

# The Commissions EU budget proposals

Caught between ambition and governance failure

Clingendael Report

Adriaan Schout



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December 2025

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*“The risk that no change will take place is also very high”*  
(Barca Report 2009, p. VI)<sup>1</sup>

## Summary

Will the Commission’s proposals for the next multiannual financial framework (MFF) solve the deficiencies that have plagued EU spending for a long time? The proposals are ambitious. Yet, the MFF will continue to underperform without profound reform of the current governance structures. Currently, the MFF suffers from a governance deficit. Yet, the Commission’s MFF proposals hardly address the deficiencies in planning and accounting of costs and results. Hence, with an underperforming multilevel supervisory structure, the ambitious MFF proposals dive in at the deep end by aiming at simplification, performance-pay (conditionality), fewer but better indicators, 25% reduction in administrative costs, and more discretion in spending for the Member States and the Commission. Previous efforts to introduce performance-based pay largely failed, and funds continued to be routinely distributed even if results were debatable. Moreover, there is no guarantee that the now-proposed shift from cost accounting to performance-based payments (Financing Not Linked to Costs, FNLC) will be successful. Making FNLC work will require reforming the Commission, the EU Court of Auditors (ECA), and national audit institutions (Supreme Audit Institutions, SAIs). However, these reforms are not on the agenda. As it stands, it will be difficult to achieve the desired simplification and added value of EU spending.

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1 Barca, F. (2009), *An Agenda for a Reformed Cohesion Policy*, Independent Report prepared at the request of Danuta Hübner, Commissioner for Regional Policy, Brussels.

# 1 Introduction

## The dilemmas of high expectations and the EU's governance deficit

The EU Commission presented its proposals for the next EU budget (the Multiannual Financial Framework, MFF) in July 2025.<sup>2</sup> This was an important moment in the process to arrive at the framework budget for 2028-2034. The proposals raise many issues, ranging from the amount and priorities to procedures and the Commission's powers. The negotiations will, as always, be complicated and tough, and this is even more the case now that the EU faces major security and financial challenges. In this Policy Brief, I will focus on a key issue that is highly relevant for a successful budget: the MFF's (multilevel) governance. Will the proposals and the suggested governance reforms lead to EU value for money, and will the current management deficits of the MFF and RRF be resolved?

Reform of the EU budget is long overdue. It already had the reputation of "relic from the past" in the early 2000s.<sup>3</sup> Both the legality and effectiveness of spending have been points of long-standing debate. So far, the emphasis in the governance of the MFF has been on the legality of spending, with a focus on cost accounting (checking receipts). Effectiveness has been a much harder problem to address: does the EU budget offer value for money? This question is key to ensuring the legitimacy of the MFF, particularly now that the EU's budget is likely to be increased.

The value-for-money question has two parts: policy priorities and governance system. Firstly, as discussed many times, the old focus on agriculture (CAP) and regions (cohesion) does not stand the test of time, and it is doubtful whether this money has been well spent. The policy priorities are currently under extensive discussion, drawing on insights from sources such as the Letta and Draghi reports that argued for more attention to competitiveness and security.

Secondly, a (multilevel) governance system is needed that establishes whether the budget delivers. This policy paper focuses mainly on the second part. The legitimacy of EU spending depends on having a system that can reliably and transparently

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2 European Commission, *A dynamic EU budget for the priorities of the future: the Multiannual Financial Framework 2028-2034*, Staff Working Document, SWD(2025) 570 final/2.

3 André Sapir, et al., *An Agenda for a Growing Europe: The Sapir Report*, Oxford University Press, 2004, p.162.

assess whether useful results have been produced. Unfortunately, the MFF's accountability mechanisms have focused on legality (cost accounting) rather than added value (results). Moreover, the existing accountability structures have suffered from politicisation and have lacked transparency.

Amidst the sensitive political budget debates and negotiations, accountability of the results tends to be routinely overlooked, as underscored by the persistent discussions on the benefits of the current MFF and the Recovery and Resilience Funds (RRF).

## **An institutional perspective**

This Policy Brief assesses the Commission's MFF proposals from an institutional perspective. Institutions define the system of governance and encompass the formal national and EU institutions, interinstitutional relations, and rules of procedure. Included under rules are norms such as fact-based decision-making, legality, transparency, and checks and balances. Checks and balances are a prerequisite for independent monitoring and transparent reporting and help to prevent politicised decision-making. While examining the feasibility of the governance system, this Policy Brief takes no position on the size of the budget proposals but examines whether the next MFF might be an improvement (and hence be more legitimate in the eyes of the wider public).

## **Outline**

The focus here is on the institutional design of the Commission proposals. Institutions define the functioning of the multilevel governance system and, hence, influence whether the proposals will be effective, efficient, and accountable. Accountability includes both the auditing of the legality of spending as well as accounting for the results achieved (see Box 1 for definitions). Section 2 sets the scene by reviewing major weaknesses of the current MFF and RRF, and by briefly mapping main themes and terminology in the Commission proposals. With the focus on institutions, section 3 introduces the legal and governance implications of the proposals (simplification, conditionality, indicators, legality, and powers of the EU institutions). Simplification and payments related to outputs and reforms demand clear indicators. Section 4 examines the challenges in using indicators to evaluate the outcomes of the EU budget and discusses the capacity requirements of EU accountability networks that will be necessary. Inevitably, emerging

geopolitical and economic realities create apparent tensions with the established competencies of the EU institutions. To maximise the legitimacy of EU spending, any movement towards what could be seen as 'integration by stealth' needs to be accompanied by guarantees that at least EU added value is ensured. Section 5 indicates that substantial reforms within member states, the Commission, and the European Court of Auditors (ECA) are necessary should the EU seek an expanded budget and enhanced decision-making authority and competencies. Yet, resistance to required reforms is highly likely, as discussed in section 6. The Conclusions finalise this Policy Brief.

### Box 1 – Accounting and auditing: core concepts

Accounting and auditing are vital to confirm that EU budget spending is lawful, efficient, transparent, and delivers value for money within EU competencies.

Accounting and auditing as used here as the transparent and independent registration of transactions (accounting of expenses and of their legality) and on the reliability of the accounting information, including assessment of results (auditing of economy and effectiveness of spending). Doubts about the efficiency and effectiveness of the EU budget have been persistent due to the insufficient quality of accounting and auditing capacities and processes at the EU level and in the member states.

Reliable accounting and auditing depend on the prevention of politicisation and on transparency. This requires checks and balances in the form of monitoring and reporting independent and at arm's length of the Commission and of national authorities. Moreover, in the EU's multilevel governance system, accounting and auditing depend on reliable first-line control by national audit institutions intimately aware of national conditions, choices and outcomes (first-order accounting), and on a network-based EU system in which the quality of national accounting institutions is monitored (second-line accounting).<sup>4</sup>

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4 For a discussion see Schout, A. (2022), *EU Subsidiarity as an Antidote to Centralisation and Inefficiency*, Brussels: Martens Centre. [EU Subsidiarity as an Antidote to Centralisation and Inefficiency | Martens Centre](#). Schout, A. (2024) *Cohesion Policy: A management audit*, Clingendael Research Paper. 28-01-2024 [Cohesion policy: A management audit | Clingendael](#). Schout, A. 'EU Debt and the Credibility of the EU Budget', In: K. Welle (ed.) *The 7Ds for sustainability: decarbonisation, defence, democracy, demography, de-risking globalisation and digitalization*. Brussels: MartensCentre. 2024. [The-7Ds-Extended.pdf](#)

## 2 Reform proposals and the history of reforms

The proposed reforms are far-reaching. They concern an increase in size, a redefinition of priorities, an ambitious search for more flexibility in spending, simplification of bureaucracy, the expanded use of conditionality linking spending to reforms (performance pay), and proposals for new own resources (Box 2). An attempt is also made to abolish the rebates.

Although the need to reform the MFF is widely recognised, it is essential to be aware of the sobering history of reform attempts. Lessons can be drawn, such as<sup>5</sup>:

- Successful reforms and improvements have so far been limited. There is major political resistance to reforms due to vested interests in existing funds and to an intellectual deficit that has prevented learning from EU policies where reforms succeeded. This resistance resides in the EP, Commission, ECA and the member states and concerns fight over money as well as institutional powers.<sup>6</sup>
- The difficulties in reform concern both the priorities and the governance structure. Agriculture and regions have formed major blocks in the allocation. Regarding governance, the RRF, which included FNLC and conditionality, marked a major change compared to the EU budget. Yet, the RRF and the performance-pay system have been critically reviewed by the ECA.<sup>7</sup> It is important to note that performance-pay also failed earlier in cohesion policy.<sup>8</sup>

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5 ECA Review 02/2025 discusses the dilemmas of indicators in relation to, among others, cohesion policy and the RRF. For a discussion on the practical and political problems of performance-pay initiatives in the EU budget, see Schout, A. (2024) *Cohesion Policy: A management audit*, Clingendael Research Paper. 28-01-2024 [Cohesion policy: A management audit | Clingendael](#). ECA (2018). See also ECA's *Briefing Paper MMF*. [www.eca.europa.eu/Lists/ECADocuments/Briefing\\_paper\\_MFF/Briefing\\_paper\\_MFF\\_EN.pdf](http://www.eca.europa.eu/Lists/ECADocuments/Briefing_paper_MFF/Briefing_paper_MFF_EN.pdf) ECA (2021a) *Performance-based financing in Cohesion policy: worthy ambitions, but obstacles remained in the 2014-2020 period*, Luxembourg.

6 'EU Parliament must be willing to use its veto power', *Politico*, 18 November 2025. <https://www.politico.eu/article/eu-parliament-multi-annual-financial-framework-budget/>

7 ECA (2025), *Performance-orientation, accountability and transparency – lessons to be learned from the weaknesses of the RRF*, Review 02/2025. [www.eca.europa.eu/ECAPublications/RV-2025-02/RV-2025-02\\_EN.pdf](http://www.eca.europa.eu/ECAPublications/RV-2025-02/RV-2025-02_EN.pdf)

8 ECA (2018) mentioned above.

- Governance reform has at best been a process of trial and error, with little learning from governance reform elsewhere and with little attention to good governance principles (especially related to the design of independent checks and balances). This explains the long history of tinkering with reforms in cohesion policy, where a series of incremental changes has not resulted in structural improvements.
- There is little idea among policymakers of, or even interest in, how to set up (multilevel) monitoring and control systems. The ‘what’ counts politically, not the ‘how’. Remarks such as ‘ministers do not like the technical details’ appeared in many interviews concerning governance reform. This stands in sharp contrast with leadership in the private sector, where the ‘how’ is taken seriously because results count (‘structure follows strategy’<sup>9</sup>). This also implies that there is little interest in learning from policy areas where monitoring and control systems have been successfully applied.

Governance weaknesses have caused significant problems in EU spending, as demonstrated by earlier issues with performance pay and conditionality management under the RRF. Annexe 1 presents a list of governance weaknesses in the current MFF and in the RRF including: the European Court of Auditors (ECA) working as centralised (stand-alone) body auditing and assessing the added value of EU funds without a functioning network of the national Supreme Audit Institutions, member states opting for low-hanging fruit when defining reform targets, lack of national ownership for the quality of EU spending, and the location of the Commission’s own audit body inside the DGs for agriculture, regional policies, and social affairs (instead of placing such control tasks at arm’s length).

The Commission’s proposals build on the RRF methodology but do not adequately address the existing governance deficits of the RRF. Without proper attention to governance implications, the good reform intentions in the new MFF proposals sound superficial (see also Annexe 2 on unclear jargon in the proposals).

As it stands, the Commission continues to see the governance of the budget as a matter of streamlining funds, indicators, and manuals rather than as a problem of untransparent and centralised governance with outdated checks and balances.

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9 Chandler Jr., A.D. (1962/1998). *Strategy and Structure Chapters in the History of the American Industrial Enterprise*. MIT Press, Cambridge.

## Box 2 – MFF: main reform and modernisation proposals

The size of the MFF: Pushing the upper limit to €2tn.

Redefinition of priorities: Switch in emphasis from agriculture and cohesion towards competitiveness, security and crisis management.

Flexibility (European ‘agility’): Flexibility has two dimensions. Firstly, more flexibility for unforeseen circumstances (even with QMV to be able to respond faster even when it comes to issuing loans). Secondly, flexibility in terms of at what levels decisions can be made by introducing fewer funds (‘Headings’), offering more discretion for the Commission and Member States in setting objectives, creating flexibility reserves under the Headings (more dynamic allocation over the 7-year), and more direct management for the Commission<sup>10</sup>, and offering possibilities for Member States to borrow additional funding for EU objectives (a fund of €150bn is proposed for additional loans, e.g. for agriculture, innovation or defence).

Simplification: Switch from cost accounting towards performance-based funding (Financing Not Linked to Costs (FNLC)).<sup>11</sup> To ensure more value for money and ownership, national governments get more leeway in formulating their own performance objectives and indicators. The Commission assesses the quality of national planning and accounting mechanisms to allow for FNLC.<sup>12</sup> Fewer indicators and streamlining of procedures.

Conditionality: To acquire funds, national governments must agree to milestones for projects and targets for reform commitments (related to the EU semester, greening, and rule of law requirements).

More own resources: Additional levies to partly replace the GNI base. A retry to stop rebates.

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10 Technically, the distinction should be made between direct, shared and indirect management by the Commission. The RRF is Commission direct expenditure (i.e. direct management) and the National Regional Reform Programmes (NRRPs) are shared management. Under shared management, such as in case of the cohesion funds, the member states propose and have accountability structures in place while the Commission, as guardian of the EU budget, monitors and controls plans and payments. Indirect management concerns EU funds managed by third parties such as (EU) agencies, Worldbank, and EIB [https://commission.europa.eu/funding-tenders/find-funding/funding-management-mode\\_en](https://commission.europa.eu/funding-tenders/find-funding/funding-management-mode_en).

11 For details, see: [Financing Not Linked to Costs – EXACT External Wiki – EN – EC Public Wiki](#)

12 ECA will remain in charge of assessing the accountability of the information provided by management (the Commission) also in the case of FNLC.

### 3 The MFF: Institutional analysis and legitimacy

The Commission's proposals have been widely discussed. Much less attention has been devoted to the institutional implications needed to deliver on the promises. Previous neglect of adapting institutional arrangements to changes in the EU's budget policies helps explain the repetition of shortcomings so far and repetitive tinkering with modifications.

The major unresolved institutional issues in the proposals are:

- The idea of financing not linked to costs (FNLC) is a major improvement in itself, is misleading. With the focus on FNLC, the RRF's switch away from funding based on costs was a step too far. FNLC is linked to results (effectiveness). First of all, results are hard to measure (see the problems related to outcome indicators below). Secondly, FNLC must not distract attention away from efficiency, transparency, and legality. Legality encompasses that spending is in accordance with EU competences, and that the rules on public procurement and state are respected (which is not the case in the RRF<sup>13</sup>). It needs to be seen to what extent the value for money and legality will be guaranteed under the new proposals.<sup>14</sup>
- With FNLC, it will be of particular importance that member states start publishing the long-discussed 'national declarations' by independent and certified national auditors so that the public at least knows that fault margins in spending fall below the 2% margin. Member states have so far refused to accept the national declarations.

Judging by the ECA reports, current national systems will not be able to produce the independent and up-to-standard national declarations that are

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13 ECA: [Special report 09/2025: Systems for ensuring compliance of RRF spending with public procurement and state aid rules | European Court of Auditors](#): "We found that despite improvements in its audit work, the Commission has not been able to draw sufficient assurance on whether member states have effective control systems to ensure that RRF spending complies with the rules."

14 The ECA will publish a report assessing whether the systems established by the Commission and the member states for the RRF effectively safeguard the EU's financial interests from fraud. [https://www.eca.europa.eu/Other%20publications/Indicative\\_Timetable.pdf](https://www.eca.europa.eu/Other%20publications/Indicative_Timetable.pdf)

required. National declarations will put pressure on the member states to enhance the quality of their national audit authorities.<sup>15</sup>

- The underperformance of national audit institutions also highlights the need for a new second-line control system in the form of an EU network of national auditors monitoring each other. The Commission's quality control on national audit institutions has proven to be subpar.<sup>16</sup>
- The proposals miss attention for putting monitoring and accounting roles in the member states and in the Commission at arm's length. The current systems lack transparency and checks and balances, as well as offering ample room for political decisions.<sup>17</sup>
- The proposals do not address the role of national Supreme Audit Institutions (SAIs<sup>18</sup>). SAIs are best placed for hands-on assessments of the impact of EU spending in the member states as a basis for establishing the added value of EU spending in all the member states. This also requires a system of first-order control by the SAIs and second-order quality control on the organisations of a network of SAIs by the Commission (including transparent reporting of the quality control). Such a system will require reshuffling tasks in the Commission and a budget line for the network of SAIs.
- It is important to acknowledge that there will be significant resistance to changes. Apart from office politics within the institutions directed at preventing reforms and at keeping tasks in-house, both Member States and the Commission appear to favour informal negotiations about the

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15 ECA's [review 03/2024](#) (see paragraphs 51 and 52 and figure 5).

16 The proposals include suggestions for a new sound financial system, but, comparing the proposals to quality control in other EU policy areas, these suggestions do not seem to deliver the independent network-based second-line control aimed at transparent and independent control of the quality of national auditing bodies. Nor do they address the role of assessing EU added value as discussed below in the relation to the need for including the national Supreme Audit Institutions.

17 A delay in the publication of 6 months may be advisable to allow for extra pressure on member states to address the issues in the audits (see e.g. quality control in border management). Schout, A., I. Blankesteijn (2020). *Diagnosing enforcement of EU border control*, Clingendael Policy Brief, 2020. <https://www.clingendael.org/publication/diagnosing-enforcement-eu-border-control>

18 A SAI is a public body of a state or supranational organization which exercises the highest public sector auditing function of the state or supranational organization. SAIs exercise their public sector audit functions in an independent, objective manner. SAIs' audit and jurisdictional responsibilities vary based on their specific mandates and the legal frameworks in which they operate. Source: [Overview – INTOSAI](#)

achievement of milestones and targets, as well as about payments. This also explains why performance-payments have seldom resulted in the withholding of funding.<sup>19</sup>

These suggestions also emphasise that the terminology of simplification, FNLC and less bureaucracy should be accompanied by thought-through and encompassing proposals for reforming the governance of the EU budget. Similarly, the question should be raised concerning which bodies should lead the related governance reforms, since neither the Commission nor the ECA will be keen to adapt their ways of working. Initiatives for governance reform need to come from a group of countries in the Council.

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19 Schout, A. (2024) *Cohesion Policy: A management audit*, Clingendael Research Paper. 28-01-2024  
[Cohesion policy: A management audit | Clingendael](#).

## 4 Fewer indicators lead to better accountability?

With funding not tied to costs, and with more discretion for member states and the Commission, performance indicators will become crucial.

Working with indicators for assessing outcomes in a diverse group of member states is highly challenging. It requires baseline scenarios, a small group of crucial variables tailored to the specific situations in member states, and an impartial system for evaluating added value. Moreover, some net-receiving countries view transfers as a solidarity bonus compensating them for market access provided to stronger economies. Solidarity may be regarded as an added value of the EU, but quantifying solidarity through an objective indicator presents significant challenges.<sup>20</sup> Monitoring performance of EU spending is also complicated by goal congestion (and hence indicator congestion), politicisation of performance data, and a focus on inputs (costs) rather than long-term impact. Finally, following the FNLC approach from the RRF, the proposals build on conditionality in terms of national institutional and economic reforms. However, there is no functioning system for determining whether member states opt for low-hanging fruit. Hence, assessing outputs based on indicators will remain difficult.

Indicators will be even more important in the next MFF, as it is based on outcomes and reforms (FNLC):

- FNLC implies less insight into efficiency and does not guarantee better results.
- Hence, it will require a system of reliable and clear indicators. There should be a straightforward link between specific milestones and reform targets and the aspired results, and performance indicators should not overlap or interfere.
- Better indicators will be insufficient, as any set of indicators requires careful weighing of the results as displayed by a variety of country-specific indicators. Without an independent, well-informed auditing body with deep

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<sup>20</sup> For example, solidarity transfers as in Cohesion policy may lead to crowding national public investments.

insight into national contexts, such as the national SAIs, any package of indicators risks creating a pretence of legitimacy.

- Member States will get more freedom in the selection of projects and the conditional reforms (milestones for projects, and targets for reform of national policies and institutions). Yet, the appropriate level of ambition in projects and reforms must be assessed to ensure congruence with the EU's strategic objectives and to avoid countries opting for low-hanging fruit and reforms that are politically less controversial. Currently, there is no independent and transparent system in place to assess the level of ambition among member states. Here too, the national Supreme Audit Institution appears to be optimally positioned to evaluate the reform objectives put forward by the government.
- Indicators should be able to identify and separate the level of crowding out of national public investments due to EU grants and subsidies.
- Member States struggle with differences in institutional capacity, insufficient financing of audit authorities, and the lack of a culture of independence and transparency in audit.

## 5 Reform of EU networks and ECA

Part of the institutional puzzle in the MFF proposals concerns the actors that assess plans, progress and results, and the transparency of these actors. Assessing results includes the effects of projects financed by the EU and the impact of national reforms.

The MFF proposals and the accompanying proposals for the Interinstitutional Agreement<sup>21</sup> underline the centralised position of the Commission. National and EU agencies are only scantily mentioned. Networks of national and EU agencies are not mentioned despite their importance for ensuring learning and effectiveness in EU policies. This leaves open questions about how cost and outcome assessments will be improved compared to the current MFF and RRF. As argued above, the selection and assessment of performance criteria and guarantees for transparency demand well-designed rules and networks for the actors that assess performance. An essential requirement of any indicator system is that it is reliable and transparent so that it does not lapse into a make-believe system to legitimise public action.

Evaluating policies is a challenging task.<sup>22</sup> Since the rise of evaluation studies and practices around the 1980s, there has been a constant search for clearer and better indicators. At the same time, we see an emerging stream of criticism on indicator-based evaluation routines. Indicators tend to result in 'what gets measured gets done' (goal displacement), and to the creation of symbiotic relationships between policymakers and evaluators (regulatory capture). Optimistic policy statements are easy to make but difficult to prove, as with the claim that the Commission's proposals reduce administrative burdens by 25%.

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21 COM(2025) 572 final, 16/7/2025.

22 Bird, S. M., et al. (2005). "Performance Indicators: Good, Bad, and Ugly." *Journal of the Royal Statistical Society: Series A (Statistics in Society)*, 168(1), 1–27. Pollitt (2006), Bouckaert & Halligan (2008), Likierman, A. (2009). "The Five Traps of Performance Measurement." *Harvard Business Review*, 87(10), 90–96. Leeuw, F. (2024) 'Contributie-analyse: achtergronden, methode, toepassingen en problemen/beperkingen', *Beleidsonderzoek*. [https://www.boomportaal.nl/tijdschrift/BO/BO\\_2213-3550\\_2024\\_014](https://www.boomportaal.nl/tijdschrift/BO/BO_2213-3550_2024_014)

In real life, once objectives are set at the political level, the indicators need to be tailor-made in close cooperation with experts on the ground to assess progress and results. Despite calls for clear indicators<sup>23</sup>, evaluation criteria will seldom be clear-cut and can easily overlap as political objectives are seldom unidimensional (e.g. green growth or stimulating digital growth in backward regions). When various indicators are involved, it requires intimate knowledge of national welfare functions to weigh the package of achievements, the side-effects and the objectives that have not been achieved, and whether the do-nothing option would have made much of a difference. Moreover, national conditions, institutional capacities and policy challenges vary in major ways. Hence, indicators need to be set and assessed close to the national situations on the ground. Moreover, given local idiosyncrasies, a predefined fixed set of indicators will often not be useful and often a great deal of qualitative and quantitative information will be needed to arrive at justifiable assessments of results.

Experience with performance measurement and indicators in the MFF and RRF has not been very successful so far, and Commission claims have often been on the optimistic side.<sup>24</sup> ECA's Report 13/2025 on the experience with the RRF concludes that measures lack precision, deadlines or ambition, while data provided on progress in reforms is not linked to the agreed indicators, and the impact is not specified. For example, RRF facilitated childcare locations (positive outcome reported) but could not be opened (no impact to report) because funding for running costs and staffing that should have come from the government was unavailable due to the need for cutbacks. Furthermore, the ECA Report also concludes that indicators for reform lack a baseline or measurable results from reforms. The conclusion of ECA is rather clear: Performance data from Member States are not very reliable, the Commission's annual performance reports on mainstreaming targets such as climate and biodiversity were overstated, and subsidiarity is hard to assess because the specification of EU added value is missing. Overall, ECA's conclusion is: "we do not consider the RRF a performance-based instrument" (ECA 03/2015, p.3). The improvements that

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23 Ministerie van Buitenlandse Zaken, *Kabinetsappreciatie MFK- en EMB voorstellen Europese Commissie*, 12-09-2025.

24 The Dutch government notes a similar tendency towards lack of reliable assessments in its remark on the Regulatory Scrutiny Board in the Communication from the Commission, *A simpler and faster Europe: Communication on implementation and simplification*, COM/2025/47 final. (Fiche 1: Mededeling Betere Regelgeving, p. 5).

are needed underline the importance of addressing the quality of national and EU performance assessment systems.

As regards the ECA, it has a well-established reputation for being independent and for offering reports of high quality. Yet, it operates more or less in isolation and not as a network body. As a result, ECA's capacities are too limited for assessing national baseline scenarios or hands-on assessments of the results of projects in the specific situations in the Member States. Moreover, the attention countries pay to ECA reports varies. ECA may be seen as a distant entity that generates limited ownership of its findings, and on its own, without a proper EU-wide network, it is unlikely to foster the development of an independent auditing culture in the EU.

The history of performance payments and accountability underlines the limited thought Commission, Member States, and, to a lesser extent, the ECA have put in matching accountability objectives to accountability structures. The RRF experiment indicates that significant consideration is needed before supporting the MFF with a dependable and independent multilevel system for accounting efficiency and effectiveness. It demands reforms of the Commission, of the ECA and of national auditing institutions, including the Supreme Audit Institutions (SAIs).

To prevent further tinkering with indicators in the MFF, one of the pressing questions for now is: In which EU policy area are indicators used well so that lessons can be drawn for improving the multilevel management of the MFF?

## 6 Integration by stealth and legitimacy

An additional institutional consideration concerns whether the proposals are within the scope of the EU's competencies.

The movement towards flexibility for the Member States to decide how to spend the funds can be at odds with the requirement to use the EU budget for EU added value. Greater Commission discretion in the allocation of funds, expansion of the budget into areas such as crisis management, facilitating loans, and expanding conditionality related to pensions and housing, causes tensions with EU competencies. This leads to a balancing of the friction between legal legitimacy and output legitimacy. Doubts regarding legal legitimacy could be mitigated by reliably demonstrating EU added value.

It is therefore important to discuss the shifts in positional power of the Member States, the Commission, the ECA, and the EP. The proposals may result in debates about whether they involve deeper integration in a strict legal sense. Yet, they may be regarded as creeping integration and therefore still have an impact on the perceived legitimacy of the MFF and, hence, of the EU. The debate about creeping integration relates to the following components of the proposals:

- The RRF was presented as a one-off, loan-based, emergency programme, and the German constitutional court accepted the loans given that the RRF was an exceptional situation responding to the COVID-19 crisis.<sup>25</sup> The main features of the RRF are the approximately €800 billion for loans and grants linked to conditionality based on the EU semester and to rule of law reforms. However, the one-off RRF structure is now reflected in the proposals for loans and grants related to NRPPs under Heading 1 and the €400bn crisis fund (Extraordinary Crisis Mechanism). Additionally, the target figure of €2 trillion resembles the current combination of the MFF plus the RRF (NGEU).
- The conditionality linked to the NRPPs under Heading 1 will formalise the increased power of the Commission as acquired under the RRF. It will keep the authority to impose obligations on Member States that fall outside the competencies as defined in the Treaties (e.g. conditionality to reform pension

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<sup>25</sup> Bundesverfassungsgericht Urteil (2 BvR 547/21, 2 BvR 698/21 van 6 December 2022).

systems, taxation or housing markets). By making MFF funding conditional on country-specific recommendations (CSRs) from the Semester, the CSRs are transformed into a tool for broader policy alignments. The CSRs are thus moved beyond the Excessive Deficit Procedure of the Semester, which was linked to the correction of problematic deficits. With the new proposals, not only countries with excessive debts but all countries will be subject to conditionality outside the remit of the Treaties.

- Rule of law conditionality moves increasingly from an abstract notion to a “federalizing force”<sup>26</sup> albeit with unclear indicators and in the absence of a clear, non-political, supervisory system.
- More flexibility in EU spending increases national discretion. In other words, EU added value will be harder to establish or will become even more abstract. This suggests that the proposals can be interpreted as a step towards budgetary transfers.
- The Commission gets a stronger position in policies that have traditionally belonged to national competencies. Member States are responsible for (financing) national welfare policies (e.g., social policy, health, education, housing<sup>27</sup>), defence, and for ensuring that there are buffers to deal with crises such as flooding and the related timely investments in crisis prevention. The new spirit of increased influence of the EU Commission on national policies can be summarised by a quote from the State of Union 2025: “If it matters to Europeans, it matters to Europe.”
- Apart from tensions with the subsidiarity principle, there is also friction with the no-bailout clause (Article 125 TFEU), which implies that Member States shall safeguard fiscal space for risks that belong to a society.
- Similarly, Art 122.2 TFEU defines that mutual support is limited to specific crises. Yet, the proposals propose various (loan-based) new crisis management instruments. Catalyst Europe (Heading 1) offers €150 billion in cheap loans for member states that want to invest more in the items listed under Heading 1, including in agriculture or regional policy. This proposal for cheap loans is a transfer since member states receive loans below the market price. It also borders on a bailout because the member states that want to use

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26 Baraggia, A. and Bonelli, M. (2022) ‘Linking Money to Values: The New Rule of Law Conditionality Regulation and Its Constitutional Challenges’. *German Law Journal*, Vol. 23, No. 12, pp. 131–156.

27 The ECA has been critical of the EU’s movement into housing policy and widening the scope of EU competencies. ECA Opinion 2/2025 (Paragraph 20, 21) remarks that “affordable housing” is not defined, targeted beneficiaries are not specified, the danger of crowding out is not addressed, subsidiarity is not argued (no gap analysis identifying the need for EU intervention) is most needed, and it is unclear how EU spending will lead to better functioning housing markets.

these loans apparently cannot finance loans on their own strength. Moreover, Heading 1 offers €66 billion in loans for emerging crises (to be distributed using qualified majority voting). This would normally fall under the crisis mechanism (Article 122 TFEU; unanimity decision).

- The reduction in interest costs for indebted member states implies that countries with relatively low interest rates will see their interest rates rise. These effects on reducing and increasing interest rates are part of the transfers and are, in part, a bailout.
- The EU's role in civil protection is widened.<sup>28</sup> The Commission proposes to assume additional roles by setting conditions for preventive investments. Here we see normal public sector tasks being subsidised by the EU budget.
- The proposals reserve 14% of the NRPPs (Heading 1) for social spending (EUSF). Social policy, like crisis prevention, is an area where non-binding declarations and agreements for mutual cooperation have gradually evolved into substantial headings in the budget. Moreover, the 14% would imply an obligatory increase in social spending for the Netherlands. This raises questions about the European, or national, added value, and obligatory financial investments elaborate social policy beyond the spirit of the Treaties.
- With inroads into areas such as housing, social policy and economic governance, the MFF proposals raise questions about subsidiarity and proportionality.<sup>29</sup>
- Regarding the various loan constructions, the Treaty articles on the MFF and the Financial Regulation are cautious concerning loans. Article 311 of the Treaty specifies that the MFF should be financed wholly by own resources. Article 17 of the Financial Regulation lays down that revenue and payment appropriations shall be in balance, and it specifies that the EU and the Union bodies shall not raise loans within the MFF. The loan programmes, such as Catalyst Europe and investments for crisis preparedness, create possible frictions with the clause that Member States do not bail each other out. The way around the no-bailout is that the formula in the proposals assumes the

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28 Civil protection was originally a national competence and was left to bilateral cooperation.

The Nice Treaty (Council Decision 2001/792/EC) aimed at facilitating coordination among Member States for disaster response (but lacked a specific treaty basis). The current proposals subsequently move towards formalising civil protection as an EU task, including EU finances.

29 Proportionality has a minimal definition by underlining that proposals should “not go beyond the minimum required to achieve the stated objectives at the European level and which is necessary for that purpose.” The minimum requirements are widened by reserving funds for undefined crises and for crisis preparedness, and by increasing the powers of the Commission in financial decisions by moving from unanimity to qualified majority voting.

introduction of sufficient new own resources (levies) so that the new own resources can be counted as future income to cover the loans. This additional income implies that it is the EU budget, and not the member states, that comes to the rescue of indebted Member States. However, legal, there EU income goes into the general but and is not earmarked for specific expenses.

- Since the reserves in the headroom are reduced, the EU will likely have to revert more quickly to loans outside the regular MFF (demanding extra guarantees; see also the proposals for the additional €400bn crisis mechanism).
- If an additional €400 billion is allocated for crisis management, there will be significant pressure to label various events as crises.
- The loan facility also affects the balance between the public and private sectors. Normally, an indebted country would face the reality of interest rates. The EU now seems to acquire additional instruments to lower the pressure of rising interest rates on national political decisions.
- The proposed flexibility between the MFF and the annual budgets, and additional emergency funds, may well result in higher national contributions from net-payers. It will be harder to influence the allocation decisions given the transition from unanimity for the MFF to QMV for the annual programmes and additional emergency funds (for the specific Dutch debate, note that the net-receivers outnumber the net-payers).
- The proposed enlargement of Frontex is substantial. It is challenging to understand how it aligns with national border control responsibilities. It is unclear how the Frontex plans are supposed to work, and where the legal responsibility of Frontex actions takes over those of Member States.<sup>30</sup> The proposals are ambitious and sizeable while also being experimental in nature.
- Contrary to the idea that funds come from the general EU budget, the proposals suggest separate funding for the Social Climate Fund (financed through ETS2) and the Innovation Fund.
- Importantly, the (preventive) crisis management proposals also suggest that fiscal stabilisation is part of the functions of the EU by providing loans more easily and proactively, and by disciplining even those Member States that are not in excessive deficit procedure.

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30 Coninck, Joyce: Shielding Frontex: On the EU General Court's "WS and others v Frontex", VerfBlog, 2023/9/09. <https://verfassungsblog.de/shielding-frontex/>.

The MFF proposals influence the positional powers of the EP and Commission in several ways.<sup>31</sup>

- The flexible planning of the funds over the 7-years period reduces the power of the Member States to determine the allocation in the MFF regulation (unanimity in the Council and consent of the EP) and increases the power of the EP because the annual budget negotiations will become more important (adopted by Council -with QMV- and the EP).
- The Commission monitors and negotiates with the Member States over plans and achievements (NRPPs). As in the current situation in the RRF, it has ample room to approve pay-outs, given the multitude of indicators that still exist and the difficulties in assessing outputs.
- The enlarged funds for Horizon Europe, the European Competitiveness Fund, and the Connecting Europe Facility (CEF) fall under the direct management of the EU Commission. With direct management, the Commission handles the grants with only limited involvement of Member States (advisory procedure). The *reduction* of the shared management funds (mainly CAP and Cohesion) under Heading 1, and the *increase* of the direct management under Heading 2 (Competitiveness) and Heading 3 (external relations – including managing the readmittance of migrants to third countries), imply more discretion for the Commission in, among others, industrial policy and foreign policy.<sup>32</sup>
- The Commission proposes extra finances in the form of loans (Catalyst EU fund in case Member States want to invest more in competitiveness, agriculture or other items under Heading 1) and the Commission manages €100bn for Ukraine outside the MFF.

In summary, the Commission will gain more control over funds and over emergency allocations with limited oversight from Member States compared to the current framework. The proposals include provisions that would allow the Commission to award grants to European companies and to support investments abroad that align with the EU's strategic interests without competitive tendering. This shift toward an investment-driven approach enhances the Commission's ability to prioritise projects that advance EU geopolitical and economic

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31 On the other hand, the 2028–2034 MFF proposals represents a major shift toward broader shared management by extending it to new areas like migration, security, and fisheries, beyond the traditional cohesion and agriculture domains. While the CAP reduction lowers the relative share of shared management (from 60% to 43%). On balance, the absolute funding and policy scope under shared management remain substantial due to the inclusion of additional funds and the larger MFF budget.

32 Member States keep a veto in spending on defence industry.

objectives, such as strengthening the export potential of EU companies. Conflicts of interest between the Commission and Member States are easily imagined, for example, where it concerns the (not) granting of support to companies investing in specific countries outside the EU.

Another covert development not addressed here involves the extent to which public interventions are affecting market mechanisms. For instance, there is growing EU influence on housing markets, an increasing attention to crisis management measures like insurance against floods or wildfires, and a tendency towards derisking of private investments.

## 7 Conclusions

Reform of the MFF is long overdue. The Commission proposals are ambitious, focusing on conditionality, flexibility (agility), simplification (fewer indicators), new priorities, and aiming for more value for money (FNLC). However, the Commission left out an analysis of why the MFF and the RFF have struggled to deliver so far. As a result, in its current shape, the proposed reforms may turn out to be *plus ça change, plus c'est la même chose* – or worse given the tendency towards integration by stealth and adding funding and loans.

Key issues in the current MFF and RFF are unreliable cost and results accounting, lack of transparency, and political bias in project evaluation and payments. The presented search for fewer but better indicators will struggle to become successful without independent national systems for auditing costs and results, without reshaping the current auditing system in the EU commission into an independent agency, and without redesigning and devolving the functions of the ECA. As it stands, the MFF and RRF suffer from deficits in multilevel governance and good governance by lacking decentralisation (subsidiarity) and proper checks and balances. The proposals typically focus on reprogramming the MFF and do not address how to repair the existing shortcomings in multilevel budget management. The proposed increased flexibility and indicator-based system of milestones and targets will demand major reforms. ‘Simplification’ is much more demanding than the current Commission MFF proposals appear to assume.

What is now needed is a management audit of the MFF. Inspiration for such exercise can be gained from EU policies where monitoring and enforcement are successful. Governance reform is needed due to the Commission’s centralised role and insufficient checks, balances, and transparency in its monitoring and reporting, which remain with the DGs. Similarly, there is no independent and transparent system for auditing efficiency and effectiveness in the member states. Importantly, the MFF and RRF are not organised as a network-based system of first- and second-line control.

Achieving a more reliable and transparent European budgetary system will be challenging due to resistance to governance reforms and changes. Furthermore, the current proposals are unlikely to improve the sometimes-mediocre national auditing systems. Similarly, it is unlikely that national Supreme Audit Institutions

that are close to national conditions, preferences and results will take over tasks that are now performed by the ECA. No set of indicators can offer a balanced view on efficiency and results without the careful weighing of outcomes of national SAIs. The ECA should be reformed into the supervisor of new networks to be created around national audit authorities and around the Supreme Audit Institutions. SAIs, for their part, would need to be able and willing to function as co-auditors. Empowering and coordinating national bodies would make the ECA an auditor comparable to second-line controllers (controlling the quality of national controllers) as exists in other EU policy areas.

The Financing Not Linked to Costs will make the earlier suggestions for annual national reports on cost accounting even more relevant to consider. So far, member states have avoided publishing national reports of EU spending.

These suggestions for reform are bound to meet considerable resistance from the Commission, the ECA and the member states.

The conclusion that the EU's budgetary system suffers from multiple governance deficits is also important considering the possible shifts in the EU's competencies embedded in the MFF proposals. The current ambitions relate to additional loan mechanisms (resembling a continuation of the one-off RFF) and strengthening the EU's role in areas that traditionally fall outside the scope of the EU's competencies, such as economic governance, crisis management, housing, and social policy. Mission creep may not reflect well in public debates about the EU's legitimacy. However, integration by stealth as such is not a point of concern in this Policy Brief. What matters above all is that EU spending delivers EU added value, and that the legality, efficiency and effectiveness of spending is independently accounted for. The existing weak governance structures appear unable to provide a solid foundation for a more legitimate and productive MFF.

# Annexe 1

## Selection of (governance) weaknesses in the current MFF and RRF<sup>33</sup>

### **Lack of convincing results and EU added value from the MFF and RRF.**

This is also underlined by the €800bn Reform and Resilience Fund (RRF) that was supposed to stimulate growth so that increasing GNI contributions could be used for repayments. However, growth has remained slow, and the RRF's contribution to EU growth is hard to establish.<sup>34</sup> Similarly, the cohesion funds have failed to convince for decades, just as earlier investment support programmes such as EFS. **Poor national and regional institutional capacities** are the main explanation for disappointing economic growth (and this implies that little effect can be expected from EU investments).<sup>35</sup> Moreover, EU spending has **indirect effects** as can be seen in, for example, CAP where the hectare payments (lump-sum) are incorporated in the land price. ECA's criticism of the earlier EU innovation programme (European Strategic Programme for Research in Information Technology (ESPRIT)) concerned its **bureaucratic** inefficiencies and **limited market-oriented** outcomes.<sup>36</sup> Taken together, we see many attempts to reform programmes, while establishing the added value has remained problematic.

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33 For references, see footnote 5 and the ECA reports listed in Schout 2024.

34 See also the ECA studies on deficiencies of RRF projects and project management, *supra*.

35 The cohesion funds are mainly grants while the EFSI consists of loans, guarantees and investments, see also ECA (2025), *The European Fund for Strategic Investments*, Special Report, [SR 07/2025](#) (paragraph 08, figure 3 and paragraph 86).

36 ECA, Special Report No 6/1993 concerning the European research and development programmes in the field of information technology (the ESPRIT programmes).

### **Additional governance-related explanations for the lack of results (effectiveness):**

- **Indicators:** Overload and competing indicators, lack of ambition in formulating objectives (preference in member states for low-hanging fruit), focus on spending rather than results, and the results of EU spending have remained hard to establish despite earlier tinkering with indicators.
- Lack of national **ownership** for the quality of EU spending.
- Earlier attempts to introduce **performance pay (now termed ‘FNLC’) failed**. Given the multitude of indicators and criteria, the Commission and member states have ample room to bargain over the achievements. Moreover, it can be dangerous to the stability of the eurozone if governments invest large sums but do not get their costs covered due to underperformance in terms of miles or targets. Poor **independent assessment** of results and untransparent reporting allow for negotiations behind the scenes.
- **The politicised ways of working and the fact that the Commission has not outsourced essential planning and control functions.** Relatedly, the Commission tends to **overestimate results**,<sup>37</sup> to underestimate problems with the legality of spending, and to rely on data from member states that is “not fully reliable” (40% of the quality checks on the quality of data receive an initial negative opinion).<sup>38</sup>
- The EU suffers from **underdeveloped first- and second-order monitoring and control systems**. Member States should have a first-line of independent control and the Commission should organise networks of independent second-line control.

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37 ECA reports have been quite critical about Commission and EIB assessments and about a “positive bias” when it comes to impact of EU funds on climate change, investments, reforms, and related fault margins in spending. See for example Special Report 1/2019: *The European Fund for Strategic Investments: reliable financing, but improved controls needed*. Reasons for overestimation include the difficulties in determining whether national investments have been crowded out, or investments were initiated because funds had to be absorbed. Similar dilemmas have been discussed in relation to RRF reforms (Annual Report 2023, see also Special Report 03/2025, and for the RRF Special Report 15/2024). More information can be found in the Annual Reports, ECA Review AMPR 2022, and Special Reports (10/2021, 09/2022, 20/2023, 15/2024, 07/2025). The results from EFSI were 26% overstated (ECA 3.2025, p.17)

38 ECA (2019), [2019 annual report on performance](#), paragraph 1.42.

- The Commission **supervision of shared management expenditure lacks independence and transparency** as it is part of the policy directorates-general (assurance and audit directorate of DG Agriculture and Rural Development and the Joint Audit Directorate for DG Regional and urban policy and DG Employment, social affairs and inclusion – DAC).
- The fact that **ECA operates in a centralistic manner** prevents insights into the results of EU funds in the Member States and into the usefulness of national reforms. Results from EU spending and from reforms imposed through the EU semester and the RRF are hard to assess in the current ways of working.
- Despite examples of EU sectors where planning, monitoring and enforcement work well, the **EU lacks a monitoring and enforcement culture**, and it **lacks a culture of learning lessons from successful areas**. This makes budget reform susceptible to trial-and-error reforms and **results in reinventing wheels**. The lack of an independent monitoring culture is also visible in the functioning of the Commission’s impact assessment system and the regulatory scrutiny board (RSB), in the RRF and in the EU semester. Given its size, the EU budget is likely the area where the governance deficit is most visible (and hence threatens EU legitimacy more broadly).
- The EU budget is poorly equipped to **monitor the volume** of expenditures and outcomes given the volume of expenditures and the centralistic ways of working in the Commission and ECA.<sup>39</sup>
- **Doubts about the reliability of Commission assessments** of the performance of funds.

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39 SWD(2025) 591 final.

# Annexe 2

## The dilemma of jargon

The proposals and related discussions contain terminology that is difficult to define clearly and is challenging to implement effectively. This creates the risk of contradictions.

- **'Simplification'** may turn out to be quite complicated.
- **'Conditionality'** tends to be related to wide-ranging, overlapping and contradictory indicators, and therefore creates monitoring, enforcement problems and political difficulties.
- **'EU Public goods'** can be defined in abstract rational terms, but may in fact concern public services over which Member States differ strongly. Security or defence can be argued in terms of economies of scale and of the danger of countries free riding on others. These arguments conceal profound differences in national preferences and interests.
- **'Strategic'** focus relates to sustainable development, resilience, security, European autonomy, European infrastructure, subsidies to farmers ('food security'), and other macro-goals. It will be challenging, in the real-life conditions in the Member States, to identify whether and how the selected projects relate to EU priorities (or even to national priorities). Claims of 'strategic' should not shortcut the weighing of priorities. For example, food security may disguise an element of rent seeking because in many situations access to international markets may be a more effective and faster way to deal with scarcity.
- **'Supervision'** and related terminology ('monitoring', 'enforcement') is a term easy to use but hard to implement, particularly in a multilevel governance system. The EU has been notoriously behind in learning across sectors when it comes to designing effective supervisory systems (see the EU semester).
- **'Independent'** is a term that is easily used in official documents, but practices maybe contaminated by for example political appointments or functional dependence of finances and projects from the lead departments.
- **'Subsidiarity'**. Given the increased flexibility in national plans and the elaboration of the powers of the Commission and the EP, it will be important to clarify how the principle of subsidiarity is defined (legally, politically and

economically<sup>40</sup>) and respected. For example, pension reform is in principle not an EU competence legally. In economic terms, however, pension system can endanger financial stability in the eurozone. Politically, pensions are typically close to the heart of national voters.

- **‘Proportionality’** has a minimal or defensive definition in the Commission’s proposals: “The proposals complies with the proportionality principle in that it does not go beyond the *minimum required* to achieve the stated objectives at the European level and which is necessary for that purpose” (emphasis added). The minimal elaboration of proportionality stands in contrast with the criticism of the ECA and other reports on the lack of (reliable) result-based assessment. Put differently, proportionality can be hard to substantiate.
- National research and innovation policies lack **‘directionality’** (or **‘focus’**). One could actually argue that a limited number of collective directions is a strength with a view to focusing means. However, such a focus can be highly risky (betting on the wrong horse) and lacking the diversity and experimentalism needed in a complex, uncertain, and dynamic societies.
- **‘Pool resources’** raises important questions. Do member states fail to adequately acknowledge their mutual dependence, and what are the reasons behind their lack of awareness regarding insufficient cooperation? Is this accurately presented as an EU-wide problem or an issue for only a few member states? E.g. not all member states equally agreed on the importance of the Green Deal. Moreover, why would pooling resources be better than pluriform use of resources (policy competitions and mutual learning)?
- A more **‘modern’** performance framework: Less and better indicators, and more focussed on objectives and results. More modern does not mean that it will function better in real life. As discussed in the text above, fewer indicators may sound modern by may not be feasible when countries have different starting points or problems to deal with. Moreover, the success of modernised system still depends on the extent to which old fashioned principles of good governance are respected.

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40 Schout, A. (2022), *EU Subsidiarity as an Antidote to Centralisation and Inefficiency*, Brussels: Martens Centre. [EU Subsidiarity as an Antidote to Centralisation and Inefficiency | Martens Centre.](#)