Review
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Opportunities for the post-2027 Multiannual Financial Framework

CURIA RATIONUM

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Contents

Main messages

01 The Commission's communication "The road to the next multiannual financial framework (MFF)" ("the Communication") 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. The Communication highlights the policy challenges that the next MFF will face and provides guidance on the preparation of the MFF proposal.

02 This review is not an audit but presents our views on the main principles of the Communication. They are based on our knowledge and audit experience concerning EU budgetary revenue and expenditure. We set out opportunities for the Commission to take into account when finalising the MFF proposal and that can be considered by the European Parliament, the Council and national governments. In the second semester of 2025[1], we plan to present our views on the Commission's package of proposals for the next MFF.

03 In the Communication, the Commission notes that the European Union's (EU) budget should be more focused and have greater impact. In our view, while we do not consider the RRF a performance-based instrument, the next MFF will provide an opportunity to design a new performance measuring framework more focused on results and data reliability (see paragraphs ***09***-***12***). Additionally, we stress the opportunity to agree on a definition of EU added value and to take account of it systematically in funding decisions (see paragraphs ***13***-***15***). We also believe that there is scope to improve methodologies for estimating investment mobilization and for demonstrating additionality through EU budgetary guarantees (see paragraphs ***16***-***17***).

04 We support the Commission's intention to simplify the EU budget. However, this should not come at the expense of accountability in the use of EU funds. The integration of any new instruments within the EU budget is necessary to streamline the EU's financial landscape (see paragraphs ***18***-***22***).

05 The Commission warns that as the EU tackles the challenges posed by a series of crises, the pressure for quick and effective EU-level response mechanisms will increase. In our view, 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 (see paragraphs ***23***-***25***).

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[1] ECA 2025+ Work Programme.

06 We highlight the opportunity to strengthen the link between EU funds supporting the reform of recurring structural challenges, while taking into account national and regional specificities (see paragraphs ***26***-***27***). As regards financing not linked to costs, we refer to our extensive work on the Recovery and Resilience Facility and the lessons to be learned from its design and implementation. We identified weaknesses concerning the focus on performance, the funding of zero-cost measures, the definition of payment and eligibility conditions, 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 (see paragraphs ***28***-***31***). Our work has also identified opportunities to strengthen the principle of rule of law in the next MFF (see paragraphs ***32***-***34***).

07 The financing needs will be high if new priorities need to be financed and existing policies remain at their current expenditure levels, while meeting the increasing borrowing-related obligations. If the possibility of borrowing is considered in the next MFF, it would be important to clearly establish the financing needs and sources, mitigate risks, and prepare a repayment plan in advance. At the same time the EU's main revenue streams should be stable and simplified where possible (see paragraphs ***35***-***40***).

08 We highlight the importance of external audit to ensure proper accountability and transparency in a context where the expectations on the EU budget to deliver are high (see paragraphs ***41***-***42***).

A closer look

EU budget focus and impact

Measuring performance

09 In its Communication, the Commission notes that a stronger focus on performance has helped align EU policy objectives and its spending[2]. An EU budget with a stronger focus on performance requires a reliable measurement of results and impact. We often[3] reported on the insufficiency of information on the impact of EU action, since the performance frameworks tend to focus on outputs. Furthermore, performance data submitted by member states were not completely reliable[4].

10 The Commission stresses in its Communication that, while the EU budget has promoted horizontal priorities, such as climate action, biodiversity and gender equality, and helped develop a stronger performance framework, there is still room for improvement[5].

11 We found that the Commission Annual Management and Performance Reports were overly positive on the progress made towards mainstreaming targets[6].

12 We also identified that the extent to which cross-cutting priorities have been incorporated into the spending programmes varies significantly, with gender equality being the least integrated. Only the climate objective has specific budget targets and monitoring mechanisms, but we considered that the EU budget's contribution to climate and biodiversity was overstated[7].

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[2] The Communication, page 8.

[3] 2019, 2020 and 2021 annual reports on performance.

[4] 2023 annual report, chapter 3, paragraph 3.59.

[5] The Communication, page 9.

[6] Report on the performance of the EU budget – Status at the end of 2021, paragraph 1.43.

[7] Ibid., paragraph 2.9-2.12.

EU Added Value

13 The Commission states that the future EU budget should focus on common challenges where spending at European level generates the highest EU added value[8].

14 While the principle of subsidiarity is defined in the Treaty, there is no definition of EU added value in the current EU legislation[9]. In our opinion 01/2010, we pointed out that, to be fully effective, the concept of EU added value should be understood in the same way by all EU institutions, 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.

15 We noted that, although the Commission identified the concept of EU added value as a guiding principle in the spending review exercise for the current MFF, it did not include an assessment of the EU added value of EU programmes[10].

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

16 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 InvestEU, the successor to the European Fund for Strategic Investments (EFSI)[11].

17 Our recent audit on EFSI[12] concluded that it contributed substantially to addressing the EU's investment gap. However, the methodology used to calculate the investment mobilised had weaknesses resulting in a 26 % overestimation of the reported amount. Furthermore, the additionality of the investments the EFSI mobilised was insufficiently demonstrated.

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[8] The Communication, page 2.

[9] ECA Briefing Papers of February 2018, paragraph 33, and July 2018, paragraph 26.

[10] Ibid.

[11] The Communication, pages 7 and 8.

[12] Special report 07/2025, Executive summary, paragraph IV.

Box 1

Opportunities for a more focused budget with greater impact:

(1) Measuring performance

(a) To design a performance framework based on reliable information, that focusses on results and impact rather than outputs.

(b) To improve the reporting on mainstreaming targets in the Annual Management and Performance Report and programme statements.

(c) In case horizontal priorities are defined, to systematically set up monitoring mechanisms to track expenditure.

(2) EU added value

(a) To clearly define the concept of EU added value in the legislation and apply it consistently and systematically when allocating EU funds to programmes and initiatives.

(b) To ensure that the EU added value of EU spending is evaluated ex post.

(3) Leveraging the EU budget to increase the EU's financing capacity

(a) To improve the methodology for estimating the amount and demonstrating the additionality of the investment mobilised by EU budgetary guarantees.

EU budget simplification

18 According to the Communication, fragmentation of the EU budget, coupled with complexity and rigidity, weighs on the effectiveness of EU funding[13].

19 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.

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[13] The Communication, page 6.

Simplification of the EU budget and budgetary instruments

20 In our special report 05/2023, we highlighted that the EU's current financial landscape is a complex patchwork of various instruments, many of which were created in response to crises and therefore without adequate prior evaluation. This has led to diverse governance arrangements and in some cases inadequate public accountability arrangements.

Simplification of the rules governing EU budgetary expenditure

21 The ECA has long advocated for simpler rules, which could lead to more efficient spending, while also reducing the risk of irregularities. Our annual reports have repeatedly demonstrated that the risk of error is higher for expenditure subject to complex rules. In our special report 28/2023, we concluded that public procurement has not become simpler to administer and the related administrative burden is perceived as heavy by both, bidders and contracting authorities. Our analysis showed that current contract award procedures take significantly longer than they did ten years ago. At the same time, in our annual reports we identified irregularities in public procurement procedures as one of the main contributors to the error rate.

22 The complexity of the rules together with the late adoption of regulatory framework and operational programmes, overlapping of program periods[14] and the parallel implementation of multiple funding streams can also impede the timely absorption of EU funds. We noted previously that absorption of funds would be particularly challenging over the 2021-2027 period, following the introduction of the RRF[15]. In 2023, total payments for shared management funds under the Common Provisions Regulation accounted for only 3.2 % of the total amount of the 2021-2027 MFF. Moreover, European Agricultural Fund for Rural Development payments under the new Common Agriculture Policy, which started in 2023, showed an absorption rate of only 1 % at the end of the first year[16].

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[14] Special report 17/2018, paragraphs III, IV, 14-22.

[15] Special report 13/2024, paragraph 44.

[16] 2023 annual report, chapter 2, paragraph 2.70.

Box 2

Opportunities for simplification

(1) To ensure that the EU's financial landscape is simplified, by consolidating or including any new instruments inside the EU budget.

(2) To decrease the complexity of the management and control systems needed to manage EU funds while ensuring accountability.

(3) To simplify further the public procurement arrangements with a view to reducing the administrative burden and irregularities.

EU budget flexibility

23 In the Communication, the Commission recognises the importance of the in-built flexibilities and re-programming mechanisms as means to address the major recent crises[17].

24 It is also 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[18].

25 In a forthcoming special report, we will present our views on the flexibility mechanisms of the EU budget and provide recommendations in this area.

Box 3

Opportunities for EU budget flexibility

(1) To provide sufficient information on the flexibility needs to support decision-making for the design of the future EU MFF flexibility.

(2) To simplify the MFF flexibility framework.

[17] The Communication, pages 10 and 11.

[18] EPRS report: How flexible is the EU budget?

A budget that delivers on EU policy priorities

The European Semester and a policy-based budget

26 In the Communication, the Commission states that, in aligning policy objectives with spending priorities, the European Semester framework strengthens the impact of common EU action. According to the Commission, the newly proposed Competitiveness Coordination Tool, together with a streamlined European Semester focused on reforms and investments at national level, will form part of a mechanism to inform decisions on investments and reforms at both EU and national level[19].

27 In our special report 16/2020, we concluded that full or even substantial implementation of Country Specific Recommendations (CSRs) by member states was low. We also noted that the link to EU fund-supported reforms was not developed enough. 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 CSRs. The Commission’s assessment concluded that these plans contributed to this objective. However, we have noted previously that some important elements of the CSRs – largely related to recurring structural challenges – remained unaddressed[20]. Furthermore, in the recovery and resilience plans, we found a lack of harmonized approach in setting milestones and targets, which affected comparability across member states and posed a risk of unequal treatment[21].

Box 4

Opportunities for the European Semester

(1) To strengthen the link between EU funds supporting the reform of recurring structural challenges in member states and CSRs.

(2) To ensure that expected reforms take into account national and regional specificities while guaranteeing equal treatment of member states.

[19] The Communication, page 5.

[20] Special report 10/2025, paragraph 75.

[21] Special report 21/2022, paragraph 90.

Financing not linked to costs: the RRF experience

28 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[22]. The main instrument under this model is the RRF. Our audits revealed weaknesses regarding its design, implementation and effectiveness, as well as accountability. Our recent review of this topic[23] provided an overview of key observations arising from our work on the RRF as well as lessons for the next MFF.

29 The RRF Regulation refers to the Fund's "performance-based nature". We consider that the RRF focuses on implementation progress rather than on results and it is therefore not a performance-based instrument[24]. Furthermore, the RRF also involves the funding of zero-cost measures, which were not explicitly provided for in the legal framework[25]. They generally concern reforms that, in our view, could alternatively be promoted by setting conditionalities when funding investments[26].

30 Our work shows that the RRF does not have a sufficiently robust compliance framework and there are some challenges in ensuring the protection of the EU's financial interests[27]. Ambiguities in the RRF legal framework and vaguely defined milestones and targets led to differing interpretations when assessing their fulfilment. The Commission mainly relies on the member states' systems to prevent, detect and correct cases of serious irregularities and non-compliance with EU and national rules[28]. It nevertheless implements the RRF in direct management with the member states as beneficiaries. Furthermore, our experience with other EU spending programmes showed that the member states systems have insufficiently prevented non-compliance with EU and national rules. This constitutes a significant risk[29].

31 Traceability of funds spent is an important element for the effective protection of the EU financial interests. Except for serious irregularities, the RRF Regulation does not

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22 The Communication, page 9.

23 Review 02/2025.

24 Ibid., paragraph 11.

25 Special report 22/2024, paragraph 103 and recommendation 2.

26 Special report 15/2017, recommendation 1.

27 Review 02/2025, paragraph 15.

28 Review 02/2025, page 10.

29 Special report 07/2023, paragraph 34.

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 our view, co-financing might increase a member states or recipient’s commitment and sense of ownership[30].

Box 5

Opportunities concerning financing not linked to costs[31]

(1) To clearly link funding to results. If this is not possible, such a system should not be applied.

(2) To ensure that performance-orientation goes beyond specifying payment conditions, such as milestones and targets, and includes all elements needed for the assessment of effectiveness and efficiency.

(3) To avoid zero-cost measures and consider other alternatives, such as enabling conditions linked to reforms relevant to the investments supported.

(4) To ensure that the payment conditions are unambiguous and include compliance with EU and national rules.

(5) To clearly define the Commission and member states’ supervision and control responsibilities to ensure proper accountability, transparency and compliance with the national rules. This involves defining minimum requirements for member state controls and Commission checks before the implementation begins. This could be ensured by defining the roles and responsibilities of the member states similarly to the shared management mode, where they hold significant responsibility in securing the EU financial interests.

(6) To require full traceability of funding.

(7) To enable the recovery of funding in cases where funds provided are disproportionate to achievements or where funds have not been spent in line with EU or national rules.

[30] Review 02/2025, paragraph 78.

[31] See also review 02/2025, paragraphs 8-23.

The principle of rule of law in the EU budget

32 The Commission recognises the importance of the principle of rule of law in protecting the financial interests of the EU. It also acknowledges the need to strengthen the link between the recommendations in the Rule of Law Report and financial support under the EU budget in the next MFF[32].

33 In our special report 03/2024, we observed that the Conditionality Regulation enhanced the EU's framework for protecting its financial interests against breaches of the rule of law. However, we 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.

34 In our review 02/2024, we underscored the importance of the Rule of Law Report as a preventive tool, but identified areas for improvement, including transparency and accountability through more publicly available information on methodology and assessment. We also stressed the need for clear, actionable recommendations, as well as effective follow-up and implementation of those recommendations.

Box 6

Opportunities for strengthening the rule of law

(1) To ensure that additional protective measures address any gaps identified that undermine the effectiveness of the rule of law framework.

(2) To make more information publicly available on the rule of law reporting methodology and the Commission's assessment, to enhance transparency and accountability.

The financing of the EU budget

35 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

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[32] The Communication, pages 11-12.

own resources, deciding on new own resources, improving the collection of custom duties[33] and Value Added Tax[34] or by reprioritisation.

The challenges related to EU borrowing

36 The Communication refers to the repayment of the NextGenerationEU (NGEU) and the need for additional resources to fund an ambitious EU budget[35]. EU debt and exposure have increased significantly over the current MFF period[36], primarily due to borrowings for the NGEU instrument. 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 €25-30 billion per year. Furthermore, due to an increase in interest rates, in 2023 the Commission estimated that the additional costs of borrowing for NGEU grants in this MFF would range from €17 to 27 billion[37].

37 This will put substantial pressure on future EU budgets[38]. Any increase in borrowing requires the establishment of a sound debt management strategy and risk mitigation. In our special report 16/2023, we observed that the Commission swiftly established a debt management system for the NGEU borrowing. However, we recommended that the Commission sets clear objectives and improve performance measurement and reporting. The Commission considers that it has implemented these recommendations.

The EU's own resources

38 In its Communication, the Commission comments on modernising revenue collection for the EU budget, and its revised proposals for the Emissions Trading System (ETS) and Carbon -Border Adjustment Mechanism (CBAM) and the own resource linked to company profits in the corporate sector[39].

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[33] Special report 04/2021.

[34] Special report 08/2025.

[35] The Communication, page 12.

[36] 2023 annual report, chapter 2.

[37] Ibid.

[38] Review 02/2025, paragraphs 23.

[39] The Communication, page 12.

39 We have highlighted in the past the increasing complexity and diversification of the EU's revenue streams. 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. We have also noted the need for consolidated legislative acts for making own resources available and suggested that the Commission retain inspection powers to ensure that the CBAM-based own resource is calculated correctly and collected[40]. In light of all the changes proposed we reiterate our assessment from previous opinions regarding the complexity of the system of EU financing[41].

40 The introduction of new own resources requires a consistent legal framework and timely support to the national administrations. This is essential to ensure the reliability of both estimates and the data on which new own resources are based. In our report on the new own resource based on non-recycled plastic packaging waste, we found that member states were inadequately prepared, and the data used to calculate the own resource were insufficiently comparable and reliable.

Box 7

Opportunities concerning the financing of the EU budget

(1) EU borrowing

(a) If the possibility of borrowing is considered, to clearly establish the financing needs and sources, mitigate risks, and draw up a repayment plan in advance.

(2) Own resources

(a) To ensure that the EU's main revenue streams are stable and simplified, e.g. by means of consolidated legislative acts for making available all own resources.

(b) To strengthen the collection mechanisms for the custom duties and Value Added Tax.

(c) To ensure that the data used to calculate potential new own resources are comparable and reliable.

[40] Opinion 04/2023, paragraphs 18-22.

[41] Opinion 03/2022 paragraph 19, opinion 02/2012 paragraph 6 and opinion 02/2006 paragraph 6.

Accountability arrangements

41 Independent external audit is an essential element of ensuring transparency and accountability and improve decision making. In our special report 05/2023, we provided an overview of the instruments over which the ECA has audit rights and those over which it does not. The latter are instead subject to other public or private external audit arrangements, meaning that we are unable to perform our role of external auditor of the EU in full with the consequence that there would be no full democratic scrutiny by the European Parliament and Council.

42 The Commission and the EU legislative authorities should develop principles for effective accountability and transparency in respect of all EU finances, including full democratic oversight. It is important that the ECA's role be established clearly and with full audit rights in any legislative act governing any new instrument, facility or tool that is decided upon, whether within or outside the next MFF.

Box 8

Opportunities concerning external audit

(1) To ensure that the ECA has a clear mandate to audit all EU instruments, and that the legal framework of new instruments enables ECA to audit EU spending at all levels down to the final beneficiaries and recipients.

(2) To invite ECA to audit all bodies created through agreements outside the EU legal order to implement EU policies, with temporary board representation until legal changes allow a full audit mandate.

This review was adopted by the Court of Auditors in Luxembourg at its meeting of 5 June 2025.

For the Court of Auditors

Tony Murphy
President

Abbreviations

CBAM: Carbon border adjustment mechanism.

CSRs: Country specific recommendations.

ECA: European Court of Auditors.

EFSI: European Fund for Strategic Investments.

ETS: Emissions trading system.

EU: European Union.

MFF: Multiannual Financial Framework.

NGEU: NextGenerationEU.

RRF: Recovery and Resilience Facility.

Glossary

Additionality: Principle that EU funding, particularly through the ESI funds, must supplement national spending rather than replacing it.

Annual report: ECA annual audit report containing a statement of assurance on the reliability of the EU accounts and the regularity of underlying transactions, which the ECA is required to provide to the European Parliament and the Council in accordance with the Treaty on the Functioning of the European Union.

Budget: Statement of projected revenue and expenditure covering a fixed period.

Budgetary guarantee: Commitment to use the EU budget to compensate for any losses incurred if a beneficiary fails to meet its obligations, such as by defaulting on a loan.

Conditionality Regulation: Regulation setting out rules to protect the EU budget from breaches of the rule of law in member states.

Country specific recommendations: Annual guidance which the Commission issues, as part of the European Semester, to individual member states on their macroeconomic, budgetary and structural policies.

EU added value: Additional value generated by EU action compared with member state action alone.

European Fund for Strategic Investments: Support mechanism launched by the EIB and the Commission, as part of the Investment Plan for Europe, to mobilise private investment in projects of strategic importance for the EU.

European Semester: Annual cycle which provides a framework for coordinating the economic policies of EU member states and monitoring progress.

InvestEU: Mechanism to mobilise private investment in projects of strategic importance for the EU. Succeeded the European Fund for Strategic Investments in 2021.

Mainstreaming: Systematically taking account of specific priorities (e.g. gender equality, climate protection) in all policy making and implementation.

Multiannual financial framework: The EU's spending plan setting priorities (based on policy objectives) and ceilings, generally for 7 years. It provides the structure within which annual EU budgets are set, limiting spending for each category of expenditure.

NextGenerationEU: Funding package to help EU member states recover from the economic and social impact of the COVID-19 pandemic.

Recovery and Resilience Facility: The EU's financial support mechanism to mitigate the economic and social impact of the COVID-19 pandemic and stimulate recovery, and meet the challenges of a greener and more digital future.

ECA team

This review was carried out by Chamber V, headed by ECA Member Jan Gregor. The task was led by ECA Member Jan Gregor, supported by Werner Vlasselaer, Head of Private Office and Radka Papouskova, Private Office Attaché; Paul Sime, Principal Manager; Leonidas Tsonakas, Head of Task; Slobodan Dimitrovski, and Kimberly Galea. Cathryn Lindsay provided linguistic support. Valérie Tempez provided the secretarial assistance.

From left to right: Werner Vlasselaer, Paul Sime, Radka Papouskova, Leonidas Tsonakas, Valérie Tempez, Jan Gregor, Kimberly Galea and Slobodan Dimitrovski.

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The Commission's communication "The road to the next multiannual financial framework (MFF)" is a pivotal document for shaping the post-2027 MFF. It outlines the policy challenges and provides guidance for the upcoming MFF proposal, which is expected in July 2025. This review is structured around the main themes of the Communication. We identify opportunities based on our knowledge and audit experience concerning EU budgetary revenue and expenditure. Our aim is to contribute to the ongoing debate on the next long-term EU budget.

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