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»SELF-REVERENCE, SELF-KNOWLEDGE, SELF-CONTROL;
THESE THREE ALONE LEAD ONE TO SOVEREIGN POWER.«

Alfred Lord Tennyson (1809–1892)

Iain Begg:

The Commission's EU budget proposals
and strategic autonomy

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The Commission's EU budget proposals and strategic autonomy

Author: **Iain Begg**

In July 2025, the *European Commission*¹ released its proposals for the next (2028–34) **multi-annual financial framework (MFF)**. The document claims the proposals go well beyond financial planning and are 'a strategic statement of the Union's collective political ambition to deliver on its priorities and to act with strength and unity on the global stage over the next decade'.

Can this claim be validated? The most optimistic answer is 'maybe'. The two largest components (of four, the last is the relatively modest budget for administration) of the next MFF are expected to be National and **Regional Partnership Plans (NRRPs)** and an **EU Competitiveness Fund (ECF)**. Both have the potential to foster the EU's strategic autonomy, while a third fund aimed at Europe in the world offers the prospect of a more coherent approach to external policy.

It is also important to recall, with some scepticism, the basic arithmetic of the EU budget. The headline total of close to €2 trillion over seven years is a large amount of money, but some of that total will have to be allocated to repay the loans taken out to fund the *Next Generation EU*² initiative. As a result, EU spending will be barely 1.1% of the Union's GDP – about a third of what Germany and other NATO countries project spending on defence to be by the end of the next MFF.

Much will depend on whether resistance to change can be overcome. This is particularly true of the NRRPs which will bring together several disparate budget lines from previous MFFs, including support for farmers and for regional development, the two spending envelopes which have dominated the EU budget for decades.

As explained by the Commission, these plans will give Member States greater choice in how resources are used. They could opt to devote more funding to initiatives aimed at strengthening key industries, but despite rhetoric about investment, previous MFFs have had a significant distributive emphasis. Moreover, there is a persistent status quo bias against removing budget support. Farmers are adept at protecting their benefits by blocking the Rue de la Loi in Brussels, the Champs Elysée or Unter den Linden.

Companies can, nevertheless, take some comfort from what is proposed, especially the ECF, which has been welcomed by *BusinessEurope*³. Its attraction is in bringing together disparate initiatives from previous MFFs – some of which had good results, others more dubious – into a more strategic approach. It will include a substantial boost in funding for the EU's Horizon research programme.

The Commission proposes *allocating €451 billion*⁴ over the seven years of the MFF and makes clear that the underlying objective is both strategic and designed to bolster the EU's position in the new industries and technologies in which it lags behind global competitors.

Yet, despite the large headline total, an obvious difficulty is that the Fund's annual budget of around 0.2% of EU GDP has an uncomfortably broad mandate. It covers measures to counter climate change, digitalisation, investing in space research and contributing to new defence technologies ... if the Commission proposals are adopted.

¹ https://ec.europa.eu/commission/presscorner/detail/en/ip_25_1847

² https://next-generation-eu.europa.eu/index_en

³ <https://www.buinesseurop.eu/publications/mff-proposal-focus-on-competitiveness-is-welcome-but-proposed-new-business-levies-undermine-the-eu-as-an-investment-location-and-are-counterproductive/>

⁴ https://commission.europa.eu/document/download/42f593d8-bbdd-43d6-9879-398c6872b199_en?filename=MFF_Factsheet_European%20Competitiveness%20Fund_FINAL.pdf

This is a big ‘if’ because in the negotiation of previous MFFs, similarly ambitious proposals have been salami-sliced as Member States dug in their heels to protect other spending. Thus, for the 2021–27 MFF, what was agreed at a marathon European Council in July 2020 saw reductions in the Horizon budget to lessen cuts in direct payments to farmers and regions. When, at a later stage, the European Parliament had the opportunity to react, some, but not all, of the Horizon funding was restored.

Can it be transformative? More than a year on from the *Draghi report*⁵, there is increasingly voluble criticism of the lack of follow-up in addressing its key recommendations. The Commission proposals could pave the way for more extensive investments conducive to building capacity ‘at home’.



Here again, though, arithmetic has to be taken into account. A longstanding EU target is to devote 3% of GDP to research and development, a target now only being met by six Member States (the Nordics, Austria, Belgium and Germany), while the *EU as a whole*⁶ achieves merely 2.26%. Even if all the CF spending went on R&D (it would not) the shortfall would just be marginally reduced.

Difficult negotiations are already in progress under the Danish Presidency of the EU’s Council of Ministers and will continue under subsequent presidencies, although there will be pressure to reach a deal sooner rather than later, perhaps in the second half of 2026. During the process, some of what the Commission wants could be rejected.

The European Parliament has also been pushing back against some of the Commission proposals, casting doubt on whether the strategic ambitions can be realised. Unusually, the four main *pro-European parties in the Parliament*⁷ (EPP, S&D, Renew and Greens) wrote to Ursula von der Leyen calling for the Commission to amend its approach. The MEPs’ main concern, also expressed by several Member States, is the NRPPs and how they would function.

In a conciliatory response, von der Leyen recalls that the ‘current EU budget was designed for a world that no longer exists’, a statement that is undeniable. She also offered certain changes designed to allay the concerns of the Parliament by introducing various ‘safeguards’. Her response also implies that funding for farmers and regional development

will be protected. For now, the Parliament appears ready to step back from the ‘nuclear’ option of voting against the Commission package.

In summary, the Commission proposals sound appealing and could see more effort going into boosting the EU’s strategic autonomy and much needed economic renewal. But a gap remains between expectations of what EU-level funding should aspire to achieve and the realities of what a relatively small budget can deliver, whether for companies or citizens. ←

⁵ https://commission.europa.eu/topics/competitiveness/draghi-report_en

⁶ <https://ec.europa.eu/eurostat/statistics-explained/index.php?oldid=503835>

⁷ <https://www.politico.eu/wp-content/uploads/2025/10/30/MFFEPLetter.pdf>