do not necessarily reflect the RRF's objectives nor Member States' specific challenges and investment needs.

The ECA concluded that the RRF was designed in such a way that disbursements did not necessarily reflect implementation progress. For some Member States, this leads to a significant proportion of funding being paid before measures are completed. This poses a risk to the EU's financial interests, given that the RRF Regulation does not provide the possibility of recovering funds in cases EU funds have not been spent in line with EU or national rules or where measures have not been completed.

The RRF's contribution to the higher-level EU objectives or to addressing structural challenges identified in country-specific recommendations has been limited so far.

On the basis of its previous audits, the ECA considers that the RRF is not a performance-based instrument as it focuses on implementation progress rather than performance. The ECA bases its opinion primarily on the following facts:

- Milestones and targets measure the implementation of the specific measures financed from the RRF, but they are mainly output-oriented, vary in the level of ambition, sometimes lack clarity, and do not always fully cover the key stages of implementation, including its completion.
- Common indicators mainly refer to output and are not well aligned with EU objectives in relevant policy areas (e.g. green transition and digital transformation). No baseline or expected targets have been set for these common indicators.
- Efficiency of resources employed and efficiency of actual expenditure cannot be assessed as the Commission does not collect or use information on actual costs.

In the ECA's opinion, for future performance-based instruments, it is important that:

the instrument's timeframe matches its objectives and the likely implementation period of the measures funded. Moreover, mechanisms need to be in place to ensure their completion; the instruments' scope and objectives are clearly defined to maximise the impact of EU funding and avoid overlaps between different programmes. Furthermore, these objectives need to be reflected in the allocation of funding; funding is clearly linked to results. If this is not possible, such a system should not be applied; timely and transparent information is provided about what contribution funding has made towards achieving the instrument's objectives, and how;

the measures funded address challenges identified, for example in the context of the European Semester, and sufficiently cover the instrument's key objectives; the legal framework defines all payment and eligibility conditions clearly and comprehensively, based on objectively verifiable criteria. It is important that the assessment of compliance with these criteria does not allow for deviations, in order to reduce the risk of differing interpretations and discretionary assessments of legal requirements; performance-orientation goes beyond specifying payment conditions, such as MaT, and includes all elements needed for the assessment of effectiveness and efficiency, including information on actual costs;

the supervision and control responsibilities of both the Commission and the Member States are clearly defined to ensure proper accountability, transparency and compliance with EU and national rules; appropriate control systems are in place in the Member States and checked by the Commission before implementation starts. This involves defining minimum requirements for Member States' controls and the Commission's checks. If controls entail reliance on existing Member State systems, the assurance to be provided by the Commission needs to also cover the effectiveness of those systems;

the payment suspension methodology is based on objective criteria rather than subjective considerations; the conditions for Member States to receive payment include compliance with EU and national rules; the legal framework includes the possibility of recovering funding, in cases where it is disproportionate to achievements or where it has not been spent in line with the EU or national rules; corrective actions for breaches of EU and national rules are defined by the Commission and applied consistently to all Member States; the definition of double funding and the related control requirements are adjusted to reflect the specific nature of the "financing not linked to the costs" model;

if the possibility of borrowing is considered, interest-related risks in particular are sufficiently mitigated and a plan for repaying loans is set out in advance, identifying where this money will come from.

1.2.3.2 REVIEW 03/2025: OPPORTUNITIES FOR THE POST-2027 MULTIANNUAL

FINANCIAL FRAMEWORK

The Commission Communication *The road to the next multiannual financial framework* is a key milestone for the design of the post-2027 MFF. The Commission intends to present its proposal for the new MFF in July 2025.⁵²

The ECA has identified opportunities that the Commission could consider when finalising the draft MFF. The ECA plans to submit its comments on the Commission's package of proposals for the next MFF in the second half of 2025.

In its Communication, the Commission states that the EU budget should be more targeted and impactful. The next MFF will provide **an opportunity to design a new performance measuring framework more focused on results and data reliability, as well as an opportunity to agree on a definition of EU added value and to take account of it systematically in funding decisions.**

The EU must deal with the challenges posed by a series of crises; this increases the pressure for rapid and effective response mechanisms at EU level. In the ECA's opinion, the next MFF **brings the opportunity to examine the flexibility of the EU budget to ensure both a sufficient degree of predictability and the ability to react promptly and proportionately to changing circumstances.** ECA further highlights the opportunity to strengthen the link between EU funds supporting the reform of recurring structural challenges, while taking into account national and regional specificities.

As regards financing not linked to costs, the ECA identified weaknesses concerning the focus on performance, the funding of zero-cost measures⁵³, the definition of payment and eligibility conditions; in the context of this financing model, the ECA points to the need for clear supervision and control responsibilities and the protection of the financial interest of the EU including compliance with EU and national rules. The ECA has also identified opportunities to strengthen the principle of rule of law in the next MFF.

52 After the editorial deadline for Part Two of the *EU Report 2025*, the Commission issued Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions: *A dynamic EU Budget for the priorities of the future – The Multiannual Financial Framework 2028–2034*, COM(2025) 570 final of 16 July 2025. The Communication highlights the political challenges that the next MFF will face and provides guidance for the preparation of the draft MFF.

53 Zero-cost measures are reforms or steps within the RRF that do not require any additional financing from EU funds – therefore, they are not paid from the RRF, yet they are enshrined as milestones and targets in national plans. Typically, these are:

- legislative or strategic reforms (passing a law, issuing a decree, adopting a strategy, etc.),
- administrative or procedural changes (introduction of e-portal, simplification of permitting procedures),
- adjustments to internal procedures in public administrations financed from the regular budget.

Main characteristics:

- the measures count towards the structure of the plan and act as milestones/targets;
- “EUR 0” (or CZK 0) must be entered in the table of estimated costs, as no grant or loan is needed to meet them;
- they contribute to the fulfilment of the EU's reform and policy commitments (e.g. digitalisation, “green” objectives), while not increasing the financial demands on the RRF.

This will enable the Member States to better balance the investment/reform ratio and meet the required percentage limits for climate (minimum 37%) and digital (minimum 20%) measures.

The ECA highlighted the following problem areas, in particular:

Performance measurement

An EU budget with a stronger focus on performance requires a reliable measurement of results and impact. The ECA reported on the insufficiency of information on the impact of EU action, since the performance frameworks tend to focus on outputs.

The ECA found that the Commission Annual Management and Performance Reports were overly positive on the progress made towards mainstreaming targets.

EU added value

There is no definition of EU added value in the current EU legislation, and yet it should be understood by all EU institutions in a uniform way, and articulated in an appropriate political declaration or EU legislation. EU added value can only be measured effectively if it is clearly defined and applied consistently and evaluated ex post.

Leveraging the EU budget to increase the EU's financial capacity

According to the Communication, the EU needs to make better use of its budget to leverage private and public financing. There is further scope for increasing the additionality of EU spending through the *InvestEU* programme.

EU budget flexibility

It is important that the next MFF's flexibility arrangements ensure accountability and transparency in the use of the EU funds and strike a balance between predictability and flexibility.

EU budget simplification and the rules governing EU budgetary expenditure

Simplifying EU budget instruments, rules and procedures can increase transparency, reduce the administrative burden and improve fund absorption. However, this should not come at the expense of accountability, effectiveness, efficiency, and economy.

According to the ECA's findings, public procurement has not become simpler to administer and the related administrative burden is perceived as heavy by both, bidders and contracting authorities.

The complexity of the rules together with the late adoption of regulatory framework and operational programmes, overlapping of program periods and the parallel implementation of multiple funding streams can also impede the timely absorption of EU funds. Absorption of funds is particularly challenging in the 2021–2027 period, following the introduction of the RRF.

The European Semester and a policy-based budget

With the RRF, Member States were required to include reforms and investments in their national recovery and resilience plans that address “all or a significant subset” of the challenges identified in the relevant country-specific recommendations. The Commission concluded that these national plans contributed to the attainment of the objectives. However, as the ECA noted previously, some important elements of the country-specific recommendations – largely related to recurring structural challenges – remained unaddressed. Furthermore, the ECA found a lack of harmonised approach in setting the MaT, which affected comparability across Member States and posed a risk of unequal treatment. The ECA therefore recommended strengthening the link between EU funds supporting the reform of recurring structural challenges in Member States and implementing the country-specific recommendations.

The principle of rule of law in the EU budget

Regulation 2020/2092⁵⁵ enhanced the EU’s framework for protecting its financial interests against breaches of the rule of law. However, the ECA concluded that **a Member State’s formal compliance with remedial measures may not necessarily result in effective improvements. There is also a risk of remedial measures being reversed, or of deterioration in other aspects of the rule of law.**

Accountability arrangements

It is important that the ECA’s role be established clearly and with full audit rights in any legislative act governing any new instrument, whether within or outside the next MFF.

Financing not linked to costs⁵⁴

The Commission considers that the next EU budget should place greater focus on performance, and that the delivery model of financing not linked to costs improves the performance of EU spending. The main instrument under this model is the RRF. **ECA’s audits revealed weaknesses regarding its design, implementation and effectiveness, as well as accountability. The RRF focuses on implementation progress rather than on results and it is therefore not a performance-based instrument.**

Ambiguities in the RRF legal framework and vaguely defined MaT led to differing interpretations when assessing their fulfilment.

Except for serious irregularities, the RRF Regulation does not require Member States to recover funds in cases where EU funds have not been spent in line with EU or national rules or where measures have not been fully completed.

There is also no co-financing requirement under the RRF.

In the ECA’s view, co-financing might increase a Member States’ or recipient’s commitment and sense of ownership.

The financing of the EU budget

Financing existing policies at current levels, while adding new priorities and meeting the increasing borrowing-related obligations will put significant pressure on EU finances. In addition to funding from current own resources instruments could be financed by using money raised in the capital markets, increasing the current level of own resources, deciding on new own resources, improving the collection of custom duties and value added tax or by reprioritisation.

EU debt and exposure have increased significantly over the current MFF period, primarily due to borrowings for the NGEU instrument.⁵⁶ If additional borrowing is considered, whether currently or in the future, the ECA has stressed the need to clearly identify financing needs and sources, mitigate risks and develop a repayment plan in advance.

The introduction of new own resources brings challenges, including fluctuating revenues and the need for robust accounting and audit mechanisms to ensure transparency and accountability.

⁵⁴ For further details, see paragraph 1.2.3.1.

⁵⁵ Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council of 16 December 2020 on a general regime of conditionality for the protection of the Union budget.

⁵⁶ The repayment of these loans will commence by 2028 and must be completed by 2058. The amount of principal and interest to be repaid over the next MFF was estimated at EUR 25–30 billion per year. Furthermore, due to an increase in interest rates, the Commission estimated that the additional costs of borrowing for NGEU grants in this MFF would range from EUR 17 to 27 billion.

1.2.3.3 THE ISSUE OF REPAYING LOANS USED TO FINANCE THE RRF

The ECA addressed issues related to the repayment of loans intended to finance the RRF, in particular, in its *Annual Report on the implementation of the EU budget for the 2023 financial year* and in Special Report 16/2023: *NGEU debt management at the Commission*.

At the end of 2023, the nominal value of outstanding EU borrowings increased to EUR 458.5 billion, from EUR 348.0 billion in 2022. This increase in debt is mainly attributable to borrowing for the NGEU (around 60%), which could more than double by 2026. External assigned revenue from NGEU debt has a significant impact on the economic result

Repayment of NGEU loans must commence no later than by 1 January 2028, provided that unused funds remain available in the budget line to cover the costs of financing the NGEU, and must be completed no later than by 2058. Most repayments are deferred to future MFFs. The repayment of NGEU borrowings is guaranteed within the own resources ceilings.

All EU costs related to borrowing funds for loans from the NGEU, including costs related to managing interest rate and other financial risks, must be borne by the beneficiary countries. All costs associated with grants from the NGEU instrument and the increase in funding are covered by the EU budget.

It cannot be ruled out that debt instruments with expiring maturities will need to be refinanced by new instruments issued by the EU to repay the old ones at maturity. Potential changes in market conditions might result in higher borrowing costs that, for the NGEU debt relating to grants and NGEU top-ups, will have to be borne by the EU budget.

1.2.3.4 SUMMARY OF THE ECA'S POSITION ON THE MFF28+

With reference to the information provided in paragraphs 1.2.3.1 to 1.2.3.3, the SAO concludes that the ECA perceived a significant risk of large-scale use of “financing not linked to costs.”

The ECA emphasises the risk of increasing EU borrowing and points out that the volume of commercial loan repayments for the NGEU will place a significant burden on EU budgets in the next MFF. The ECA recommends using maximum caution regarding any further EU borrowing.

Given the number and seriousness of the challenges facing the EU, the ECA also draws attention to the need to simplify the EU budget and increase its flexibility under the MFF28+.

2. THE SAO'S POSITION ON THE PLANNED MFF28+

The European Union currently comprises 27 Member States, and it is clear that there are significant differences among those countries. These differences are determined, among other things, by the structure of the economy, its level of development (measured, for example, in terms of purchasing power parity per capita), the labour market, the level of population education, natural conditions, etc. All these differences influence the specific priorities of individual Member States at the beginning of the negotiations about the next MFF.

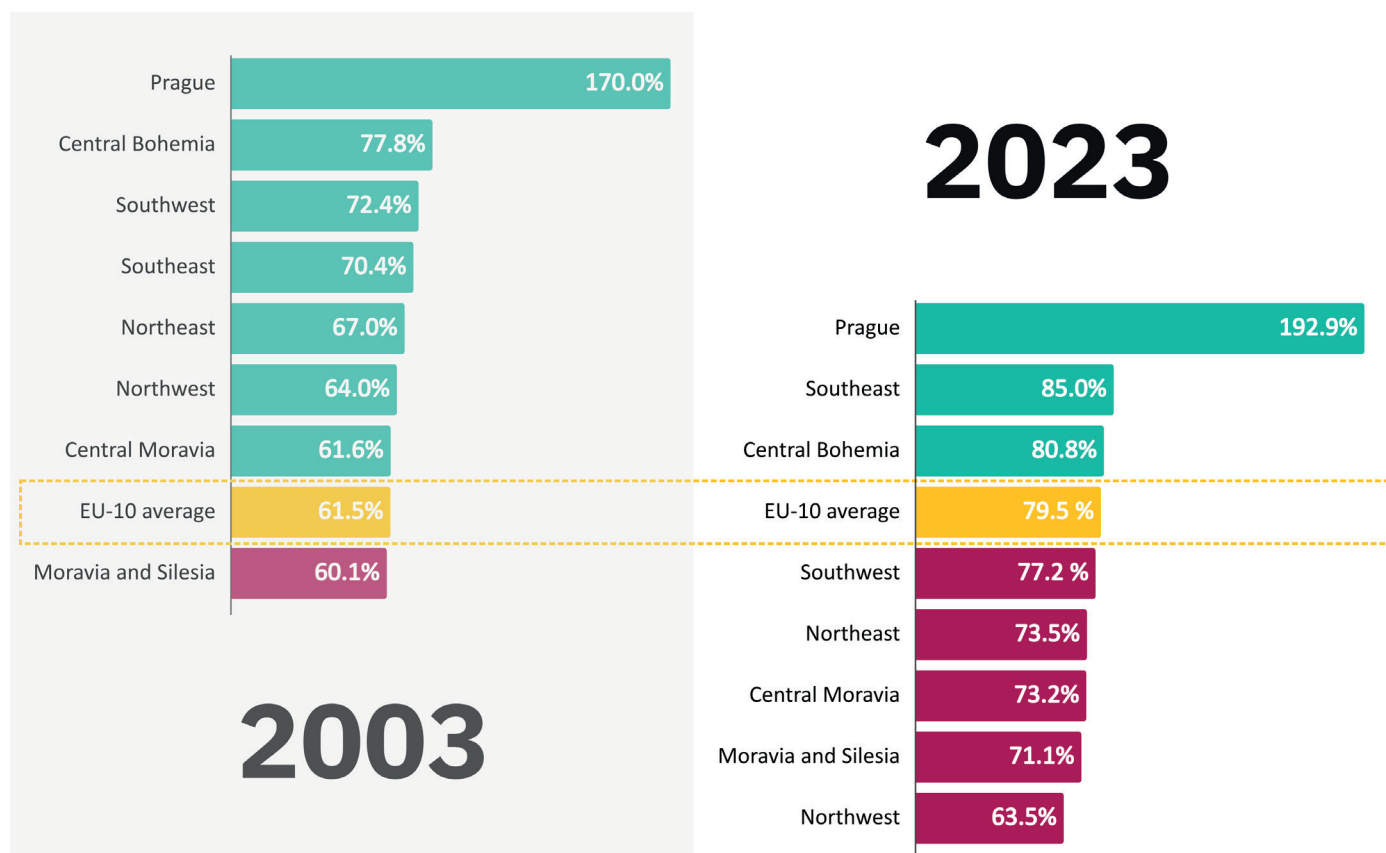
The Czech Republic needs to define and clearly formulate its priorities with regard to the draft MFF28+, which the Commission plans to publish in mid-July 2025.⁵⁷ The country must be well prepared for negotiations on the form of the MFF28+ and must know and clearly articulate its priorities for the coming period.

Several meetings (roundtable discussions) were held at the national level in the first half of 2025. The topics included the preparation and design of the next MFF, the priorities of the Czech Republic for the MFF, views on the direction of the EU, the Cohesion Policy, etc. In these roundtable discussions, participants reacted to the Communication and offered their views and perspectives.

The SAO has been auditing funds related to the EU budget in the Czech Republic for more than 22 years, i.e. for the duration of all four MFFs in which the Czech Republic has participated (see Annex to Part Two). During this period, the SAO completed a total of 225 such SAO audits, repeatedly pointing out, among other things, systemic shortcomings and ineffective support. It is primarily recurring findings of this type, together with the unsatisfactory progress of convergence in the regions of the Czech Republic (see the following Chart and also Chapter A of Part One of the *EU Report 2025*), that has prompted the SAO to take an active approach to the preparation of the new MFF in the Czech Republic.

⁵⁷ After the editorial deadline for Part Two of the *EU Report 2025*, the Commission issued Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions: *A dynamic EU Budget for the priorities of the future – The Multiannual Financial Framework 2028–2034*, COM(2025) 570 final of 16 July 2025.

Chart 1: GDP in purchasing power parity in individual regions of the Czech Republic and in the EU-10 regions on average compared to the EU average (100%) in 2003 and 2023



Source: Eurostat; prepared by the SAO.

2.1 ROUNDTABLE DISCUSSIONS

The SAO participated in two roundtable discussions and provides below a summary of the main lines of argument expressed in those forums.

Roundtable discussion organised by the National Convention on the European Union⁵⁸

On 28 March 2025, a roundtable discussion organised by the *National Convention on the European Union entitled The Czech Republic and the priorities of the new Multiannual Financial Framework 2028-2034* was held in Prague.⁵⁹ The main topics of the discussion were the form of the next MFF, its main priorities from the Czech Republic's perspective, and the method of reforming the MFF with regard to the new priorities. The roundtable discussion was attended by dozens of representatives of the government, academia and the expert community. EUROPEUM Institute for European Policy, in cooperation with the University of Economics in Prague, was the main expert guarantor of the event.

A background paper entitled *The Czech Republic and the priorities of the new Multiannual Financial Framework 2028-2034*⁶⁰ was prepared for the roundtable discussion. The paper addressed five main topics in detail (see below). These topics determined the main points of discussion, the content of which is summarised on the following pages.

1. What should the MFF28+ look like and what should be its main priorities from the Czech perspective?

The length of the MFF28+ period should remain the same as for the current MFF, i.e. seven years.

The size of the EU budget is small compared to the sum of the budgets of the Member States, so its possibilities are very limited. At the same time, however, it must finance often competing priorities and views of all 27 Member States. **A principled rejection of increasing the EU budget may not be a sensible move in the current geopolitical and economic situation. The Czech Republic should support a more ambitious but simplified budget. Overlapping programmes and subsidy titles need to be unified. Reducing their number will also reduce the administrative burden and free up resources for new priorities** (e.g. defence and security).

In the context of the MFF28+ preparation, the debate on European added value has turned primarily towards strengthening the principle of “performance-based conditionality” applied to the RRF. Making the disbursement of funds conditional on compliance with specific MaT should contribute to a more efficient use of the funds and also accelerate their drawdown. However, the ECA draws particular attention to the risks of this model⁶¹. **The Czech Republic should promote such a regime of conditionality that would achieve greater efficiency and speed, but this regime should not increase administrative burdens and should be based on effective processes.**

The Member States are facing a challenge associated with changing relationships between countries in the global context, and the NGEU repayments will also have a significant impact on the shape of the MFF. **However, the participants agreed that Czech Republic's priority is to maintain the cohesive direction of the EU budget.**

The common agricultural policy should also remain a spending priority in the EU budget (its removal would run the risk of creating an uneven playing field between Member States).

⁵⁸ The National Convention on the European Union is a permanent discussion platform that has served in the Czech Republic as a forum for expert dialogue on European issues since 2014. It is coordinated by the Office of the Government of the Czech Republic and its aim is to formulate recommendations for the Czech Republic with regard to EU policy.

⁵⁹ For more details, see <https://vlada.gov.cz/en/evropske-zalezitosti/national-convention/national-convention--162631/>.

⁶⁰ See <https://tvorimevropu.cz/2025/03/28/kulaty-stul-cesko-a-priority-noveho-viceteho-financiho-ramce-2028-2034/>.

⁶¹ See <https://www.europeum.org/en/articles-and-publications/background-paper-the-czech-republic-and-the-priorities-of-the-new-multiannual-financial-framework-2028-2034/>.

⁶¹ See paragraph 1.2.3.

The Czech Republic should be open to a debate on new priorities, especially with regard to defence, security and strengthening the EU's competitiveness.

2. How should the EU reform the functioning of the MFF in the next period in view of the new priorities, and how can the Czech Republic contribute to this reform?

Today, approximately two-thirds of the budget is allocated to two main areas: the Cohesion Policy and the CAP. At the same time, the share of these two areas has been decreasing over the last three MFFs, with growing importance of new priorities, such as science, research, education, migration, etc. This trend is expected to continue.

The Czech Republic should support a reform of the CAP that will strive for social, environmentally-friendly and economic development in rural areas and reduce the share of unproductive expenditure.

The Cohesion Policy is the EU's main investment instrument in a number of countries. For the Czech Republic, it has long been the largest source of revenue from the EU budget. The country is keen to keep this area of expenditure among the budget's key priorities; however, given the new spending areas, there will be growing pressure to augment the revenue side of the budget.

The Commission plans to simplify both policies, which should give the Czech Republic greater spending flexibility and simultaneously speed up the drawdown of funds from the EU budget. From the country's perspective, the new form of the Cohesion Policy should retain its strong investment character and continue to focus on reducing regional disparities. **The Czech Republic wishes to promote greater flexibility in the Cohesion Policy and simplified administration.**

In total, there are around 50 programmes operating at EU level, which can lead to inefficiency and overlap. For this reason, simplification is expected to be **one of the key elements of the new MFF, with the *European Competitiveness Fund* playing a key role as follows from the document *A Competitiveness Compass for the EU*⁶² presented by the Commission. The defence industry will see a significant boost in the next MFF.**

The subsequent discussion confirmed that the Czech Republic should focus on supporting the competitiveness of European industry, which is facing a challenge posed by high energy prices and regulations. Investments in infrastructure and human capital are also important.

3. What position should the Czech Republic take towards new sources of funding for the EU budget? Will the debate on common European bonds be reopened?

The Commission has presented a proposal to introduce new own resources for the budget. The Commission's proposal also includes the introduction of a "statistical-based own resource", which is calculated as 0.5% of companies' gross profits (this should not be a corporate tax, but rather a levy paid into the EU budget by Member States).⁶³ It should be noted that none of the newly proposed resources has been approved and that it will be extremely difficult to reach an agreement on revenues, as this step would require unanimous approval by the Member States.

The discussion revealed that the EU's new priorities and the need to repay the NGEU loans are also opening up the debate on the revenue side of the MFF28+. The ceiling for own resources is set at 1.4% of the GNI, but in reality, the EU budget is below this limit, at around 1% of the GNI. However, if the NGEU repayments are taken into consideration, the budget equals around 1.7% of the GNI. Hence, an option of setting the ceiling above 2% of GNI is being discussed. **Given its economic maturity and current conservative approach, the Czech Republic should lean towards support for funding through national contributions based on economic performance or GNI.**

62 Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: *A Competitiveness Compass for the EU*, COM/2025/30 final of 29 January 2025.

63 This resource should only be temporary and be used until the BEFIT package – introducing corporate tax reform – is approved.

4. How should the Czech Republic prepare for the shift from being a net beneficiary to a net contributor?

Since joining the EU, the Czech Republic has received over one trillion crowns (in net terms, i.e. after deducting contributions to the EU budget). At the same time, it is clear that Czech Republic's net position with regard to the EU budget is weakening, so the next MFF28+ may be the last time the Czech Republic is a net beneficiary. The Czech Republic has exceeded the level of 60% of the European GDP per capita average, which is the limit for drawing certain subsidies (e.g. from the *Modernisation Fund*), or is close to this level. However, no fundamental changes have been made in other areas (e.g. the *European Regional Development Fund* (ERDF)), so **it is advantageous for the Czech Republic to maintain the existing categorisation of regions, particularly in relation to the ERDF.**

At the same time, the country must make greater efforts to involve Czech entities in programmes managed directly by the European Union (directly managed programmes).

The Czech Republic must also change its communication strategy towards the public, because arguing for the benefits of the European budget based on its position as a net beneficiary is not sustainable in the long term. Furthermore, the public has often insufficient or even misleading information about how much the country contributes to the EU budget and how much it receives from it. **A more effective communication strategy would be, for example, to emphasise European expenditure with added value, which would not have been possible without the participation/contribution of EU funds.**

5. How will the planned EU enlargement be reflected in the next MFF?

Of the current candidate countries, Montenegro, North Macedonia and Serbia are closest to joining the EU. However, the first two are countries with less economic power, so they will not have much impact on the common budget. Serbia is economically stronger, but it is unlikely join the EU during the next budget period (2028–2034) due to the geopolitical situation and its approach to the rule of law.

Montenegro is closest to joining the Union, with membership possible in 2028. Any enlargement of the EU will require a reform of the agricultural policy, as well as a reform of the Cohesion Policy. Continued EU enlargement is in the Czech interest (stabilisation and greater security of the region, economic benefits – exports).

Representatives of the MoF briefly presented the Czech priorities for the MFF28+. They reiterated new challenges facing the EU, i.e. defence, security and strengthening competitiveness, and also talked about existing priorities, i.e. the Cohesion Policy and the CAP.

In their statement, the MoF representatives said that the Czech Republic wants to be a constructive and transparent partner in the negotiations. The MoF, in cooperation with the Office of the Government of the Czech Republic, has prepared a document entitled *Basis for the Czech Republic's position on the Multiannual Financial Framework 2028+*, which defines the main priorities and challenges that need to be financed at EU level and on which the country will focus during negotiations. **The Czech Republic generally agrees with the Commission's idea of simplifying and clarifying the budget structure. On the contrary, it remains cautious with regard to the application of performance-based financing (i.e. based on the achievement of set MaT), as this approach has not been sufficiently tested in relation to the budget and its structure. Furthermore, this principle is not suitable for all areas and, according to the ECA, there are shortcomings related to reporting. The Czech Republic is also cautious about the proposed new resources and the continuation of EU debt financing.**

From the Czech Republic's perspective, the draft MFF28+ should (all the points below simultaneously):

- a) respect the economic situation of the Czech Republic and efforts to consolidate national budgets;
- b) be clear and simple, without administrative burdens and without overlapping programmes and funding sources;
- c) facilitate the financing of common priorities, including through private resources.

In its opinion, the MoF stated the following priorities for the Czech Republic:

- 1. the Cohesion Policy and the CAP,**
- 2. transport infrastructure / transport investment,**
- 3. defence and security,**
- 4. support for competitiveness,**
- 5. EU enlargement.**

In view of its efforts to consolidate the national budget, the Czech Republic will advocate an EU budget of approximately 1% of the European Union's GNI. However, it is prepared to discuss a possible limited increase in the event of new priorities that correspond to the Czech Republic's views and prove to be necessary or effective for implementation at EU level.

The Czech Republic has long been cautious about new own resources (EU revenues), mainly because the current proposals will affect poorer Member States or cause a high administrative burden. It considers GNI to be the most appropriate criterion for determining the amount of its contribution to the EU budget, as it best reflects the economic level of the Member States. The Czech Republic is very sceptical about continuing debt financing. **Continued borrowing may cause debt servicing to become permanent, which limits future investment opportunities. The Czech Republic emphasises that commitments (repayments of the NGEU or possible budget increase) can be met without the need for new own resources through national contributions.**

There was no clear consensus on narrowly defined spending priorities during the roundtable discussion. The recommendations were rather general in nature. There was agreement that the Czech Republic should strive to achieve continuation of the Cohesion Policy, while defence was another strongly supported priority.

The SAO welcomes the consensus on the need to:

- support the new EU priorities, i.e. defence and security and strengthening the EU's competitiveness, while the prevailing view is that the Cohesion Policy should remain among the EU's priorities;
- set national priorities for the negotiations on the new MFF, which the Czech Republic will promote as a whole;
- improve the use of financial instruments and directly managed EU programmes.

The SAO is disappointed that:

- there has been no suggestion from any side that the existing main priorities and support at national level need to be reduced or cut back (the lower the volume of available resources, the more effectively they need to be spent);
- there has been no discussion on any reduction in the current number of priorities and European support programmes at national level (it is not possible to continue supporting everything without achieving any significant results);
- ministries prepare their proposals for priority areas according to their needs, but the preparation is not coordinated and the ministries clearly strive to maintain the existing supported areas (with reduced resources, their contribution and benefits will be also reduced).

On 6 May 2025, the National Convention on the EU issued the following recommendations based on the presented documents, opinions and the subsequent roundtable discussion:

1. The Czech Republic should set clear priorities. In view of the need for new expenditure (strengthening competitiveness, defence, reconstruction of Ukraine and repayment of the NGEU debt) and also in view of the impact of potential EU enlargement, there is increasing pressure to prioritise within the European budget. These anticipated expenditures need to be taken into account when setting priorities.
2. An increase in the total volume of the European budget (and any related extra-budgetary instruments) cannot be ruled out given the growing number of expenditure priorities. The Czech Republic should be open to discussion about various possibilities. New resources should respect the Member States' economic development. The Czech Republic should also be open to proposals for defence financing (including debt instruments).
3. The country should prepare for new challenges that can be expected during the implementation of the MFF28+. In its proposal for the next MFF, the Commission plans to strengthen the performance-based budgeting element and make wider use of financial instruments. The Czech Republic should strive to set up programmes linked to the European budget that will enable the greatest possible involvement of Czech entities in centrally managed EU programmes. The importance of these programmes is growing, and the Czech Republic should focus on building the capacity of Czech applicants.
4. The Czech Republic should actively involve all relevant stakeholders in the negotiations and preparations for the MFF28+. Active inter-ministerial cooperation and communication with representatives of municipalities, administrative regions, associations and interest groups can be effective in negotiating and preparing the Czech Republic's priorities. Communication with the public is also important – it is advisable to emphasise the added value of the European budget, not just the position of net beneficiary.

The SAO's view with regard to the recommendations published by the National Convention on the EU on 6 May 2025:

The SAO welcomes recommendations 1 and 2, which in a certain form, also reflect the SAO's long-standing views and assessments, as well as its recommendations for the MFF28+ for the Czech Republic⁶⁴.

As regards recommendation 3, the SAO only agrees with the part concerning the need to improve the use of directly managed EU programmes in the Czech Republic.

The SAO (like the ECA⁶⁵) disagrees with the application of the performance-based funding principle.

The SAO takes a neutral view of recommendation 4, but adds that a certain inter-ministerial approach is necessary for the clear setting of priorities (and their reduction). It is the only way for the Czech Republic to be able to target funds towards strategic investments and projects that will bring the greatest benefit to the country.

Roundtable discussion organised by the MoRD-NCA⁶⁶

On 16 April 2025, a roundtable discussion organised by the Ministry of Regional Development (MoRD) – the National Coordination Authority – was held in Prague under the title: *The future of European funds: Vision and changes in Cohesion Policy after 2027*. The main topic of discussion was the future of the Cohesion Policy and the direction of EU funds after 2027. Among others, Themis Christophidou, Director of the European Commission's Directorate-General for Regional and Urban Policy drew attention at the roundtable discussion to the public consultation initiative on the shape of the next MFF and the opportunity to participate in this initiative⁶⁷.

The roundtable discussion was divided into two panels:

1. European Panel – focused on modernising the Cohesion Policy

The participants in the discussion agreed that the EU faces fundamental challenges and that it is necessary to focus on new priorities, which are defence and security, demographic change and strengthening the EU's global competitiveness. It is important to consider where to direct investments and focus on areas with the highest impact. The Cohesion Policy should focus more on results, investment reforms and strive to maximise the use of public and private resources, as well as make greater use of financial instruments. The participants also recognise the importance of accountability for the results achieved and of more intensive cooperation with relevant partners.

2. National Panel – dealing with challenges and thematic priorities for the Czech Republic

The participants in the second panel focused primarily on presenting thematic priorities and solutions to challenges that could help the Czech Republic strengthen its competitiveness and improve regional development. The areas identified for investments after 2027 include transport and energy, education, research and innovation, climate change adaptation, and strengthening national defence. It is essential that the funds – the amount of which will be reduced in the next programming period – be used effectively and directed towards projects with long-term benefits for the economy and quality of life in the Czech Republic.

⁶⁴ See the first part of Chapter 1 and Chapter 2.

⁶⁵ See the ECA's conclusions discussed in paragraph 1.2.3.1.

⁶⁶ Ministry of Regional Development – National Coordination Authority.

⁶⁷ See Subchapter 2.2.

The experts participating in the roundtable discussion agreed that the Cohesion Policy has proven its importance, but that it needs to be modernised in light of new challenges. The MoRD is preparing the position of the Czech Republic for negotiations on the Cohesion Policy – see below *Strategic Framework of the Cohesion Policy after 2027*.

During this panel discussion, Petr Musil, a member of the National Budget Council (NBC), identified four areas that, in the opinion of the NBC, should be priorities for the Czech Republic in terms of support co-financed from the MFF28+ funds. Specifically, these were the following areas:

- **security**, as the “number one priority”;
- **energy industry**, which is likely to face large challenges over the next 10 years;
- **transport and mobility** in terms of strengthening transport systems and infrastructure, as well as internet connectivity;
- **population ageing** with impacts on the pension system, healthcare and education.

In order to achieve economic growth even in the “underdeveloped” regions, the path to prosperity leads, among other things, through education, research and development, and improved mobility.

The NBC sees the biggest danger in the “reckless spending of EU money”⁶⁸ and also in the fact that major projects in energy or transport and mobility are not being implemented (see above). In the opinion of the NBC, the State should finance projects that the private sector is unable to finance sufficiently and create conditions that enable the private sector to do business more effectively. This should be kept in mind when negotiating the new MFF.⁶⁹

The SAO welcomes that:

- there is consensus on the need to continue supporting the Cohesion Policy, and the SAO agrees that EU cohesion and competitiveness are essentially two sides of the same coin;
- defence, security and the EU’s global competitiveness were identified as key new priorities;
- emphasis was placed on the need to target support on areas with the greatest positive impact and long-term benefits for the Czech Republic (output-oriented approach);
- there have been calls to improve the use of financial instruments.

The future direction of the Cohesion Policy in the Czech Republic was the main topic of discussion at the meeting of the Council for European Union Funds on 23 June 2025. Czechia must prepare for a reduction in EU budget funds and target support more effectively where it will have the greatest effect (benefit). **During these discussions, the MoRD presented a document entitled *Strategic Framework of the Cohesion Policy after 2027***⁷⁰. This document will serve as a starting point for negotiations with the Commission on the Czech Republic’s priorities regarding the focus areas of the EU funds in the next period.

The document was created in response to the highly likely reduction in EU budget funds for the Czech Republic and as a lesson learned from the previous twenty years of using and drawing the EU funds. The document is a fundamental basis for preparing the next programming period and defines where support from European funds should be directed in the future (e.g. the target areas of the Cohesion Policy).

⁶⁸ As an example, Petr Musil cited the renovation of old railway stations, disused tracks and inefficient cycle tracks going nowhere.

⁶⁹ Further information on the NBC’s view of the problems in the EU economy and the preparation of the MFF28+ in the Czech Republic is provided in Chapter 3.

⁷⁰ See https://www.dotaceeu.cz/getmedia/dcf7d3a1-60e7-47ba-a0e0-ad3df964a2/Material_Strategicky-ramec-politiky-soudrznosti-2028-_MPR_pro-M-Radu-23-6-2025.pdf.aspx?ext=.pdf.

After the editorial deadline for the Part Two of the *EU Report 2025*, on 2 July 2025, the Czech Government took note of the proposed *Strategic Framework of the Cohesion Policy after 2027*. The Czech Government postponed its decision on the selection of the preferred option for further discussion until the end of summer 2025.

The document presents two options for the optimal investment of EU funds. The first option is called “economic” and concentrates investment only in key areas with the highest potential to boost the economy and innovation. The second option is based on a “broader range of instruments” and entails support for a larger variety of areas with more widely spread investments. Both options aim to maximise the use of EU funds at a time when they are expected to be reduced.

The document also emphasises the need for improved use of financial instruments such as loans, guarantees and capital inputs. These instruments operate as repayable support, encouraging beneficiaries to use funds more efficiently while increasing the private sector’s interest in participating in such projects. The Czech Republic has long lagged behind the EU average in the use of financial instruments. While financial instruments account for more than 11% of support across the EU, they represent only 3% in the Czech Republic. The MoRD adds that at a time of public budget consolidation, it is necessary to seek new sources of financing and increased use of the financial instruments is one way to achieve this goal.

The SAO’s view on the recommendation of one of the two options for utilising EU funds outlined in the *Strategic Framework of the Cohesion Policy after 2027*

The SAO, in agreement with the NBC, takes a favourable view of the “economic” option. The Supreme Audit Office believes that it is not possible to effectively support a wide range of areas; on the contrary, support should be focused on areas with the greatest growth potential, while respecting the sustainability of investments.

The MoRD also stated that the document will be updated from time to time according to the progress achieved in negotiations with the Commission. The document will be greatly influenced by the draft MFF28+ and legislation concerning the future of the Cohesion Policy, which the Commission will present in the second half of 2025. By 30 June 2026, the Czech Republic will submit a more detailed version of the framework, including specific legislative proposals for the next programming period.

2.2 PUBLIC CONSULTATION

Following the publication of its Communication, the Commission launched a public consultation initiative on the shape of the next MFF. The main purpose of these consultations was to give governmental authorities and bodies, the beneficiaries and the applicants for support from European funds, European businesses and all EU citizens the opportunity to express their opinions/views on what the desired form of the MFF28+ should be, where the EU should be heading, where improvements should be made, etc. This initiative ran from 12 February 2025 to 6 May 2025.

The Commission divided the initiative into seven thematic areas, online public consultations focusing on those areas were conducted in the form of questionnaires. The thematic areas were as follows:

1. implementing EU funding with Member States and regions;
2. EU funding for civil protection, preparedness and response to crises;
3. EU funding for competitiveness;
4. EU funding to support the single market and cooperation between national authorities;
5. EU funding for cross-border education, training and solidarity, youth, media, culture, and creative sectors, values, and civil society;
6. performance of the EU budget;
7. EU funding for external action.

The SAO's involvement in the public consultations

The SAO participated in the public consultation initiative launched by the Commission with the aim of gathering relevant opinions and suggestions on the specification of the Commission's proposal for a new MFF from as wide a range of respondents as possible.⁷¹ On the basis of its audits and other investigations, the SAO formulated its contributions to four of the above-mentioned public consultations. The following are the SAO's opinions or recommendations with regard to the consultations:

1. Implementing EU funding with Member States and regions

- The SAO recommends **that the Commission work closely and better communicate with Member States when preparing the draft MFF28+ and setting its main priorities.** A high degree of transparency and communication will increase the quality of the draft MFF28+ and prevent subsequent discussions about its direction and form, as well as potential disagreements. We know from past experience that negotiations on the final form of the draft MFF are a long and very demanding process, as unanimous approval by the Member States is required.
- There will no longer be sufficient funds in the post-2027 EU budget to provide support to all types of regions and communities as has been the case to date. It will therefore not be possible to maintain the current scope of support and add new priorities. If the MFF28+ is expanded to include new priorities (while maintaining all existing ones), the support will not have the necessary significance, effect and impact in the areas concerned. Support and projects will not provide the necessary added value for the EU. **The next MFF must therefore clearly define the main priorities, i.e. the main strategic areas of support, and reduce support for non-priority areas, especially in relation to the EU's declining competitiveness and the geopolitical situation (security).** A reduction in the scope of priorities and support is also necessary in view

⁷¹ The results of the SAO questionnaire survey (see Chapter 3) showed that at least four of the supreme audit institutions in the Member States were directly involved in the public consultation initiative.

of the repayments of the NGEU loans from 2028, which will amount to approximately EUR 30 billion per year. This amount represents almost 20% of the current budget.

- Given the geopolitical situation in the world, it is clear that the **EU's new priorities, such as security and defence or EU competitiveness, must take precedence over previous priorities** (e.g. gender policy, significant support for agriculture, green transformation or very broad support for the Cohesion Policy).
- **In its draft MFF28+, the Commission must concentrate and target support on areas with the highest potential for long-term growth and benefits** (concentration of support on strategic areas, areas with the highest added value for the EU, e.g. investment in innovation).
- **Too many priorities and areas of support at EU level cause a significant dilution of support at Member State level into a large number of subsidy titles and thousands of small projects that do not have a significant effect.**
- The Commission must also clearly communicate to the Member States the need to identify key priority areas for support, concentrate support on these areas and reduce non-priority areas, so that their proposals for the MFF28+ negotiations already take this fact into account.

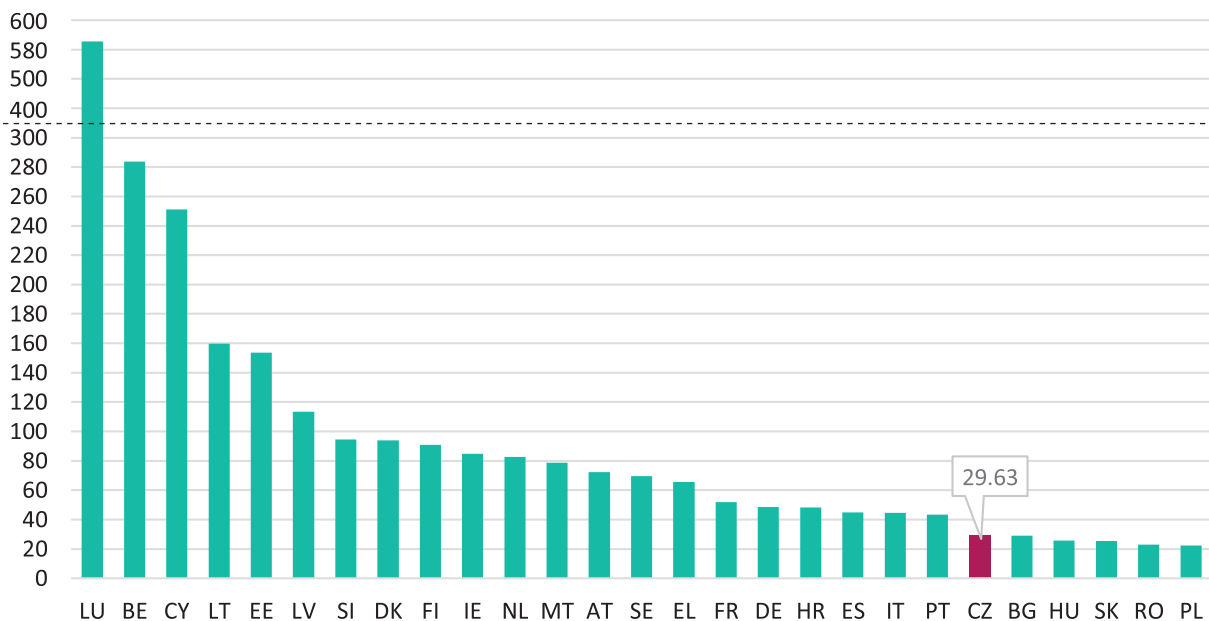
2. EU funding for competitiveness

Within the framework of this consultation, the SAO focused mainly on the issue of directly managed EU programmes, investments in innovation and recommendations for the MFF28+.

Directly managed EU programmes

- **For the MFF28+, the SAO recommends focusing more on the possibility of using support from directly managed EU programmes** (formerly known as Community programmes), which are managed and distributed directly by the Commission and its executive agencies. By placing greater emphasis on directly managed programmes and improving their functioning, the MFF28+ will be better able to respond to the declining volume of funds allocated to individual Member States.
- The SAO recommends simplifying the use of these programmes at the Member State level.
- The SAO recommends improving information and awareness about the possibility of using these programmes at national level and in the overall EU context.
- **The complexity of the system is in direct conflict with the requirement to focus on performance and results.**
- Improving awareness and simplifying use can have a positive impact on private sector involvement in their use, which will bring positive economic effects.
- The Czech Republic has long been ineffective in drawing funds from directly managed programmes. Simplification could eliminate this problem.

Chart 2: Volume of Member States revenues from directly managed EU programmes in 2023 per capita (in EUR)



Source: https://commission.europa.eu/strategy-and-policy/eu-budget/long-term-eu-budget/2021-2027/spending-and-revenue_en, Commission, 2024; Eurostat, 14 March 2025.

Investment in innovation

- **In order to increase the competitiveness of the EU and its Member States, it is necessary to increase support for investment in innovation, new technologies, research and development.**
- **The high administrative burden and complexity of the subsidy system mean that applicants have to turn to specialised entities and are unable to secure subsidies themselves. The result is a growing “subsidy business” that discourages potential applicants/beneficiaries and increases the costs for subsidy administration.**
- The possible involvement of private entities in this area needs to be increased; in practice, this also means simplifying the administration of subsidies, as excessive red tape is a significant obstacle for potential applicants/beneficiaries.
- The Czech Republic still has considerable room for improvement in terms of its innovation performance. In the European Innovation Scoreboard⁷², Czechia is one of the “moderate innovators” and ranks as low as 23rd (19th within the EU).⁷³

⁷² This ranking includes all Member States, other European countries and regional neighbours.

⁷³ See https://projects.research-and-innovation.ec.europa.eu/en/statistics/performance-indicators/european-innovation-scoreboard/eis#/eis/countries/CZ?perf_indicators=3.

3. **EU funding to support the single market and cooperation between national authorities**

The SAO considers it essential that the Commission take the following actions with regard to the MFF28+:

- **set its main strategic priorities** (it is not possible to support all existing areas, while simultaneously adding new ones);
- **reduce existing and previous priorities** (giving priority to strategic areas such as investment in innovation, energy, infrastructure and connectivity);
- **focus support on strategic areas with the highest potential for growth, benefit and impact** (with the aim of increasing the EU's competitiveness);
- **secure funding for investment in EU security and defence preparedness and for addressing the impact of migration;**
- **simplify the MFF structure** (the current structure consists of a large number of programmes that overlap in terms of objectives and instruments; the wide range of administrative rules for support is too complex for beneficiaries);
- **improve the MFF flexibility** (better response to crises and to the needs of individual Member States/regions).

4. **EU funding for civil protection, preparedness and response to crises**

The SAO sees at least two problems in this area that need to be addressed as a matter of priority:

- **Low public awareness of this work** – there is a lack of connection between EU policies on the one hand and the daily lives of citizens on the other.
- **Low awareness and lack of public involvement** – for example, there is no unified crisis warning system for the EU population, there is also a lack of the necessary capacity, there is a significant lack of equipment, and there is basically no coordination between the Member States (e.g. this was evident during the COVID-19 pandemic).

3. POSITION OF THE NATIONAL BUDGET COUNCIL ON THE PLANNED FORM OF THE MFF28+

Given the nature and importance of preparing the MFF28+, defining Czech Republic's priorities for this period and setting out the negotiating position in relation to the European Commission, it is clear that numerous institutions are involved at the national level. Among them is the NBC which is a natural partner to the SAO in this regard.

NBC member Petr Musil participated in the MoRD-NCA roundtable, where he outlined the priorities that the Czech Republic should promote during the MFF28+ negotiations.⁷⁴ The SAO also considers these priorities significant and relevant from the perspective of financing needs.

The NBC has repeatedly commented on the issue of the MFF28+, rightly emphasising the need to set the priority areas for the investment of public funds correctly and responsibly, in order to maximise the resulting effects. The NBC has repeatedly stressed that neither the European nor the national public budget can cover all expenses without either increasing public debt or raising the tax burden. In the NBC's view, consistent expenditure prioritisation must ensure that a clear hierarchy of main priorities is established and that certain expenses are identified which should, at least temporarily, be relegated to the background. The NBC places security at the top of the priority list as an area that deserves the strongest support. By contrast, decarbonisation is suggested as a field that could be temporarily placed "on the sidelines," since, in light of current developments in Europe and in the whole world, this does not represent such an immediate challenge.

The NBC has reached a conclusion similar to that of the SAO, stating that *"the way financial resources from the European budget have been handled so far has shown us how this should not be done"*.⁷⁵ It points to the relatively insignificant impact of the support received, measured against the scale of the Czech Republic's net position, amounting to more than one trillion CZK. In agreement with the SAO, the NBC also criticises the fragmentation, high administrative complexity and excessive costs of programmes designed to support individual projects.

The NBC further notes that there are areas in which the EU has significant room for improvement; however, such improvement would not necessarily require billions from the EU budget. In this regard, the NBC draws attention mainly to internal trade barriers that unnecessarily make the EU-27 a less competitive economic bloc than it could be. The NBC emphasises that these are not barriers between the EU and non-EU countries, but trade barriers within the European single market itself.⁷⁶

74 See Subchapter 2.1.

75 See the article *The next EU budget under negotiation: Defining our priorities*, Hospodářské noviny, 4 July 2025.

76 In the article, *The next EU budget under negotiation: Defining our priorities*, Petr Musil states: "In the text, Garicano mentions the International Monetary Fund's estimates of the quantification of internal trade barriers within the European single market compared to those between US states in 2020 (...). While trade barriers between US states represent the equivalent of approximately 10 percent tariff in the manufacturing industry, the figure for EU Member States is around 45 percent. For services, the 'notional tariff' created by excessive red tape reaches as much as 110%. Garicano identified three main causes: 1. the mutual recognition of standards does not work in practice; 2. EU directives do not lead to the harmonisation of member states' legislation; 3. the European Commission does not sufficiently enforce the rules of the single market."

4. FINDINGS OF SUPREME AUDIT INSTITUTIONS ON THE EFFECTIVENESS OF EU FUNDS AND RELATED RECOMMENDATIONS

The SAO, in cooperation with the Netherlands Court of Audit (Algemene Rekenkamer), conducted a questionnaire survey among all supreme audit institutions of the EU Member States, inviting them to share their experience in auditing EU budgetary funds. The purpose of the survey, addressed to the audit institutions participating in the Contact Committee, was to map their activities in auditing EU funds in Member States during the 2020–2024 period.

The survey's main objectives were to provide an overview of responsibility for the control of EU funds, compile an overview of SAI audits and publications regarding the use of EU funds in Member States, and collect information on shortcomings, irregularities and risks associated with EU subsidies.

A total of 22 of the 27 SAIs addressed by the SAO responded to the questionnaire survey.⁷⁷

Some questions in the survey also related directly to the preparation of the MFF28+, focusing on:

- necessary changes to the EU funds system, i.e. what changes should be made based on the findings of the SAIs, including the identification of problem areas (see below);
- involvement in the Commission's initiative, i.e. the public consultation on the form of the MFF28+.⁷⁸

The requirements for changes in the EU funds system presented below, as indicated by the individual SAIs in their responses, are often expressed at a general level and reflect the most frequent shortcomings observed (shortcomings identified in a given area therefore imply a requirement for changes in that area).

Based on the collective responses, the SAO presents the following overview of recurring issues. The overview is illustrative; the recommendations formulated for the MFF28+ represent the SAO's own assessment of the responses received:

1. Unclear rules, insufficient oversight and control enabling fraud and misuse of EU funds

Problem area: monitoring, control, and evaluation

- The problem is identified in approximately 52% of all responses. It is the most frequently identified problem.
- A major shortcoming of EU funds is a weak monitoring system, which fails to provide timely and reliable information.
- Impact and outcome indicators are often inaccurate or unclear, preventing meaningful measurement.
- A lack of effective oversight mechanisms combined with fragmented checks creates unnecessary administrative burdens.

**RECOMMENDATION FOR THE MFF28+:
Improve monitoring, oversight and impact indicators.**

⁷⁷ The survey was also submitted to the ECA, which, too, is part of the Contact Committee.
⁷⁸ See Subchapter 2.2.

2. Insufficient planning and unclear priorities

Problem area: strategic planning and coordination

- The problem is identified in approximately 46% of all responses.
- EU funds lack clear and realistic targets.
- Lengthy planning and vague targets reduce the impact and effectiveness of EU funding.
- EU funds are spread across too many different priorities, which reduces their overall impact.

RECOMMENDATION FOR THE MFF28+:
Reduce the number of supported areas and channel resources into strategic areas with clear, realistic targets.

3. Complicated project selection process causing lower efficiency of EU funds

Problem area: project selection and impact

- The problem is identified in approximately 40% of all responses.
- Selection criteria are ambiguous and not aligned with EU priorities.
- Emphasis is placed on outputs rather than real impacts and benefits.
- The drawdown of EU funds is often significantly delayed.

RECOMMENDATION FOR THE MFF28+:
Establish clear project selection rules and increase focus on the actual impact and benefits.

4. Extreme bureaucracy and complexity causing disproportionate administrative burdens

Problem area: administrative burdens and complexity

- The problem is identified in approximately 24% of all responses.
- Unnecessary bureaucracy and administrative tasks burden both sides of the implementation process (i.e. the provider and the applicant or beneficiary).
- Unnecessary administrative burdens and complex rules increase the time and financial burden on both sides.
- As a result, the impact and benefits of EU funds are declining.

RECOMMENDATION FOR THE MFF28+:
Reduce bureaucracy and simplify the EU funds system.

5. Complex public procurement process

Problem area: public procurement, including eligibility of expenditure and risk management

- The problem is identified in approximately 22% of all responses.
- Complex and unclear procurement rules increase both administrative complexity of the entire process and the error rates of individual operations.
- Expenditure effectiveness is insufficiently assessed.
- Risks are not effectively identified or managed.

RECOMMENDATION FOR THE MFF28+:
Simplify and clarify procurement rules, improve efficiency assessment of expenditure and improve risk management.

The problem areas outlined above align closely with the findings of the SAO regarding the EU funds system in the Czech Republic. Many of the recommendations listed here largely coincide with the recommendations put forward by the SAO regarding the MFF28+ in the first part of Chapter 1 and also in Chapter 2.

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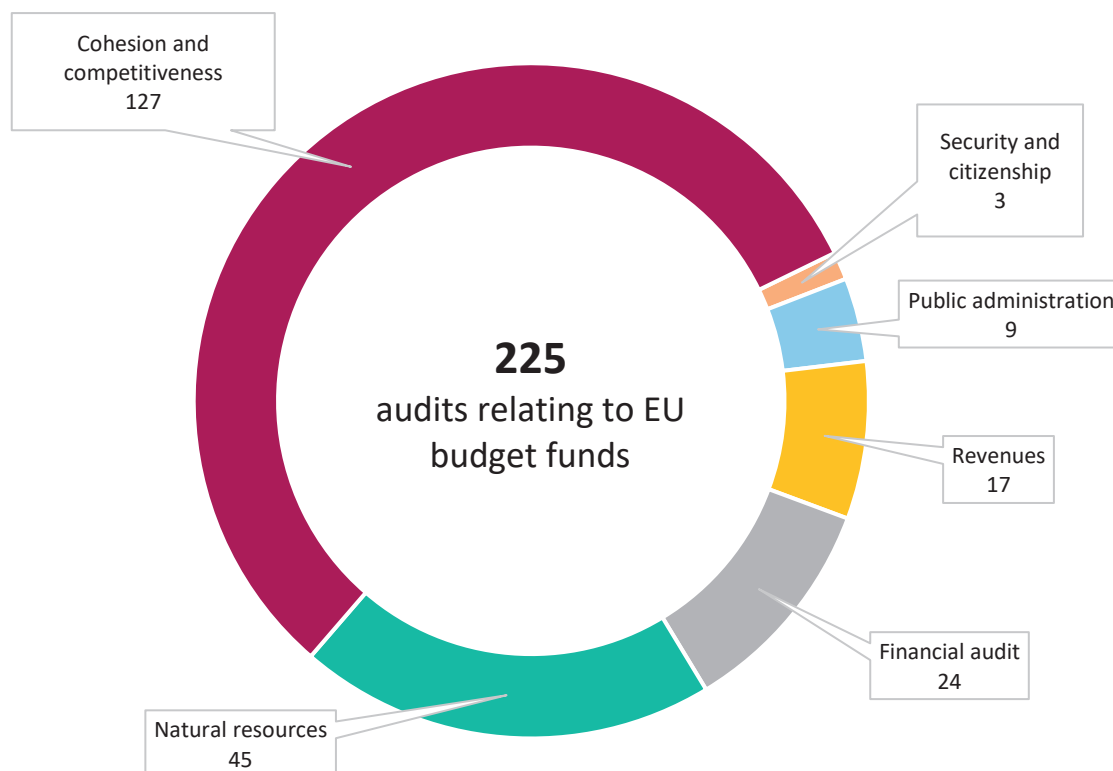
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LIST OF ABBREVIATIONS

Audit	SAO audit
CAP	EU Common Agricultural Policy
CC	EU Contact Committee
Cohesion Policy	economic, social and territorial cohesion policy
Commission	European Commission
Communication	Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions: The road to the next multiannual financial framework, COM(2025) 46 final of 11 February 2025
Council	Council of the European Union
ECA	European Court of Auditors
EP	European Parliament
ERDF	<i>European Regional Development Fund</i>
EU	European Union
EU-10	the ten countries that joined the EU in 2004 (the Czech Republic, Estonia, Cyprus, Lithuania, Latvia, Hungary, Malta, Poland, Slovakia and Slovenia)
EU-27	27 EU Member States
GDP	gross domestic product
GNI	gross national income
MaT	milestones and targets
MFF	Multiannual Financial Framework
MFF21+	EU Multiannual Financial Framework for the period 2021–2027
MFF28+	EU Multiannual Financial Framework for the period after 2027
MoF	Ministry of Finance
MoRD	Ministry of Regional Development
NBC	National Budget Council
NGEU	<i>NextGenerationEU Recovery Instrument</i>
RRF	<i>Recovery and Resilience Facility</i>
RRF Regulation	Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility.
SAI	supreme audit institution of an EU Member State
SAO	Supreme Audit Office
STEP	<i>Strategic Technologies for Europe Platform</i>
USA	United States of America

ANNEX TO PART TWO

Breakdown of SAO audits concerning EU budget funds, completed between 1 April 2004 and 31 March 2025, by audit area



[Overview of completed SAO audits⁷⁹:](#)



⁷⁹ See https://nku.gov.cz/assets/publications-documents/eu-report/eu-report-2025-en_annex-overview-of-audits.pdf.

