

What Future for EU Finances?

**Mojmír Hampl, Ph.D.
Chairman
Czech Fiscal Council**

**14 January 2026
ECR High Level Conference, Brussels**

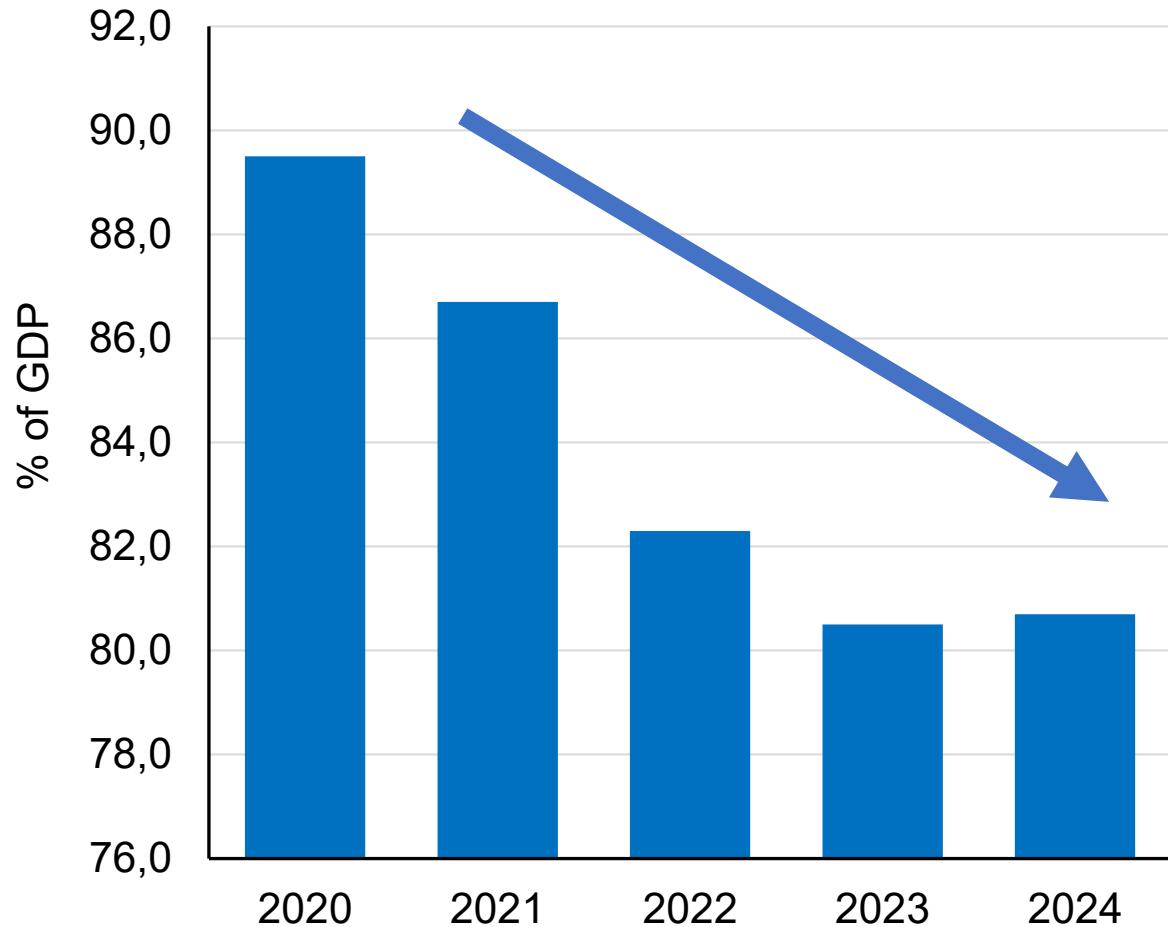
Danger ahead?

- 1. (Not only) the EU faces many challenges, such as...**
 - ...higher defence spending...
 - ...energy transition (decarbonization), etc.
- 2. These challenges are reflected in public finances:**
 - EU budget (MFF) and its atomization
 - Around the world (higher public debt and interest costs)

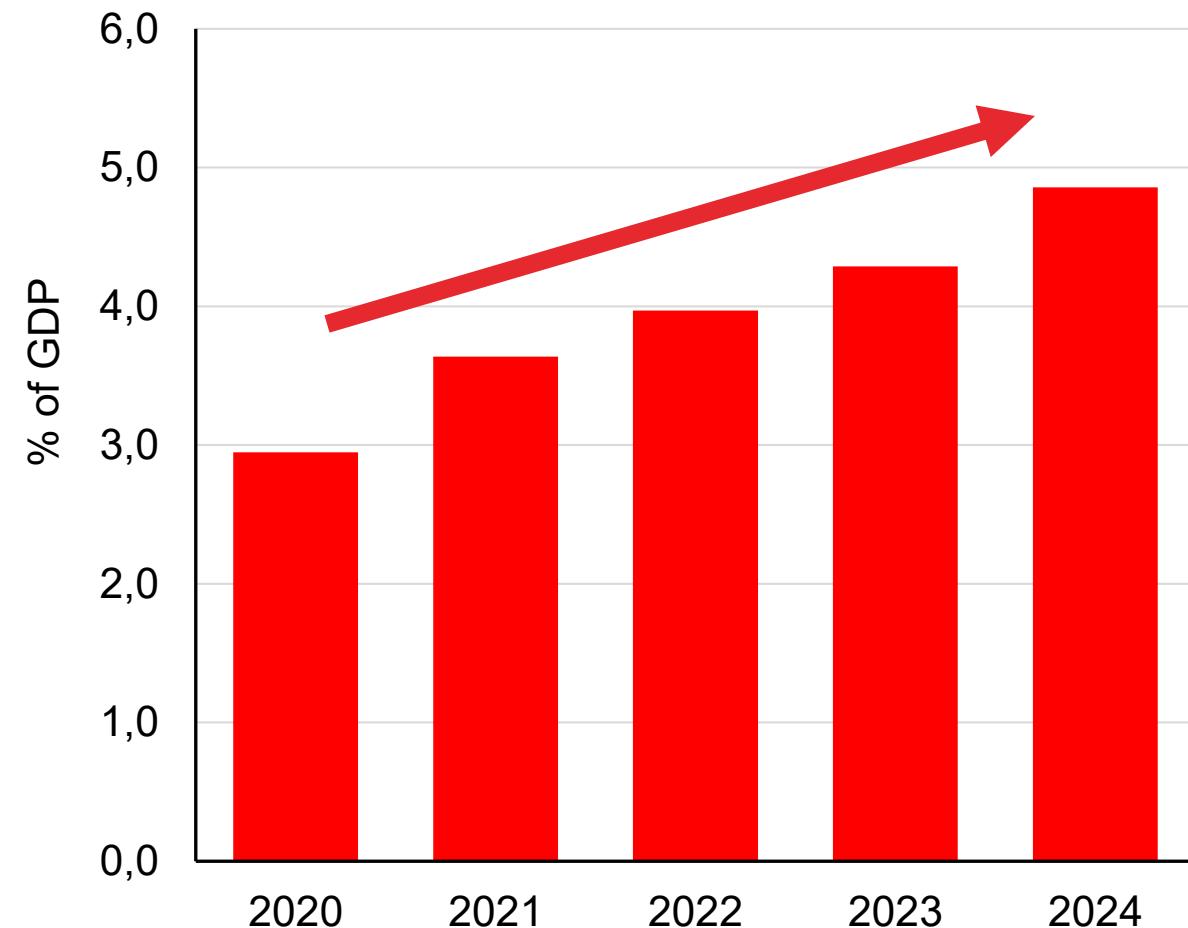


Too much ado about nothing?

General government debt
(EU 27 countries)



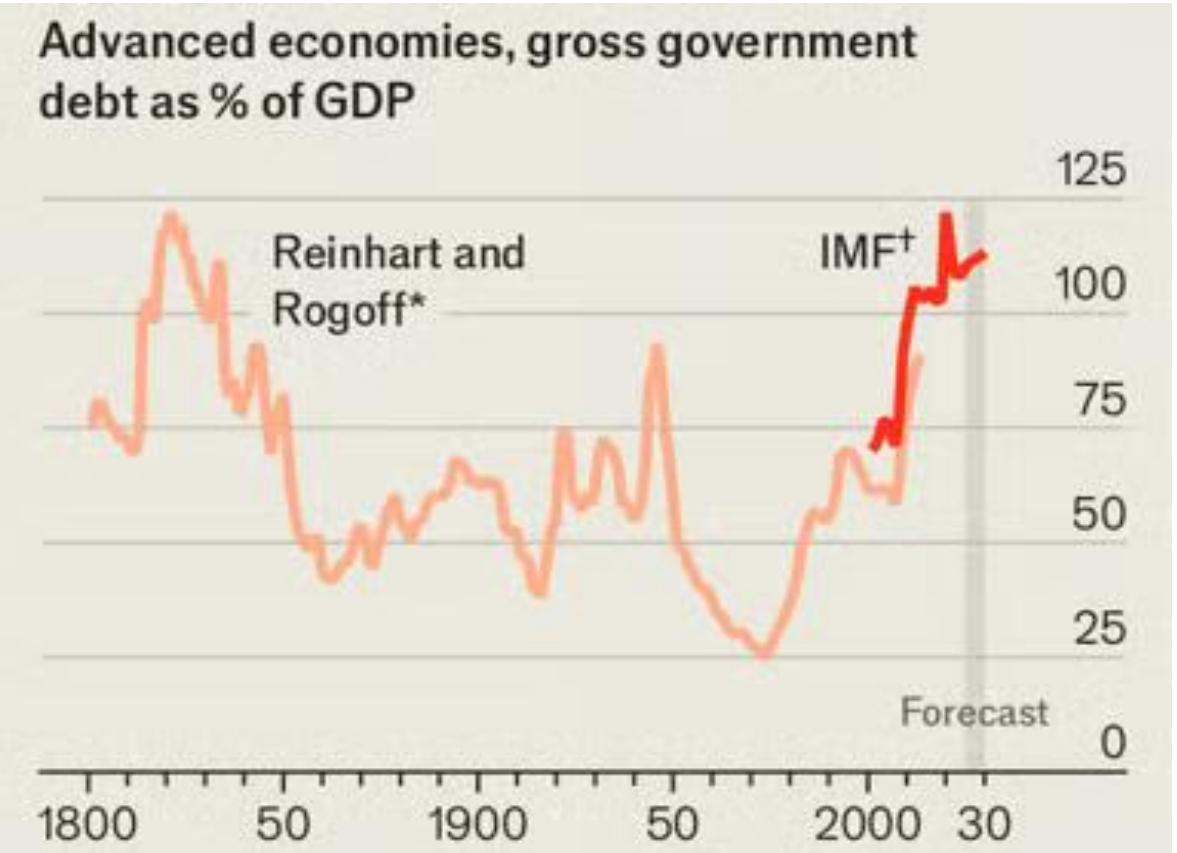
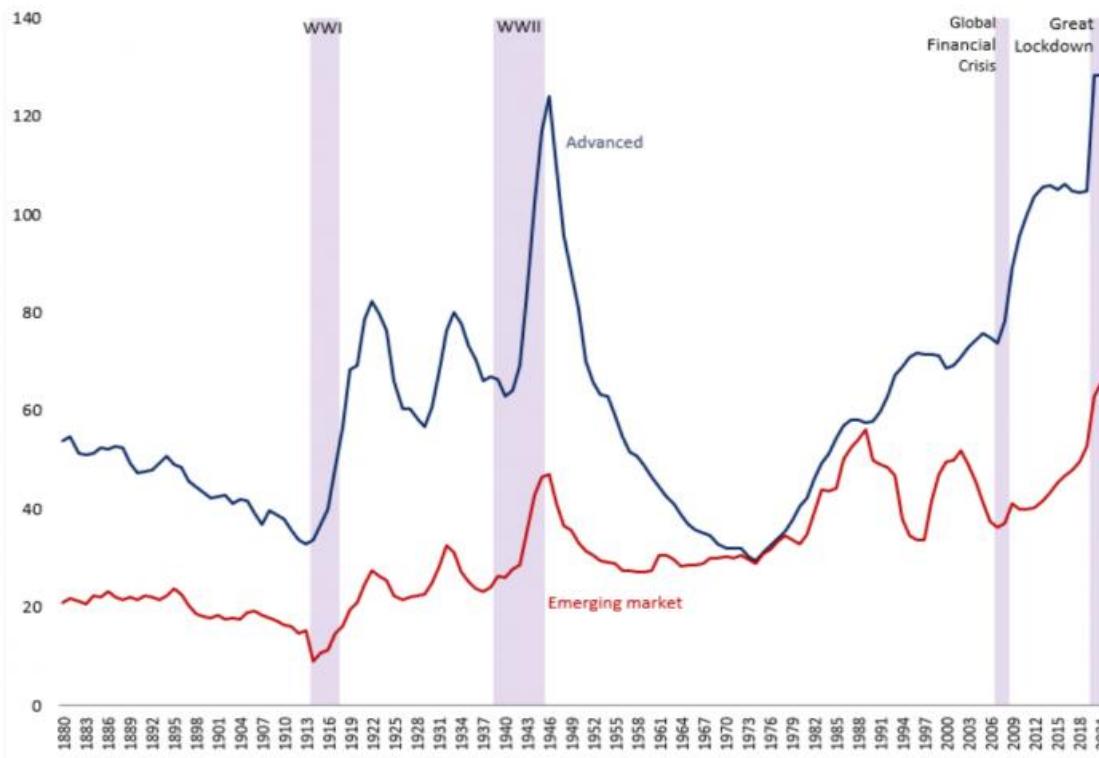
Debt of the EU institutions



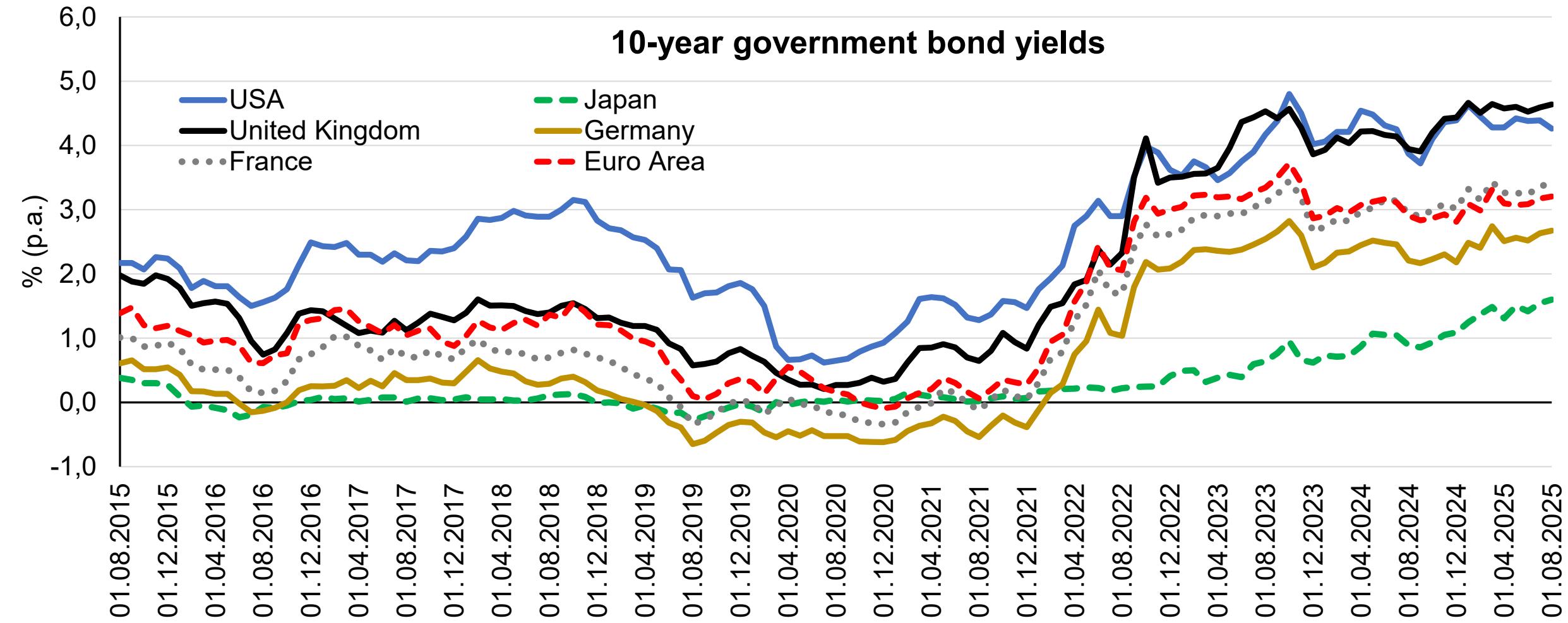
Danger ahead? No. The problem is already here.

Soaring public debt

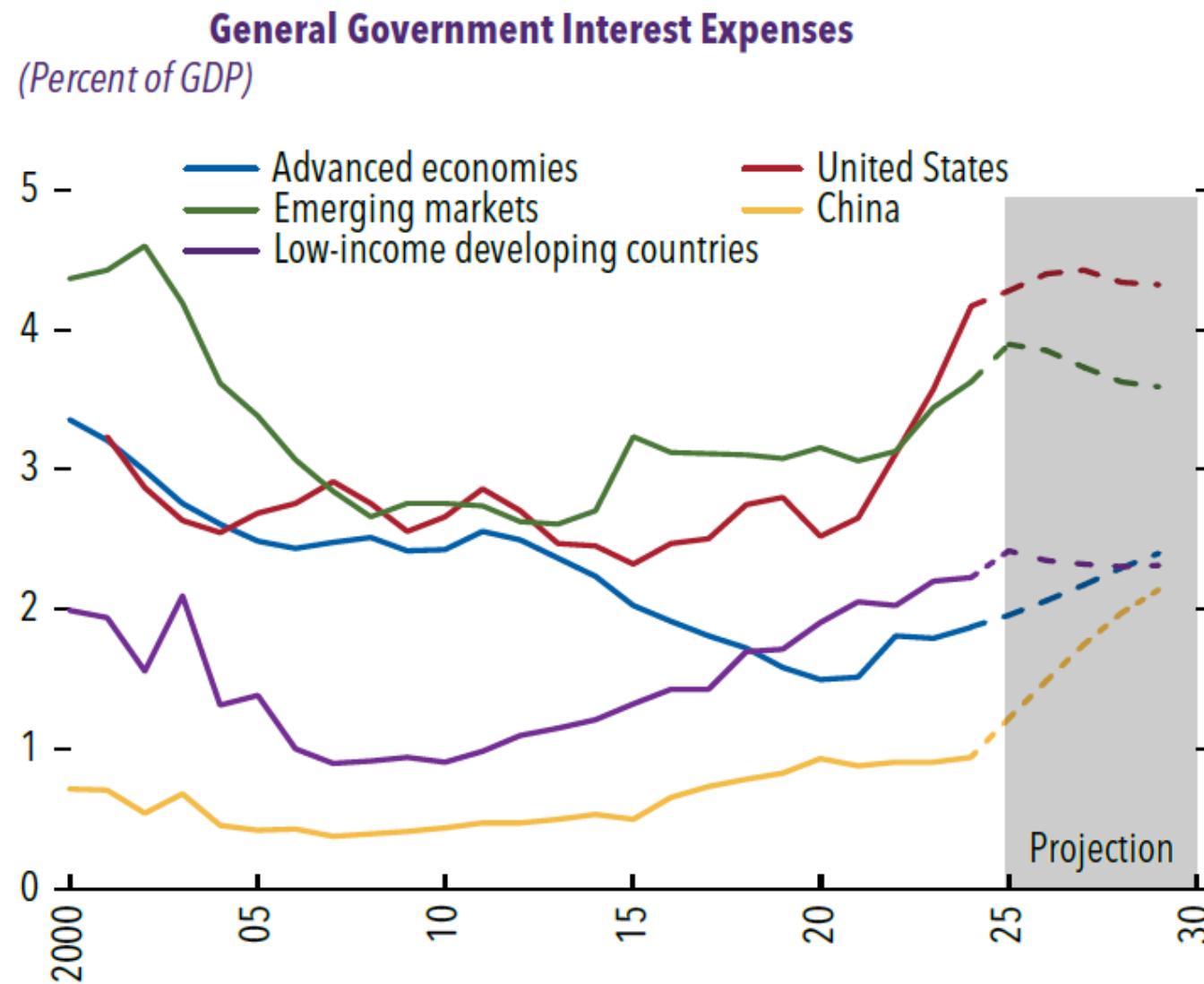
Global public debt reached 101.5 percent of global GDP in 2020 – the highest level ever.
(percent of GDP)



This affects yields (the cost of capital) (developed) worldwide...



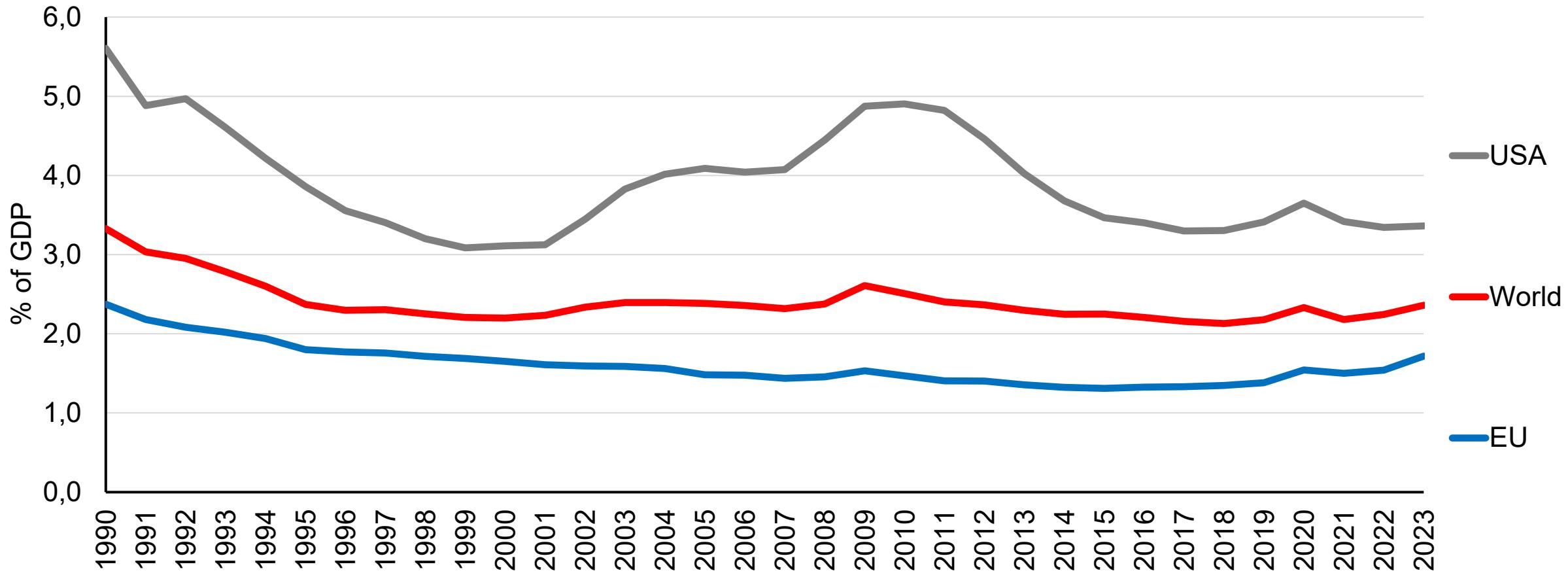
...which leads to increased interest costs.



Danger ahead?

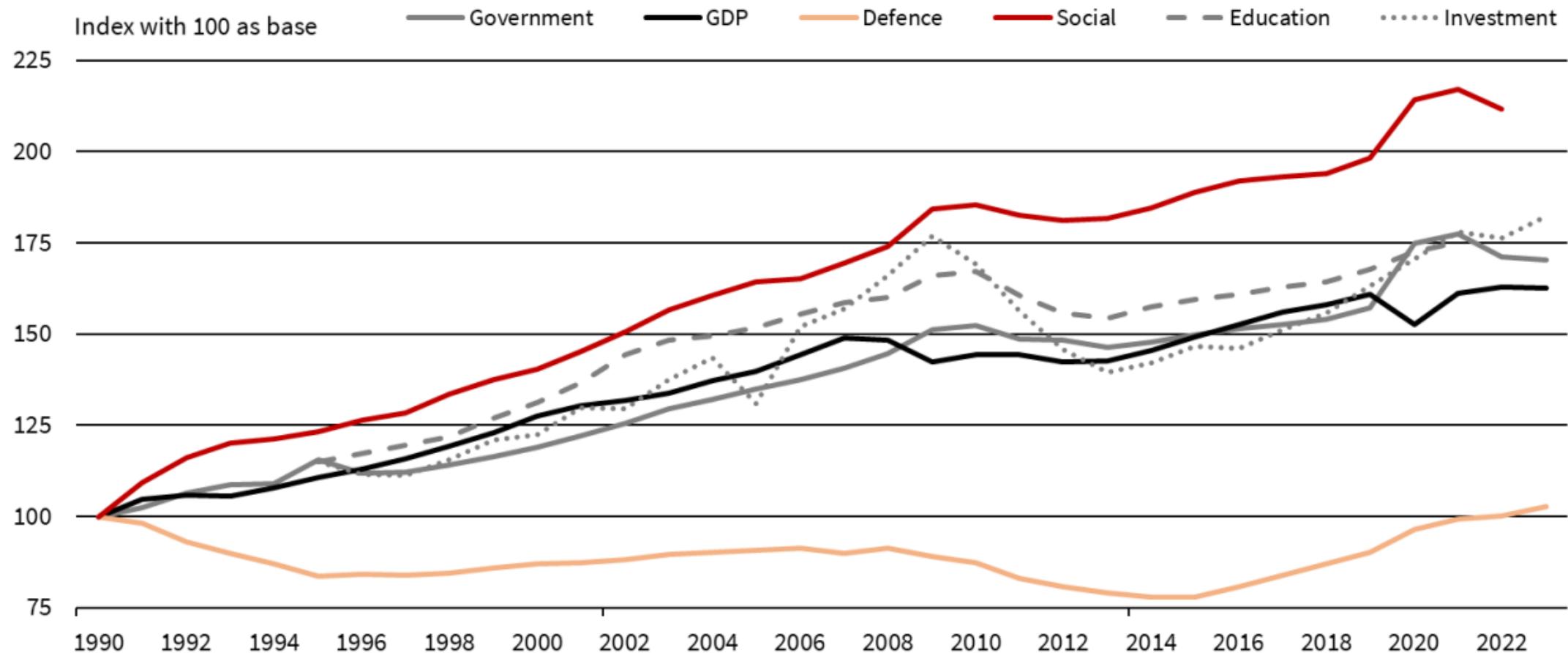
- 1. (Not only) the EU faces many challenges, such as...**
 - ...higher defence spending...
 - ...energy transition (decarbonization), etc.
2. These challenges are reflected in public finances:
 - EU budget (MFF) and its atomization
 - Around the world (higher public debt and interest costs)

Defence spending in the EU: „good old days“ long gone



Tell me, where the money is?

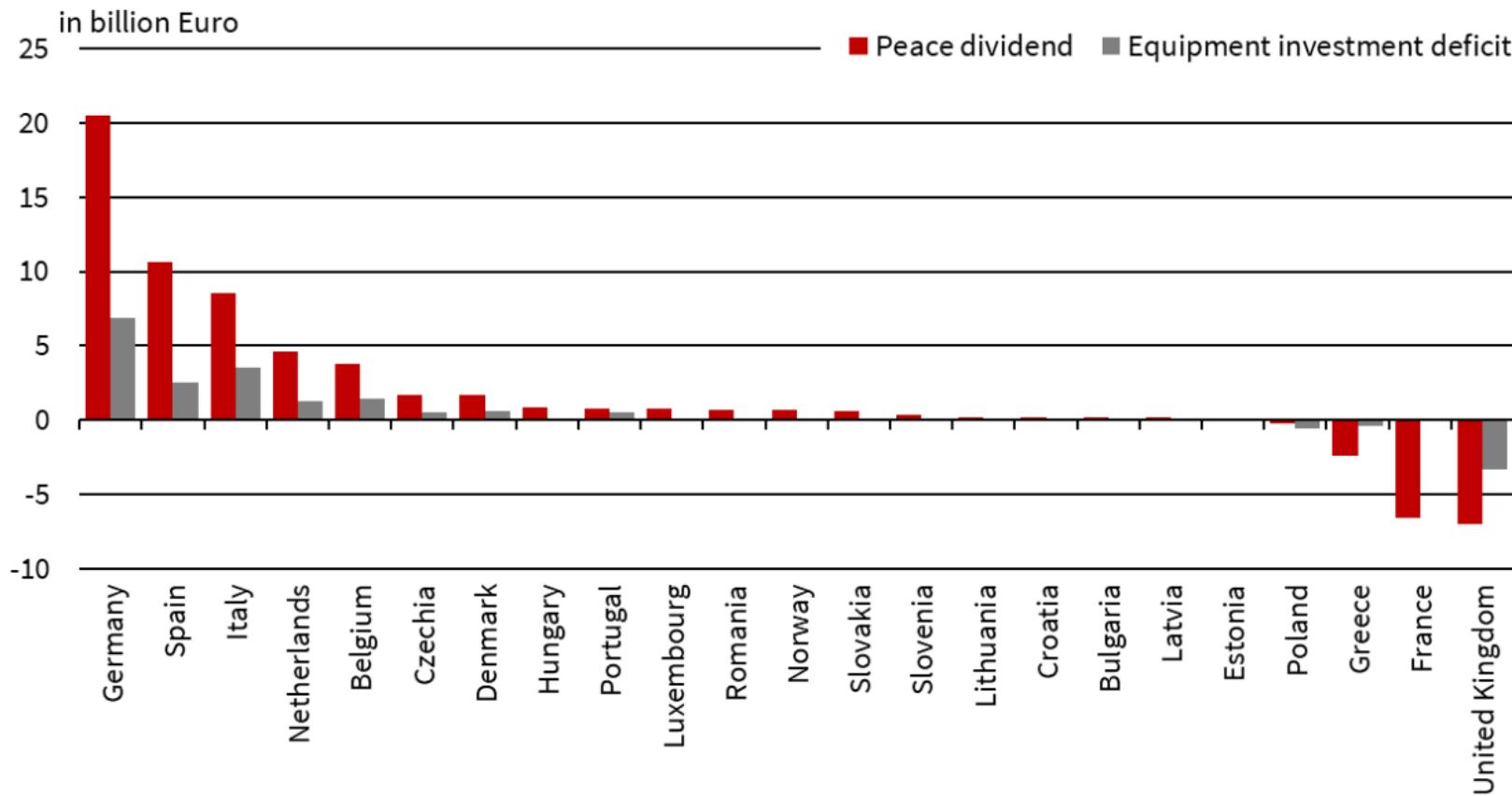
Development of GDP and spending categories for European NATO since 1990



Source: Dorn, Potrafke, Schlepper (2024): European Defence Spending in 2024 and Beyond: How to Provide Security in an Economically Challenging Environment (p.19); see: European Defence Spending in 2024 and Beyond.

Note: price-adjusted for 2023 prices, GDP-weighted average for NATO members joining before 1990.

Annualised average peace dividend and equipment investment deficit since 1990



- One the one hand, France and the United Kingdom are the only countries among the five largest European economies that did not collect any peace dividend...
- ...on the other hand, Germany, Spain, and Italy collected annualised peace dividends ranging from 8 to 20 billion Euro.

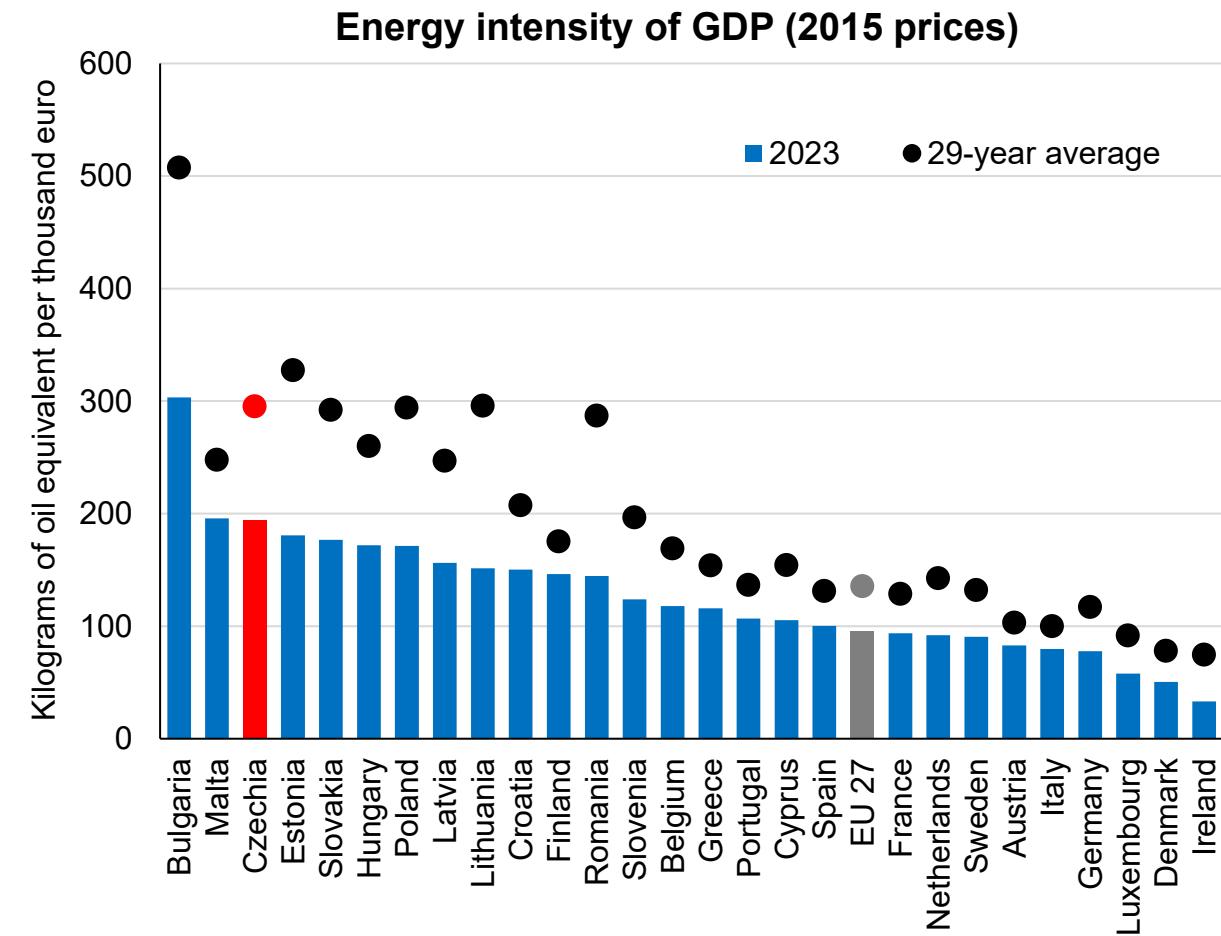
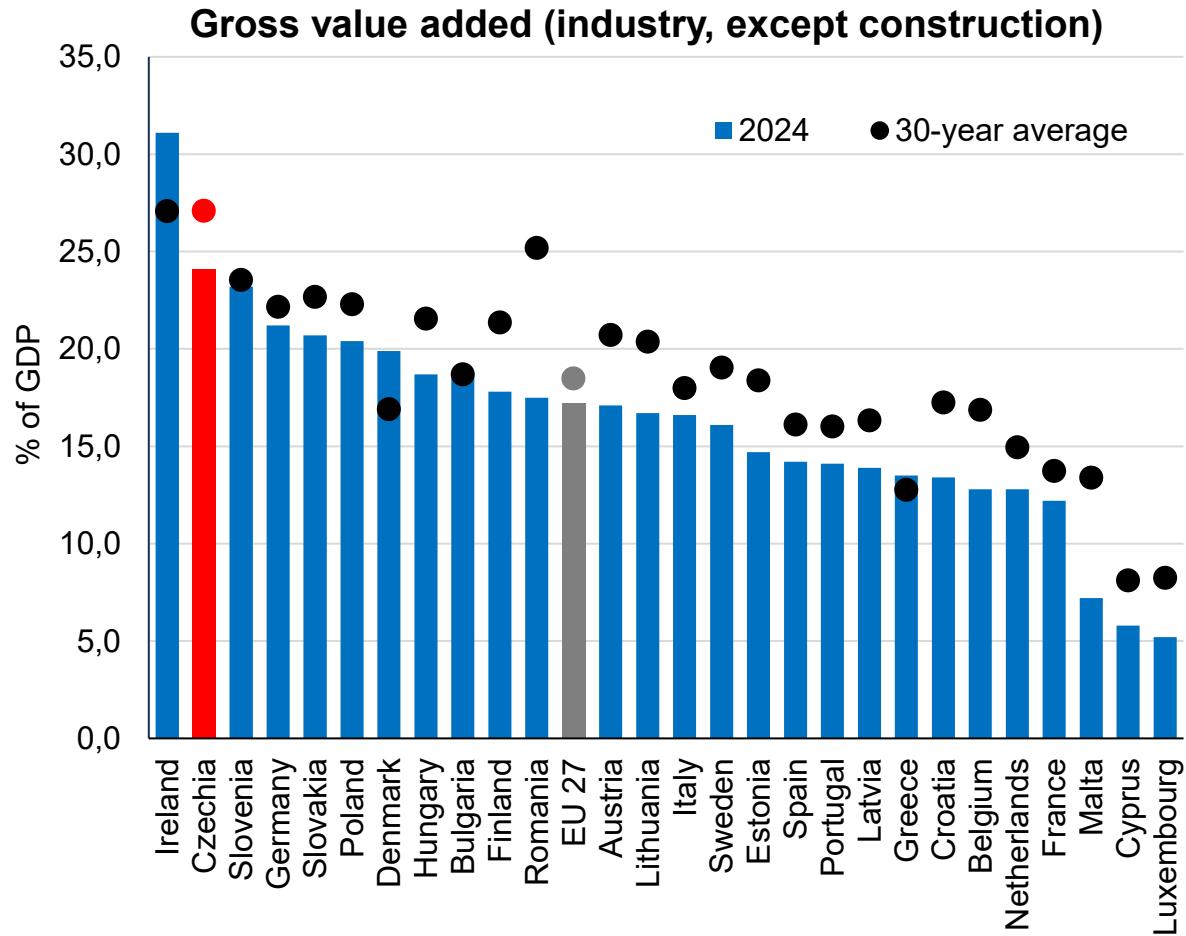
Source: Dorn, Potrafke, Schlepper (2024): European Defence Spending in 2024 and Beyond: How to Provide Security in an Economically Challenging Environment (p.8); see: [European Defence Spending in 2024 and Beyond](#).

Note: adjusted to 2023 price-level, Analysis starts with first year of NATO membership for each country. Peace dividend is calculated relative to the NATO 2%-target. Equipment investment deficit is relative to the 20%-rule in combination with the 2%-target. The 20%-rule states that at least 20 percent of defence spending is supposed to be used for major equipment spending.

Danger ahead?

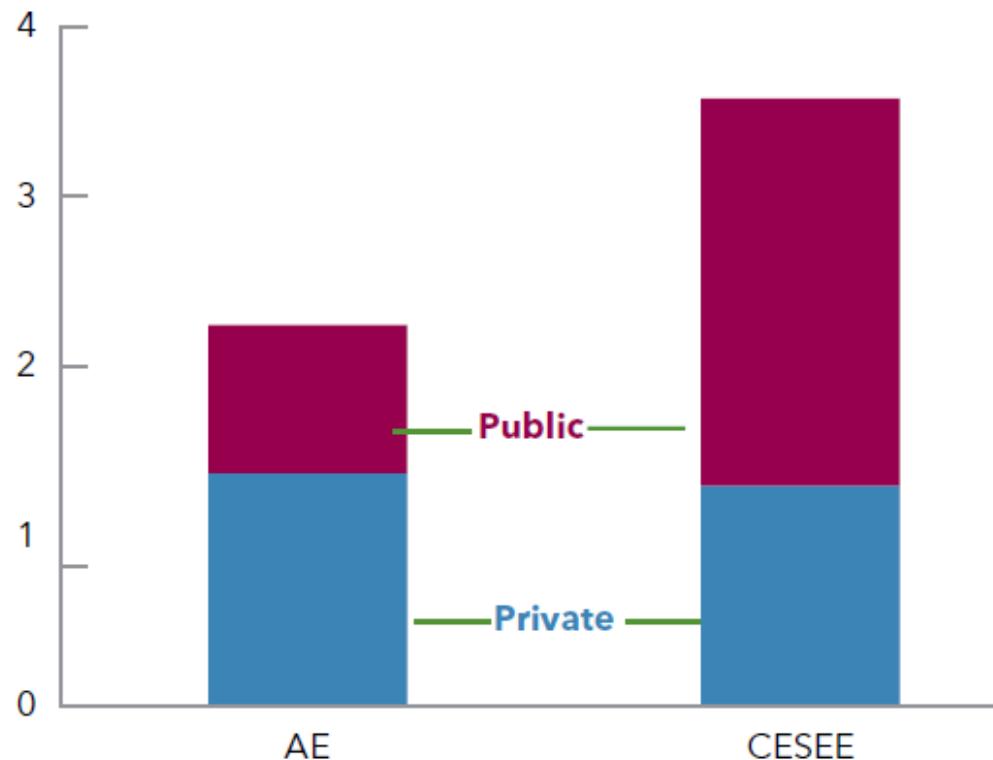
1. **(Not only) the EU faces many challenges, such as...**
 - ...higher defence spending...
 - **...energy transition (decarbonization), etc.**
2. These challenges are reflected in public finances:
 - EU budget (MFF) and its atomization
 - Around the world (higher public debt and interest costs)

All EU countries are equal, but some are more equal than others...



...not only now, but also in the future.

Climate Spending Pressures 2050
(Percent of GDP)



Source: Eble et al. (2025): Long-Term Spending Pressures in Europe (p. 11); see: [Long-Term Spending Pressures in Europe](#).

Note: annual spending pressures beyond baseline. Advanced Europe: Austria, Belgium, Cyprus, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Luxembourg, Malta, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom. CESEE: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Moldova, Montenegro, North Macedonia, Poland, Romania, Serbia, Slovakia, Slovenia.

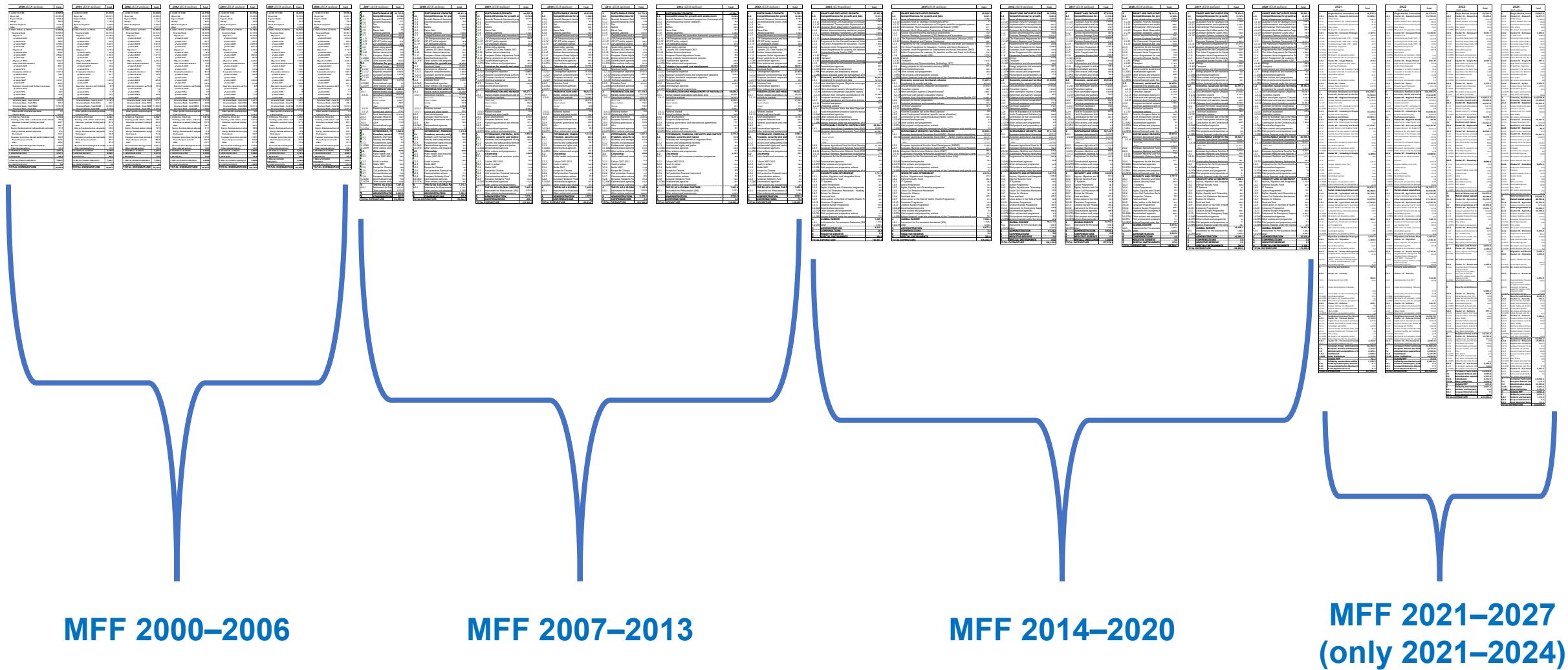
Danger ahead?

1. (Not only) the EU faces many challenges, such as...
 - ...higher defence spending...
 - ...energy transition (decarbonization), etc.
2. **These challenges are reflected in public finances:**
 - **EU budget (MFF) and its atomization**

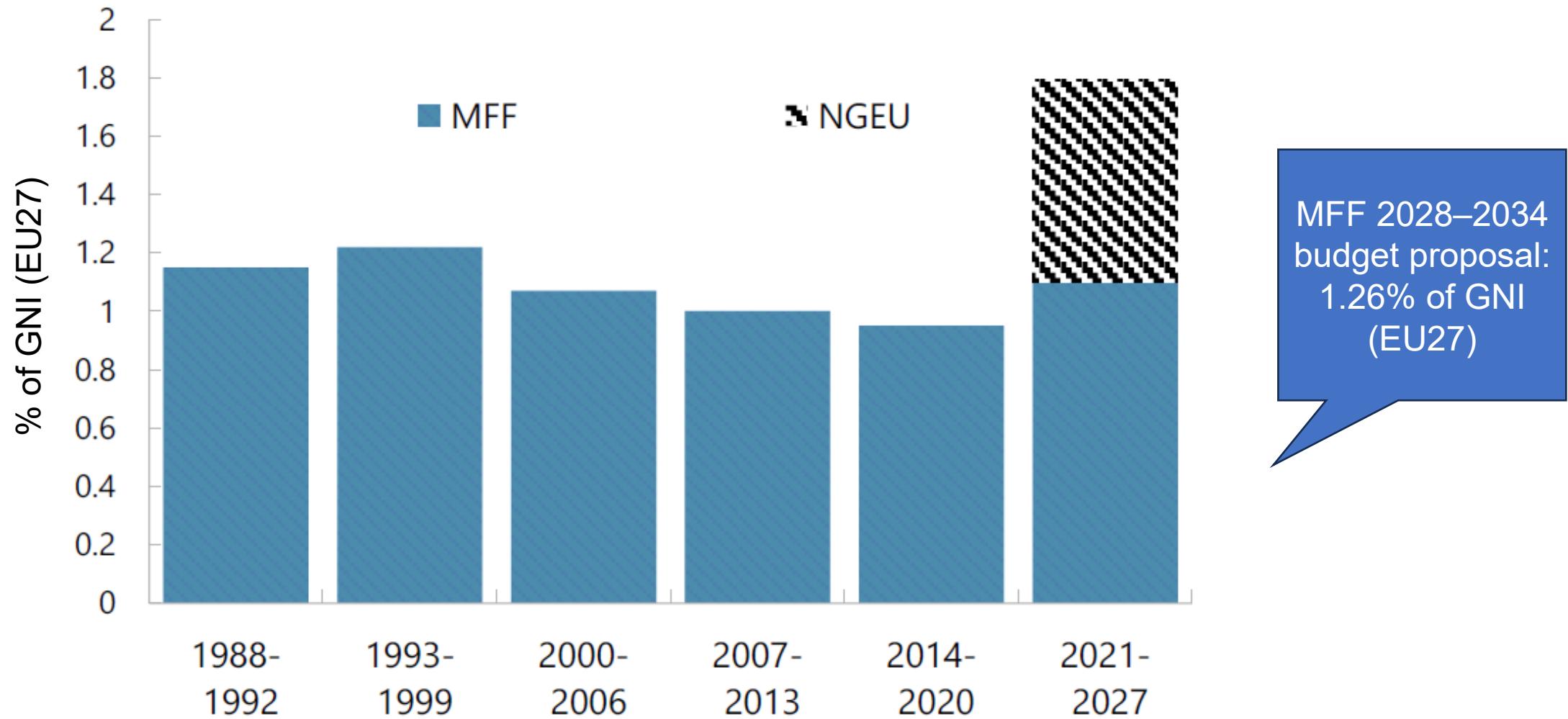


Source: [Atomium](#)

EU budget – spending: More and more complex...

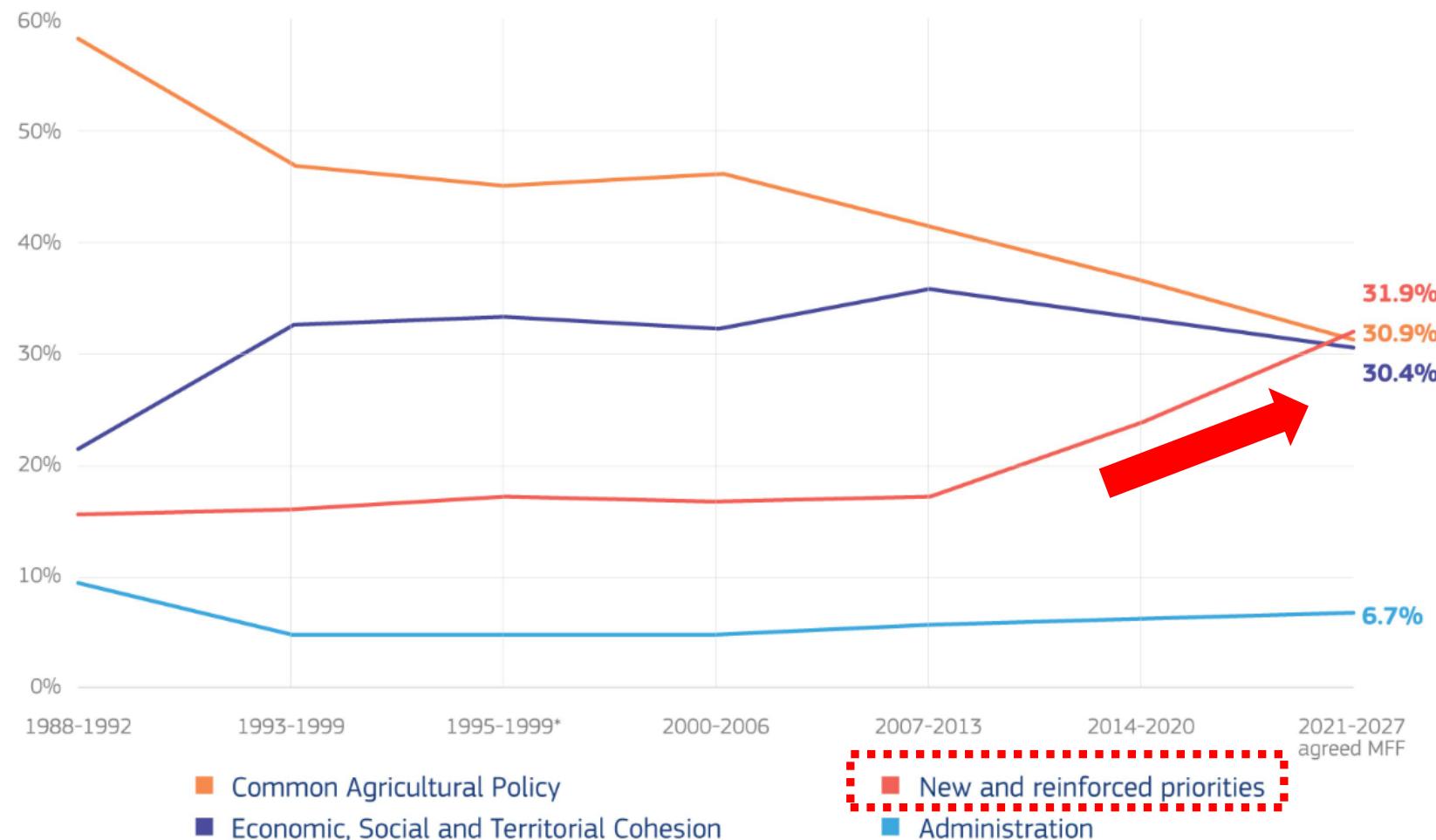


...which is reflected in the (temporary?) increase in expenditure...



...and (permanent?) changes in the structure and priorities of the budget.

Share of the main policy areas in the Multiannual Financial Frameworks:



MFF 2021–2027: spending

Single Market, Innovation and Digital

149.5 (+ 11.5 from NGEU)

Cohesion, Resilience and Values

426.7 (+ 776.5 from NGEU)

Natural Resources and Environment

401 (+ 18.9 from NGEU)

Migration and Border Management

25.7

Security and Defence

14.9

Neighbourhood and the World

110.6

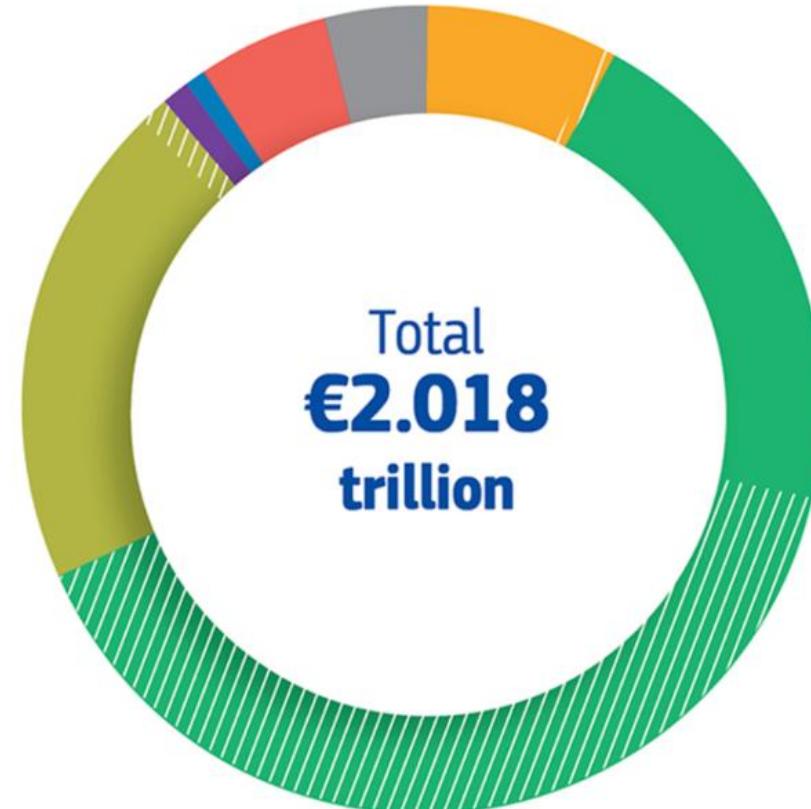
European Public Administration

82.5

Total: €2.018 trillion

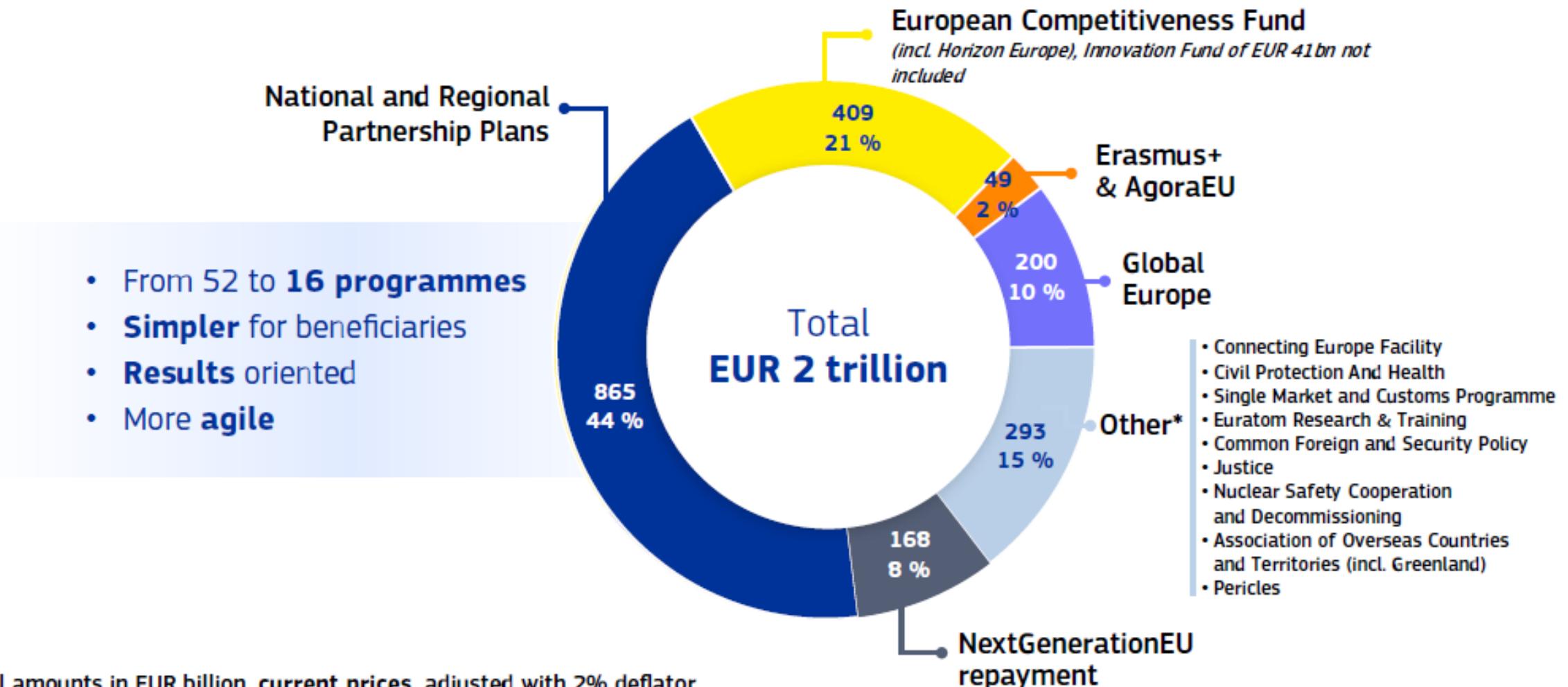


Long-term budget
1 210.9

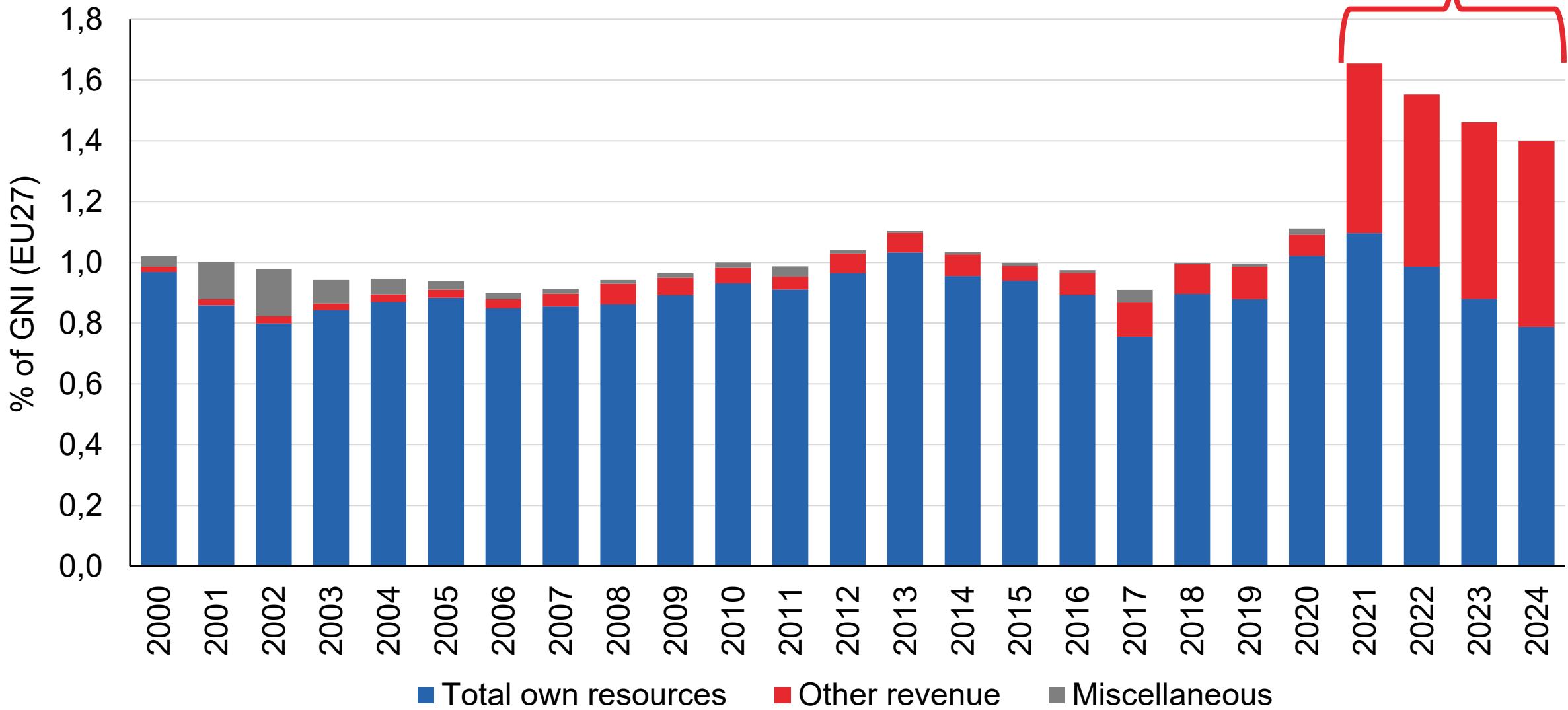


All amounts are in EUR billion, in current prices, as of November 2020.

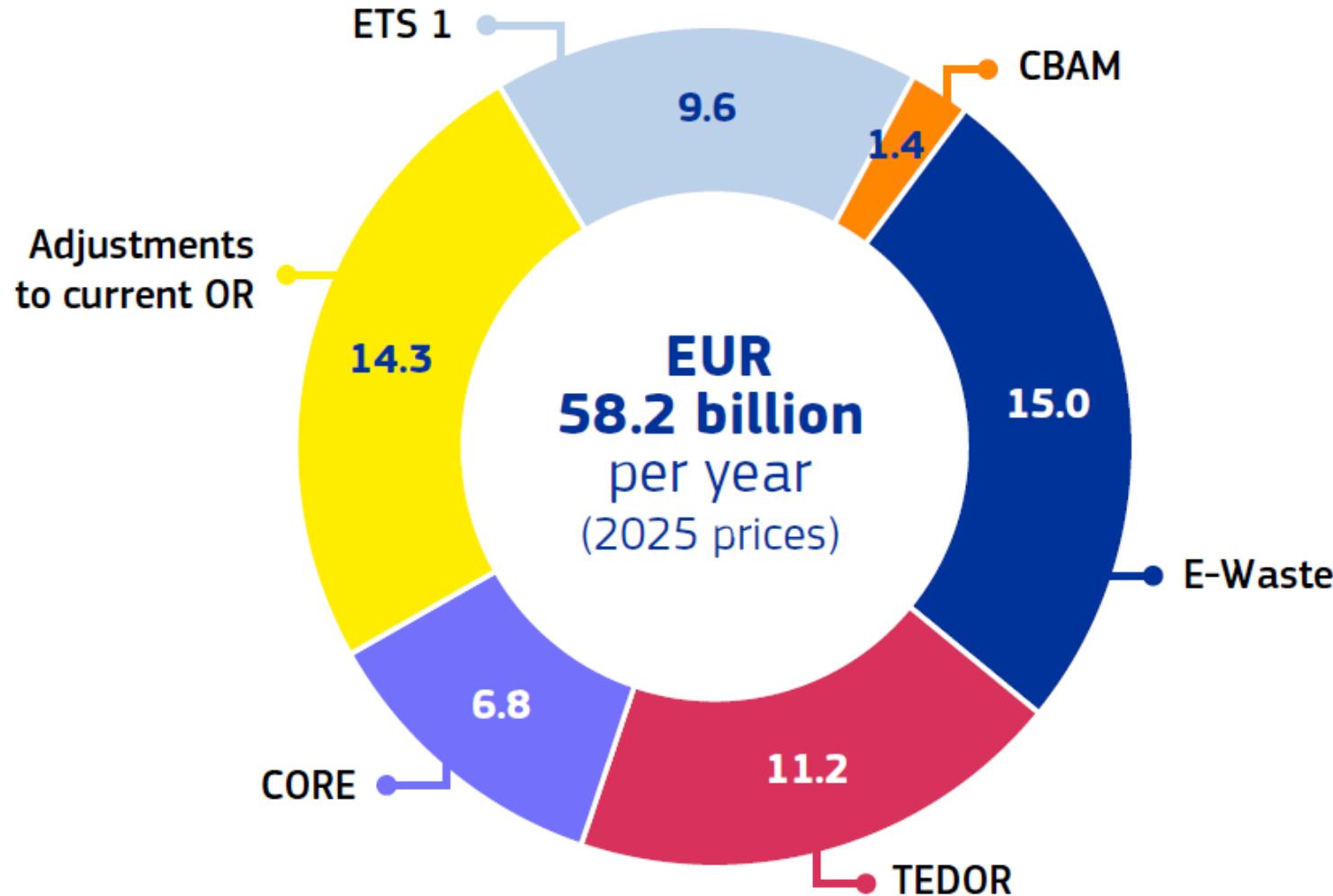
MFF 2028–2034: spending



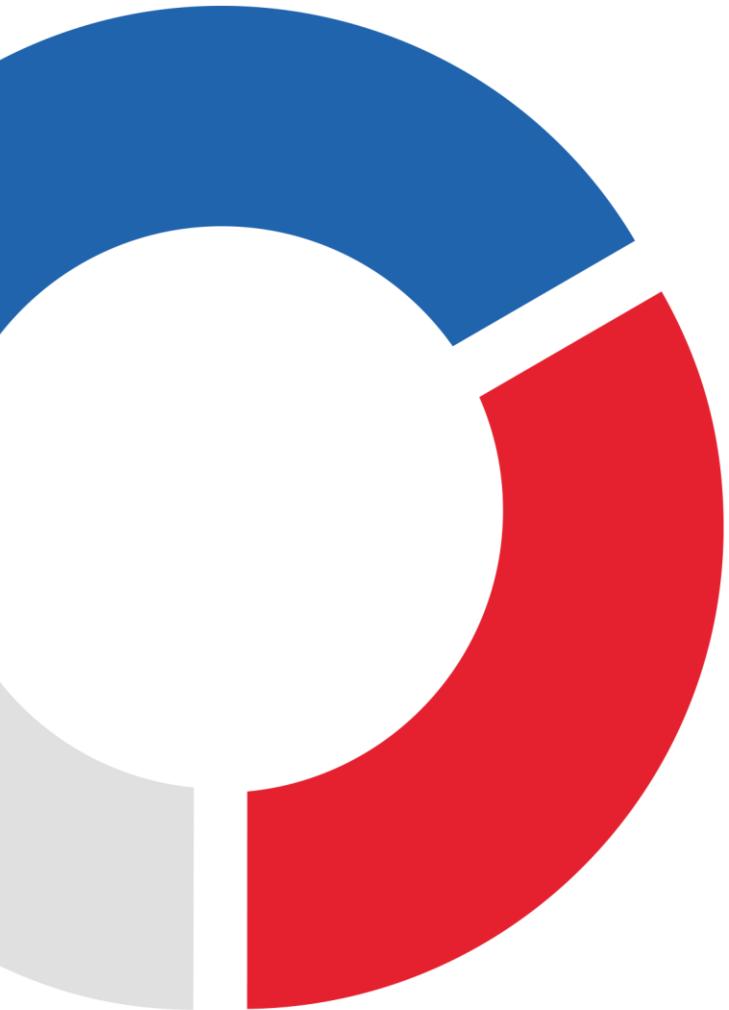
EU budget revenue



EU budget revenue – new own resources MFF 2028–2034?



- Adjustment to current own revenues
 - Reduction of the collection costs to 10% for traditional own resources.
 - Inflation adjustment of the call rate for the non-recycled plastic packaging waste own resource.
 - Ensuring transparency: no correction mechanisms to own resources.
- EU Emissions Trading System (ETS)
- Carbon border adjustment mechanism (CBAM)
- Non-collected e-waste
- Tobacco Excise Duty Own Resource (TEDOR):
- Corporate Resource for Europe (CORE)



Thank you for your attention

mojmír.hampl@unrr.cz