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**Andrej Babiš**
Prime Minister

Dear Prime Ministers, Dear friends,

I am writing to you ahead of our meeting in Bratislava in September, where the Slovak V4 Presidency will bring us together with the Prime Minister of Ireland. We meet at a crucial moment, as decisions are being taken that will shape the EU budget and its priorities for the next seven years.

In line with the declaration we adopted in Budapest, I very much welcome the opportunity to exchange views with the Irish Presidency on how the next EU budget can work for all Member States and preserve a fair balance among different parts of Europe.

As António Costa is currently conducting his "*tour des capitales*", negotiations on the next Multiannual Financial Framework for 2028–2034 are entering a decisive phase. His consultations with EU leaders will feed into the next stage of the negotiations led by the Irish Presidency and the preparation of a revised negotiating box. It is also likely that, at a later stage, the President of the European Council will have to put forward a further compromise package.

There is a strong ambition to reach a political agreement on the next MFF by the end of this year. I believe this is the right objective, and the Czech Republic will contribute constructively to achieving it.At the same time, speed cannot come at the expense of balance and fairness.

I am increasingly concerned that the current proposal does not strike the right balance, particularly from the perspective of Central Europe. Over the past two decades, our economies have converged substantially, their weight in the European economy has increased and so have their contributions to the EU budget. At the same time, investments made in our region generate significant benefits throughout the Single Market.

The final MFF compromise should therefore pass a simple fairness test: it must strike a fair balance between nationally allocated and centrally managed expenditure, an equally fair balance on the revenue side, and it must take proper account of the different economic impact of European policies across Member States.

I see four areas in particular where closer V4 coordination could help achieve such an outcome.

First, the proposed budget architecture entails a major shift from national allocations towards centrally managed programmes. We support stronger European investment in competitiveness, defense, innovation and other new priorities. However, modernization of the budget should not result in disproportionate reduction of Cohesion, Agriculture and other nationally allocated expenditure and significant increase of the centrally managed programmes.

This will become particularly important if net contributors insist on a significant reduction in the overall size of the MFF. Any proposed cuts to the budget must be fair, i.e. adjustments should not be made across all headings proportionately or even result in a further shift of the resources towards centrally managed Heading 2 programmes.

Second, there must be fairness in the way different parts of the budget are governed. National allocations are becoming smaller while the conditions attached to them are becoming stronger. Strong financial control is necessary, but the new architecture should not result in systematically greater Commission leverage over some Member States simply because a larger share of the funding they receive comes through national programmes.

Third, the same balance is needed on the revenue side. New own resources should be simple, stable, predictable and above all else fair and non-regressive. It would be difficult to justify a compromise under which less prosperous and more industrial economies receive relatively less support while at the same time carrying a disproportionately higher burden through new own resources.

Finally, fairness also has a competitiveness dimension. Central and Eastern Europe is one of the EU's main industrial centers. A well-designed MFF can unlock even more of this potential, to the benefit of our countries, the Single Market and the Union as a whole. Measures affecting energy prices, carbon costs and industrial production do not have the same economic impact on manufacturing-based economies as on economies dominated by services. A modern European budget and competitiveness policy must recognize these structural differences and help preserve European industrial capacity (which is also important from the strategic and security point of view) rather than add further pressure to it.

I have set out in the annex some specific elements against which I believe we should assess the emerging negotiating package and where closer V4 coordination could help us achieve a more balanced outcome.

Our objective should not be to defend the status quo. Cohesion Policy itself can finance many of Europe's new priorities – from energy grids and industrial transformation to military mobility, digitalization and skills. Centrally managed programmes are equally important, but they must create opportunities across the whole Union rather than just further reinforce already existing ecosystems. Modernization should strengthen the whole Union, not reinforce existing geographical and economic imbalances.

I believe that this fairness test could provide a useful common benchmark for V4 coordination in the decisive phase of the negotiations and for our discussion with the Irish Presidency in Bratislava.I look forward to discussing this with you.

Yours sincerely,

His Excellency
*Mr. Robert Fico*
Prime Minister of the Slovak Republic
B R A T I S L A V A

His Excellency
*Mr. Péter Magyar*
Prime Minister of Hungary
B U D A P E S T

His Excellency
*Mr. Donald Tusk*
Prime Minister of the Republic of Poland
W A R S A W

*Annex:* ***A Fairness Test for the Final MFF Compromise***

*Annex*

## A FAIRNESS TEST FOR THE FINAL MFF COMPROMISE

The final MFF agreement should support new European priorities while preserving a sustainable political and economic balance between Member States and regions. For the V4, the following elements should be taken into account when assessing the emerging compromise.

### 1. Preserve a fair balance in the overall architecture of the budget

The Commission proposal represents a substantial structural shift from expenditure implemented through Member States towards centrally managed programmes and instruments. In the current MFF, around **64 % of expenditure is managed through Member States. Under the proposed new architecture, this share would fall to less than 45 %.** This is not merely a technical change. It affects the geographical distribution of EU expenditure, the degree of national ownership and the balance between different groups of Member States.

If the overall MFF is reduced during negotiations, the adjustment should therefore be fairly distributed across the budget, taking into account the initial shift in balance made by the Commission. **A reduction in the overall MFF should not lead predominantly to further cuts in nationally allocated expenditure while centrally managed programmes under Heading 2 are protected or expanded.**

Cohesion Policy and the Common Agricultural Policy are already among the policies facing real-term reductions despite the proposed increase in the overall size of the MFF. The final compromise should therefore maintain a politically sustainable balance between Heading 1 and Heading 2.

### 2. Ensure that centrally managed programmes benefit the whole Union

Centrally managed programmes are an important instrument for supporting European competitiveness, innovation and strategic autonomy. However, programmes based primarily on existing excellence tend to concentrate funding in countries and regions where the strongest companies, universities, research institutions and administrative capacities already exist. If the role of centrally managed programmes in the EU budget increases substantially, this geographical concentration must be addressed. **Europe needs more and better integrated centres of excellence, not simply more resources for the existing ones.**

The future European Competitiveness Fund and other centrally managed instruments should therefore include mechanisms that broaden participation across the Union, including:

- stronger incentives for cross-border projects and multinational consortia;
- effective participation of SMEs;
- measures to support beneficiaries from Member States with lower participation rates;
- stronger links between established centres of excellence and emerging industrial and research ecosystems;
- and, where necessary as part of the overall MFF compromise, geographically balanced components or national envelopes within centrally managed instruments.

The objective should be to expand Europe's technological and industrial base rather than reinforce its existing geographical concentration.

### 3. Keep Cohesion Policy modern and capable of delivering new European priorities

The distinction between "traditional" policies such as Cohesion and Agriculture and supposedly "modern" centrally managed policies is misleading. Cohesion Policy can directly finance many of the priorities that Europe now considers strategic, including:

- energy infrastructure and grids;
- industrial transformation and decarbonisation;
- transport corridors and military mobility;
- digitalisation;
- strategic infrastructure;
- health care.

Modernisation of the EU budget should therefore not mean replacing Cohesion Policy with new priorities. **It should mean enabling Cohesion Policy to deliver on new priorities as well.** Investments in Central Europe also generate substantial benefits across the Single Market. Infrastructure, industrial capacity and stronger regional economies create markets and investment opportunities for companies from across the Union. The economic benefit of Cohesion Policy should therefore not be assessed only on the basis of the Member State in which the expenditure formally takes place.

### 4. Ensure proportionate conditionality and genuine simplification

The proposed NRPP architecture would make access to nationally allocated funding increasingly dependent on reforms, milestones, recommendations and broader policy choices. Strong financial control and accountability for EU expenditure are necessary. Every euro of European funding must be properly accounted for. However, **financial control is one thing; using access to EU funding as leverage over a much broader range of national policies is another.**

Centrally managed programmes do not normally create an equivalent degree of Commission influence over the broader policies of the Member State in which their beneficiaries are located. The final architecture should therefore avoid creating a structural imbalance whereby Member States relying more heavily on nationally allocated expenditure are subject to systematically stronger policy conditionality than Member States benefiting more heavily from centrally managed programmes.

The new system must also provide genuine simplification. The RRF model has involved significant administrative requirements – plans, milestones, targets, payment requests, assessments and repeated negotiations with the Commission. These requirements should not become a permanent additional layer of bureaucracy in the EU budget.

### 5. Apply the same fairness test to new own resources

The fairness of the MFF cannot be assessed only on the expenditure side. The final compromise must take into account **what Member States receive, what they contribute and how the structure of new own resources affects different types of economies.** Any new own resources should be **simple, stable, predictable and above all else fair and non-regressive**.

Particular attention should be paid to proposals whose economic impact differs significantly among Member States according to prosperity, industrial structure or energy mix. This concerns in particular the proposed **ETS-based own resource**, but also other proposals such as TEDOR, which should be carefully assessed for their distributional impact.

### 6. Add industrial competitiveness test

The final MFF compromise should also be assessed against its broader impact on European competitiveness.

Central Europe is one of the main industrial centres of the European Union. Manufacturing, automotive, machinery, chemicals, steel and other energy-intensive industries represent a significantly larger share of our economies than in many more service-oriented Member States.

This means that European policies affecting energy prices, carbon costs and industrial production do not have an equal economic impact across the Union.

There is clear correlation between the higher carbon costs to the higher energy prices in EU as well as strong decline of ETS industry installations resulting in high EU dependency on strategic commodities and more vulnerability of downstream sectors.

**One set of European rules does not mean one level of economic impact.**

This should be reflected more systematically in EU decision-making.

The cumulative impact of the ETS, energy costs, decarbonisation requirements, the Methane Regulation and other regulatory requirements should therefore be assessed from the perspective of European industrial competitiveness as well as downstream effects on SMEs.

The revision of the ETS in particular should provide tangible relief for energy-intensive industries and contribute to a fair distribution of transition costs.

The objective of the European budget should be consistent with the objective of European competitiveness.

**The EU should not finance competitiveness with one hand while increasing the structural cost disadvantage of its industrial base with the other.**

If production moves outside Europe because it is no longer competitive, Europe loses industrial capacity, strategic autonomy and jobs – while global emissions may not fall.

**Conclusion**

An overall package would not be balanced if less prosperous and more industrial Member States were simultaneously:

- receiving relatively less through nationally allocated expenditure;
- facing stronger conditionality on that expenditure; and
- contributing relatively more through new own resources.

**No combination of expenditure cuts and new own resources should result in less prosperous Member States paying relatively more while receiving relatively less.**

The emerging MFF compromise should therefore be tested against four basic questions:

1. **Is there a fair balance between nationally allocated and centrally managed expenditure?**
2. **Is the adjustment fairly distributed if the overall size of the MFF is reduced?**
3. **Is the revenue side fair and non-regressive, taking account of differences in prosperity and economic structure?**
4. **Does the overall package strengthen rather than weaken the competitiveness of Europe's industrial base?**

A successful MFF must deliver **convergence and competitiveness at the same time**. It should enable all regions of Europe to contribute to new common priorities and unlock the economic potential of the whole Union.