

**renew europe.**

# A TRULY **EUROPEAN BUDGET**

Guiding principles for the next MFF

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\*Renew Europe's guiding principles for the next MFF\*

Ahead of the publication of the next EU long-term budget by the Commission, the Renew Europe group warns against attempts to renationalise the Union's budget and calls instead for a leap towards a true Europeanisation of the budget. The next European budget must be more European, not less. Renew Europe wants the EU budget to be:

- 1. More European in its shape.** The Commission plans to nationalise the EU budget. Each Member State would come up with “national plans” and milestones to achieve -- and get money accordingly. It might appear like sound management, but it is politically flawed. With national plans, each Member state will be tempted to pull its own way, with its own projects, favouring their own national priorities, losing sight of EU-added value, and risking the integrity of the European fabric. We do support a reform incentivising budget with clear commitment and targets and competitiveness mainstreaming at its heart, as long as it stays European in its philosophy and functioning. To achieve that we favour a transparent structure with strong parliamentary oversight for our budget.
- 2. More European in its objectives.** The EU budget is a collective tool and must serve EU objectives, not national ones. When we set up the Recovery and Resilience Facility we created a European borrowing instrument, but its proceeds went to national credit lines. We must move away from that logic. The EU budget must fund EU public goods such as cross-borders infrastructures, security, food sovereignty, health preparedness, joint defence action or crisis prevention and preparedness, climate adaptation, mitigation, and resilience as well as and biodiversity protection. We call for climate and biodiversity mainstreaming in line with 2030 objectives. The EU budget must fund what national budgets have no natural incentive to, such as distribution and transmission electricity grids connecting European countries through a new and improved “Connecting Europe Facility for Energy” funding instrument. The EU budget must fund what national budgets will not do as efficiently, such as EU-wide research, youth mobility and cooperation projects which improve our competitiveness. Cutting down on the waste caused by 27-fold duplication is the best way to manage taxpayers’ money. Funds should also be allocated more strongly in accordance to strategic priorities. A truly European budget, investing in sovereignty-critical sectors, should also allow us to be more resilient and become strategically autonomous. The EU budget must fund intra-European solidarity, which is at the core of the European project.
- 3. More European in its response to common challenges.** Consider the biggest challenge ahead of us: security and defence. The next EU budget must reflect our unwavering commitment to supporting Ukraine in its fight for freedom - for as long as it takes. But we must give ourselves the means to become the arsenal of democracy. We advocate for a clear roadmap towards financing common European defence and security expenditures through the EU budget. We think a time-limited, short-term measure to frontload defence and security investments can be achieved through the possibility of issuing European

Defence Bonds to fund genuine joint European defence projects. This needs to be done with a clear and fair financing mechanism, while ensuring the efficiency of EU-expenditure. But defence and security are not the only challenges we face. If Europe wants to keep its place in tomorrow's world, it needs to regain its competitive edge. We support the creation of a Competitiveness Fund that will bolster companies and projects with European added value. The Fund must provide for various financing tools tailored to the maturity stage of companies and streamline as well as accelerate their financing journey. These tools must include guarantees and involve institutional investors to better mobilise EU savings, including by scaling up but also offer grants. The Competitiveness Fund should have rules applying to all current programs under its realm. It should not be designed at the expense of existing programmes or other EU priorities by merging non-competitiveness related funds but be an add-on. Competitiveness is not just another programme. It's an existential challenge.

4. **More European in its financing.** Our budget must be consequential. While Member States continue giving the EU more responsibilities, from migration to the handling of the COVID-19 pandemic, climate disasters or security concerns, the additional resources needed to handle these responsibilities do not follow. We cannot demand the outcome without the giving the means. We risk creating expectations in the eyes of citizens but run the risk of not meeting them. New missions given to the EU must be matched with adequate resources from Member States. The EU budget relies on direct transfers from Member States. To lower Europe's dependency on those contributions, we need to increase the stream of European revenues to balance the budget. That does not mean taxing our citizens, increasing tax rates or simply diverting revenue from the Member States' budgets, but finding stable own resources with a clear link to EU policies. We need a clear, fair and transparent financing mechanism that ensures accountability in how EU funds are raised and spent so citizens can see EU funds are managed responsibly.
5. **More European in its values.** The EU budget must uphold and promote the values of freedom, democracy and equality. Our values must reach every corner within the EU, and the European budget must actively promote democracy and the rule of law via sufficient funding for the CERV programme, the "Democracy Shield" and a strengthened EU's anti-fraud system, including support for bodies like EPPO. EU funds must never go to autocrats and their cronies. Freezing funds to illiberal governments has proven to work. We need to continue on this track and systematically condition the release of EU funds to the respect of EU values, the rule of law and the Charter of Fundamental Rights. But "Rule of law conditionality" must be smart. Citizens must not be punished for the bad deeds of their governments. The Commission has to find ways to bypass illiberal authorities and directly fund honest and deserving project holders. Our values must also shine outside the EU too. We must also use our budget to entice researchers to come to Europe as academic freedom is increasingly threatened by anti-science belief and obscurantism. We must also step up sustainable third country investment in cooperation with the private sector alongside our humanitarian aid effort as the Trump administration is undermining USAID and leaving the world's most vulnerable on their own. sustainable third country investment in cooperation with the private sector. The EU has to intensify development cooperation efforts and at the same time ensure that its partnerships with third countries

are mutually beneficial to enforce the Union's geopolitical interests. Finally, the EU budget must strengthen equality among citizens - with a special focus on women and minorities - both in the EU and across the world.

6. **And more European-friendly.** The next European budget must be prepared with Europeans in mind. Access to funds and the application procession must be simpler and it should not benefit a small number of recipients. Too many small farmers and small businesses give up on EU funds because they do not speak the language of bureaucracy. That needs to change. Administrative requirements and controls must stick to the principle of proportionality. We also need to communicate better on funding availability. The budget must be agile. When a crisis hits, we cannot tell Europeans "It is not the right budget line". Europeans want results. Our budget must be able to respond to needs as they arise, and Parliament must have scrutiny oversight as it is their prerogative as budgetary co-legislator. We must reinforce trust in the Union by delivering visible, tangible results in people's daily lives, especially in regions where hope in Europe is fading away. Our citizens must have the right to stay and not feel left behind. Otherwise, we create fertile ground for Euroscepticism.

Too often, European successes go unnoticed because they are hidden behind unintelligible jargon and institutional complexity. The EU must do a better job at communicating what it delivers. We believe that if the European budget becomes truly European, it will become more visible. Across our cities and regions, we want people to be able to look at the EU budget's projects and achievements and say, "this is Europe".



