

# Mega-Funds, Mega-Problems – What Could the EU’s New Budget Plan Mean for Central Europe?



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## **MEGA-FUNDS, MEGA-PROBLEMS – WHAT COULD THE EU’S NEW BUDGET PLAN MEAN FOR CENTRAL EUROPE?**

The European Commission’s new budget proposal for the 2028–2034 period would bring a radical change to cohesion policy: the long-standing separate funds—including cohesion, agricultural, fisheries, and social subsidies—would be merged into a single “mega-fund.” According to the Commission, this would result in simplification and a more efficient allocation of resources, while critics argue that it could spark fierce competition among different stakeholders—primarily farmers, municipalities, and regions—for funding. The change would fundamentally affect the long-established model in which local authorities had a say in the planning and use of resources. In a centralized, top-down system, the role of member states and regions would be significantly reduced, potentially leading to a serious democratic deficit. Although the proposal includes a safety net for the poorest regions, support for the intermediate categories would grow precarious. This means that the less developed—though not the poorest—areas could easily be sidelined. The essence of the reform is a strong centralization that amplifies political battles over EU resource allocation while weakening the autonomy of the regions. A key issue in the negotiations will be whether safeguards can be built into the system to ensure a predictable and fair distribution of cohesion funds, or whether the new model will indeed become an arena for “competition over the common pot,” putting Central European regions at a disadvantage in several ways.

The current EU budget (2021–2027) provides more than €370 billion for agricultural subsidies under the Common Agricultural Policy (CAP),<sup>1</sup> as well as €392 billion for structural funds,<sup>2</sup> from which all Central European countries receive substantial resources. The CAP has long been at the center of debate, primarily due to the unequal distribution of subsidies (20 percent of producers

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1 “CAP Funds,” European Commission, accessed November 15, 2025, [https://agriculture.ec.europa.eu/common-agricultural-policy/financing-cap/cap-funds\\_en](https://agriculture.ec.europa.eu/common-agricultural-policy/financing-cap/cap-funds_en).

2 “Available Budget,” European Commission, accessed November 15, 2025, [https://ec.europa.eu/regional\\_policy/funding/available-budget\\_en](https://ec.europa.eu/regional_policy/funding/available-budget_en).

receive 80 percent of the funds)<sup>3</sup> and efficiency problems (farmers' incomes can lag up to 40 percent behind the EU average). Although CAP reform was placed on the agenda during the Hungarian presidency of the Council of the European Union, no meaningful progress has been made in Brussels since then.<sup>4</sup>

In the current 2021–2027 period, the CAP budget amounts to €386.6 billion, while at least €300 billion would be allocated for the 2028–2034 period.<sup>5</sup> This represents a nominal decrease of up to €87 billion, a reduction of 22.5 percent. However, since it is not yet clear how the funds would be distributed exactly, it remains uncertain whether direct payments would actually decrease; if investment-related objectives are treated separately, the level of direct subsidies may remain unchanged.

## **BRUSSELS CENTRALIZES, THE REGION PAYS: CZECH AND SLOVAK CONCERNS ABOUT THE NEW EU BUDGET**

In both the Czech Republic and Slovakia, the issue of agricultural subsidies and the creation of the “mega-fund” have sparked criticism. The Commission has also been criticized for preparing the plan without open consultations, which further reduces the transparency of the already complex Brussels decision-making process.<sup>6</sup> Beyond farmers, politicians and the business sector are also dissatisfied with the direction outlined by the Commission in the proposal. According to the Czech Agricultural Association, the new budget plan is disappointing, as farmers expected valorization but received funding cuts instead. EU subsidies are shrinking precisely at a time when farmers' rising costs—driven by stricter environmental, animal welfare, and bureaucratic requirements—need to be offset. This could lead to higher food prices and ultimately benefit importers from third countries rather than European producers.<sup>7</sup>

3 “CAP Support,” European Commission, accessed November 15, 2025, [https://agriculture.ec.europa.eu/common-agricultural-policy/cap-overview/answers-questions-cap/cap-support\\_en](https://agriculture.ec.europa.eu/common-agricultural-policy/cap-overview/answers-questions-cap/cap-support_en)

4 Maria Simon Arboleas, “Hungarian presidency to make last-ditch attempt to adopt conclusions on future CAP,” *Euractiv*, December 3, 2024, <https://www.euractiv.com/news/hungarian-presidency-to-make-last-ditch-attempt-to-adopt-conclusions-on-future-cap/>.

5 “Questions and Answers: CAP Post-2027 Proposal,” European Commission, accessed November 15, 2025, [https://agriculture.ec.europa.eu/media/news/questions-and-answers-cap-post-2027-proposal-2025-07-23\\_en](https://agriculture.ec.europa.eu/media/news/questions-and-answers-cap-post-2027-proposal-2025-07-23_en).

6 Štěpán Svoboda and Jan Brož, “Více peněz na obranu, méně pro zemědělce — a nová daň pro firmy: EU představila návrh dvoubilionového rozpočtu” [More Money for Defense, Less for Farmers — And a New Tax for Companies: EU Presents Two-Trillion-Euro Budget Proposal], *Hospodářské noviny*, July 17, 2025, <https://archiv.hn.cz/cl-67763050-vice-penez-na-obranu-mene-pro-zemedelce-a-nova-dan-pro-firmy-eu-predstavila-navrh-dvoubilionoveho-rozpoctu>.

7 Svoboda and Brož, “More Money for Defense, Less for Farmers.”

The Czech Republic is fundamentally open to moderately increasing the EU's next multiannual financial framework but remains cautious about changes on the revenue side: The outgoing Fiala government treated the introduction of new EU “own resources” with reservations, and the STAN party continues to strongly oppose it.<sup>8</sup> It firmly insisted on maintaining a separate CAP and approached deep reforms of cohesion policy with caution. It was also reserved regarding payments granted in exchange for reforms, as it did not support giving reforms a more prominent role. The Czech Republic likewise opposed reductions in cohesion funds.<sup>9</sup> Andrej Babiš, the leader of the ANO movement and likely a future prime minister, sharply rejected the European Commission's proposal and clarified the principles he intends to prioritize during the upcoming negotiations. He considers the preservation of national sovereignty to be of paramount importance: His coalition demands the “reclaiming” of decision-making powers from Brussels and questions the EU's right to impose binding legislation in areas affecting member states' social or economic policies. Babiš— together with his two coalition partners—is also a firm critic of the current form of the Green Deal, which he considers unsustainable, and therefore calls for a comprehensive review. He particularly opposes extending the emissions trading system to buildings and transport (ETS2), arguing that it would impose a disproportionate burden on households.<sup>10</sup>

The largest Czech parties describe the budget plan as “prepared in secret” and “wasteful.” A major point of criticism is the lack of transparency: According to Veronika Vrecionová (ODS), the Commission kept everything under wraps until the last moment despite publicly proclaiming the importance of transparency. The timing of the proposal is also considered politically unfortunate. Alena Schillerová (ANO) called the draft alarming, arguing that it would give the Commission excessive power while imposing additional bureaucratic burdens on member states. There is serious concern that the EU, having taken on debt under the Next Generation EU program, is now seeking new revenue sources. According to Alexandr Vondra (ODS, ECR), the revenue side of the budget is unjustifiably inflated, and the new “own resources” are in fact new EU taxes, the most harmful of which would be the proposed profits tax on large corporations. The EU intends to levy around eight billion Czech crowns annually from excise duties directly for the EU budget. In addition, the Commission would require

8 “European Parliament: Leyenová Budget,” *iDNES.cz*. October 30, 2025, [https://www.idnes.cz/zpravky/domaci/evropsky-parlament-leyenova-rozpocet.A251030\\_200133\\_domaci\\_rtn](https://www.idnes.cz/zpravky/domaci/evropsky-parlament-leyenova-rozpocet.A251030_200133_domaci_rtn).

9 Jacob Wulff Wold and Nikolaus J. Kurmayer, “What the EU-27 Wants from the Next Budget,” *Euractiv*, July 14, 2025, <https://www.euractiv.com/news/what-the-eu-27-wants-from-the-next-budget/>.

10 Monika Brusenbauch Meislová, “What Andrej Babiš's Return Means for the EU,” *UK in a Changing Europe*, November 12, 2025, <https://ukandeu.ac.uk/what-andrej-babiss-return-means-for-the-eu/>.

member states to impose a precisely defined level of tax on nicotine products, which critics view as a severe restriction of national sovereignty.<sup>11</sup>

Slovakia, by contrast, has not yet formed a position on several key issues such as increasing the overall size of the budget and introducing new own resources. However, it firmly opposes the centralization of cohesion policy and insists on maintaining it as an independent, dedicated EU policy. It does, however, support funding provided in exchange for reforms: Slovakia backs the modernization of cohesion policy and considers it important to strengthen the link between cohesion and the European Semester. It rejects cuts to cohesion funding and believes that cohesion should remain a major European investment policy with an adequate budget.<sup>12</sup>

According to Slovak positions, the current draft of the multiannual financial framework attempts to achieve too many objectives with limited resources, while the real needs of the regions are pushed into the background. Slovak MEPs argue that the allocation of funds should primarily be directed toward areas where the population's need for support is greatest. Since this principle was not reflected in the European Commission's original proposal, the European Parliament pressed for amendments. Although some concessions have been made, their extent cannot yet be considered significant progress, suggesting that the budget debate still contains considerable potential for further tensions. One key element of Slovak criticism is that the Commission's understanding of its own role has shifted too far toward centralization. While they welcome the promise of increased agricultural funding, they also point out that the origin of these resources is unclear, and that the Commission is pushing for the merger of funds in a way that would weaken the European Parliament's decision-making powers. This criticism goes beyond agricultural policy: Some Slovak MEPs fear that the Commission is circumventing the European Parliament in the joint decision-making process on the EU budget by channeling a significant portion of the money into areas where decisions would be made exclusively by the Commission.

From the EPP side, Lexmann is calling for the decentralization of the budget, arguing that direct access to funds for the regions would lead to a more efficient use of resources. In her view, the Commission's concessions so far are insufficient, and the MFF should focus exclusively on areas that truly fall within EU competences—economic growth, competitiveness, social objectives, and

11 “Rostoucí výdaje a nové daně! Návrh rozpočtu EU schytl kritiku zprava i zleva” [Rising Spending and New Taxes! EU Budget Proposal Criticized from Both Sides], *Ekonomický Deník*, July 17, 2025, <https://eko-nomickydenik.cz/rozmarile-vydaje-a-nove-dane-pro-evropany-navrh-rozpocetu/>.

12 Jacob Wulff Wold and Nikolaus J. Kurmayer, “What the EU-27 Wants from the Next Budget.”

security—while avoiding the financing of ideologically motivated program elements. Slovak representatives also criticize the planned increase in military spending, which they consider not only disproportionate but also contrary to the EU’s foundational principles, as public funds would effectively become profits for multinational corporations. Overall, the core of the debate concerns who should decide on the allocation of EU funds, the extent of control, and which areas should be prioritized. The current proposal is overly centralized, its priorities are vague, and there is a risk that resources will not be used in line with societal needs.<sup>13</sup> Another objection raised by both the Czech Republic and Slovakia is that the use of funds often does not serve forward-looking strategic investments but is instead directed at plugging budget deficits, while the support system itself remains complex and excessively bureaucratic. The artificial restriction of access to funds for the business sector is also problematic, as it eliminates the opportunity for broader economic modernization.<sup>14</sup>

Another critical point is that despite the enormous €1.82 billion budget, only a limited amount of funding is allocated to achieving energy infrastructure independence and supporting socially vulnerable groups—those most affected by the shift away from fossil fuels. This issue is highly relevant for both Slovakia and the Czech Republic. Slovakia needs affordable energy to overcome economic difficulties and stimulate investment. In the Czech case, however, merging the separate funds dedicated to decarbonization and a just transition into a single common fund could weaken support for structurally disadvantaged regions—such as areas tied to coal mining—potentially slowing their development.

There have also been some positive reactions to the new EU budget proposal: For example, Czech EU Commissioner Jozef Síkela expressed satisfaction with it. His portfolio, the Global Europe program, will receive a €215 billion allocation, intended to support EU enlargement as well as development and humanitarian assistance. According to Síkela, amid dramatic global changes, Europe needs a strong geopolitical instrument, and it must play an increasingly prominent role on the international stage in the future. He believes the program will provide a solid foundation for achieving this.<sup>15</sup>

13 “Slovenskí europoslanci nepovažujú rozpočtové ústupky Európskej komisie za dostatočné” [Slovak MEPs Do Not Consider the European Commission’s Budget Concessions Sufficient], *HNonline*, November 13, 2025, <https://hnonline.sk/finweb/ekonomika/96245437-slovenski-europoslanci-nepovazuju-rozpocetove-ustupky-eu-ropskej-komisie-za-dostatocne>.

14 “Raši v Bruseli rokoval s Metsolovou, témami boli eurofondy, REPowerEU aj emisné povolenky” [Raši Held Talks with Metsolová in Brussels on the Topics of Eurofunds, REPowerEU, and Emission Allowances], *HNonline*, November 6, 2025, <https://hnonline.sk/finweb/zahranicna-ekonomika/96244251-rasi-v-bruse-li-rokoval-s-metsolovou-temami-boli-eurofondy-repowereu-aj-emisne-povolenky>.

15 “Síkela: Rozpočet EU pomůže Evropě získat suroviny a omezit migraci” [Síkela: EU Budget Will Help Europe Obtain Raw Materials and Limit Migration], *Euractiv*, July 17, 2025, <https://euractiv.cz/section/evropske-finance/news/sikela-rozpocet-eu-pomuze-evrope-ziskat-suroviny-a-omezit-migraci/>.

## FINANCIAL PACKAGE OR POLITICAL WEAPON? WHAT DOES POLAND LOSE WITH THE BUDGET PLAN?

According to the proposal, Poland's national allotment will amount to €123.3 billion. Under the new budget, the country is expected to receive €10.7 billion more than it received from the current one (2021–2027). This means that, on average, about €1.5 billion more would flow into the Polish economy each year. However, these are nominal figures, since the purchasing power of a euro is currently around 20 percent less than at the beginning of the present budget period in 2021. What appears to be more today is in reality less: The budgets for both cohesion policy and the Common Agricultural Policy are decreasing—the latter significantly. (Of course, this can also be interpreted as a sign that the country is visibly developing thanks to structural funds, so the Commission, whose goal is to equalize competitive conditions, is becoming less generous toward Poland.)

The Polish government's opinion is unequivocally positive: It considers the proposal a historic success, with Poland being the biggest beneficiary and receiving a record amount—meaning that, in their view, there is really no room for debate.<sup>16</sup> All this is presented as the merit of the government and its politicians—including Piotr Serafin, who became the commissioner responsible for budget and administration thanks to the support of the prime minister and the governing parties. Poland has in fact been the biggest beneficiary in every successive financial framework, as it is a relatively large country but does not yet reach the level of development of the EU's leading states. Regarding the budget, instead of focusing on the concrete figures, the critical press highlighted other aspects, mainly tax-related issues. The pro-government daily *Rzeczpospolita* pointed out two important considerations. First, Poland will have to give up several valuable prerogatives that previously fell within the competence of national governments or parliaments. For example, the new EU excise duty directive states that the setting of excise tax rates will be the responsibility of the European Commission rather than the member states. In Poland's case, the new EU budget seeks to “compensate” for this former fiscal sovereignty with an additional €1.5 billion per year. Instead of analyzing the specific amounts, the newspaper highlights another perspective: Access to the single market brings Poland greater benefits than EU funds themselves. Poland's gains from the EU market are five times larger than the net inflow of transfers from the EU budget. According to *Rzeczpospolita*, the advantages of

16 Michał Olech, “Nowy budżet UE to sukces rządu” [New EU Budget is a Success for the Government], *300polityka*, July 17, 2025, <https://300polityka.pl/pl/live/2025-07-17/sikorski-nowy-budzet-ue-to-sukces-rzadu>.

intra-EU trade could be even greater if the remaining non-tariff barriers were removed. According to IMF estimates, in the case of goods these barriers are so high that they correspond to a 44 percent tariff, and they are even higher for services (110 percent).<sup>17</sup> Compared with these barriers, the 15 percent tariff applied to exports from the EU to the United States can be considered moderate.

The introduction of new types of taxes has sparked concern in Poland regardless of political orientation.<sup>18</sup> The revised draft of the EU excise duty directive contains new provisions that effectively strip member states of their tax sovereignty, as they allow the European Commission to set tax rates without requiring unanimous approval from the member states—something unprecedented in the field of tax law. The Commission would thus wield real influence over the shaping of national budgets, which could result in this tool being used for political pressure as well.

The reaction of the opposition parties—regardless of whether they have previously been in power—touches on several key sensitive points. One of these is the rule-of-law criterion: According to Mariusz Błaszczak, the vice president of the Law and Justice party and former minister of defense, this is nothing more than a basis for blackmail—a tool to force resistant member states to introduce ideological reforms important to Brussels (such as joining the migration pact, allowing same-sex marriage, etc.).<sup>19</sup>

The other key issue is national sovereignty. Krzysztof Bosak, leader of the Confederation, argues that it would be better to have less money in the MFF than for the Union to go further into debt.<sup>20</sup> The current situation is exactly the opposite: The enormous loans taken out after the pandemic (and the support provided to Ukraine) must now be repaid. Regarding the budget, Bosak demands greater influence for national governments; without this, they can only play the role of local agencies executing the European Commission’s decisions.

17 Marcin Zieliński, “Ukryte pułapki nowego budżetu UE dla Polski” [The Hidden Pitfalls of the New EU Budget for Poland], *Rzeczpospolita*, August 14, 2025, <https://www.rp.pl/opinie-ekonomiczne/art42853681-marcin-zielinski-ukryte-pulapki-nowego-budzetu-ue-dla-polski>.

18 Krzysztof Przybył, “Zasoby własne Unii Europejskiej – dlaczego o nich nie dyskutujemy?” [The European Union’s Own Resources – Why Aren’t We Discussing Them?], *Salon24*, August 8, 2025, <https://www.salon24.pl/u/krzysztofprzybyl/1457193,zasoby-wlasne-unii-europejskiej-dlaczego-o-nich-nie-dyskutujemy>.

19 “Politycy PiS krytycznie o propozycji budżetu UE. ‘Najgorszy z punktu widzenia Polski’” [PiS Politicians Critical of EU Budget Proposal. “The worst from Poland’s point of view”], *Polska Agencja Prasowa*, July 17, 2025, <https://www.pap.pl/aktualnosci/politycy-pis-krytycznie-o-propozycji-budzetu-ue-najgorszy-z-punktu-widzenia-polski>.

20 Krzysztof Bosak, “Budżet UE i miliardy dla Polski. Bosak wskazuje zagrożenia” [EU Budget and Billions for Poland. Bosak Points Out the Risks], moderated by Grzegorz Osiecki, radio program, July 18, 2025, posted July 18, 2025, by Polskie Radio 24, YouTube, 30 minutes, 54 seconds, <https://www.youtube.com/watch?v=8U9YNfteozM>.

The third issue—reflecting Europe’s significant lag behind China and the United States—concerns the greatly expanded budget for digitalization and the introduction of modern technologies. According to former Prime Minister Mateusz Morawiecki, although the new budget allocates enormous resources to innovation, it has been designed in a way that leaves nothing for Poland.<sup>21</sup> It favors companies from countries with a higher level of technological development, effectively excluding Central European states.

According to Jan Rokita, a right-wing former politician not politically aligned with the two major opposition parties, the new MFF has three key characteristics:<sup>22</sup>

- A Federalizing Ambition: A larger budget implies a reduction in the sovereignty of the member states.
- A Consolidating Ambition: The budget gives the Commission’s leadership greater over expenditures, which is essentially a centralizing effort.
- An Ideological Ambition: The introduction of horizontal rule-of-law conditionality—meaning that what was previously applied only in the case of the RRF (with regard to Hungary and Poland) would now be extended to the entire MFF—makes it possible to subject national governments to pressure or blackmail.

## REFORM OR CONCENTRATION OF POWER?

The European Commission’s proposal for the 2028–2034 Multiannual Financial Framework foresees a fundamental transformation of the EU’s system of resource allocation. The “mega-fund” concept—aimed at merging cohesion, agricultural, social, and other funds—represents a far-reaching centralization that could overturn decades of established practice. Its consequences include a reduction in the influence of regional and national actors and a weakening of democratic oversight. Although the Commission promises simplification, Central European governments and Members of European Parliament argue that the proposal instead intensifies political competition for resources and makes distribution mechanisms more unpredictable.

From the perspective of the Central European region, one of the greatest risks is the narrowing of funding for agricultural and cohesion policy. Compared with the current CAP framework, the nominal reduction could be significant,

21 Polska Agencja Prasowa, “PiS politicians critical of EU budget proposal.”

22 Jan Rokita, “O projekcie budżetu UE” [On the EU Budget Proposal], commentary, posted July 18, 2025, by Kanal Zero, YouTube, 41 minutes, 44 seconds, <https://www.youtube.com/watch?v=aZawDbh8WVM&t=107s>.

further exacerbated by the fact that agricultural producers are already facing increasing burdens—environmental standards, administrative requirements, and high input costs. Both the Czech Republic and Slovakia repeatedly emphasize that support is being reduced precisely when farmers need assistance during a transitional period. Thus, the consolidation of funds may fuel not only economic but also social tensions.

The sharpest conflict is emerging around the centralization of competences. Czech, Slovak, and Polish political actors alike fear that by merging the separate funds, the Commission would gain an excessive decision-making monopoly. Critics argue that this undermines the budgetary sovereignty of member states, particularly due to the introduction of new EU own resources and tax-related interventions—such as the EU-level excise duty framework. A significant part of the political concerns focuses on the possibility that the Commission could use the budget as a tool of pressure to influence the political direction of member states in the future, for example, through rule-of-law or ideological conditionality.

Although the region's countries react differently to the budget proposal, one common thread is already clear: There is widespread mistrust toward Brussels' centralizing ambitions.



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