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**NOTE**

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From:	Presidency
To:	Council
Subject:	Multiannual Financial Framework (MFF) 2021-2027: Negotiating Box with figures

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1. In the framework of discussions on the next Multiannual Financial Framework, the Presidency submits to delegations a Negotiating Box with figures.
2. The Presidency was guided by the mandate of the European Council and also by the principle of simplification and clarification.
3. The Negotiating Box is drawn up and developed under the responsibility of the Presidency. It is therefore not binding on any delegation. Negotiations continue to be guided by the principle that nothing is agreed until everything is agreed.

4. The Negotiating Box with figures presents an overall level of 1 087 billion euros for the period 2021-2027, representing 1.07% of EU GNI. In paving the way towards a balanced compromise, the future European Union of 27 Member States is to be taken into account. Here, also possible new own resources play a role. The overall level presented in the Negotiating Box enables the Union to respond to new priorities and challenges as well as safeguards funding for the modernized Common Agricultural Policy and future oriented Cohesion Policy. The Negotiating Box with figures also rebalances the shares between the main policy areas, with new priorities/other programmes forming the highest share of the future MFF.
5. In addition, the Negotiating Box includes reduced options in various parts and proposals that would drive negotiations forward and limit the number of issues that need to be dealt at the final stage of negotiations.
6. The Negotiating Box with figures will be presented at COREPER on 4 December 2019 as well as at the General Affairs Council on 10 December 2019, ahead of the December European Council.
7. Following the Council discussions, the work is taken forward by the President of the European Council with the aim of reaching a final agreement.

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## **I. HORIZONTAL**

1. The new MFF will cover seven years between 2021 and 2027. The budget will enable the European Union to respond to current and future challenges and to fulfil its political priorities, in the light of the Bratislava Roadmap, as well as the Rome and Sibiu Declarations and the EU Strategic Agenda for 2019-2024. It covers new policies and established ones, including Cohesion and Agriculture. Strict prioritisation of resources, flexibility and fairness are guiding principles, taking into account the reduced financial capacity of a Union of 27<sup>1</sup>.
  
2. The Multiannual Financial Framework for the period 2021 to 2027 will have the following structure:
  - Heading 1 “Single Market, Innovation and Digital”;
  - Heading 2 “Cohesion and Values” which will include
    - o a sub-Heading for economic, social and territorial cohesion;
  - Heading 3 “Natural Resources and Environment” which will include a sub-ceiling for market related expenditure and direct payments;
  - Heading 4 “Migration and Border Management”;
  - Heading 5 “Security and Defence”;
  - Heading 6 “Neighbourhood and the World”;
  - Heading 7 “European Public Administration” which will include a sub-ceiling for administrative expenditure of the institutions.

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<sup>1</sup> If there is an accession or accessions to the Union, the MFF shall be revised.

The grouping of expenditure in Headings and policy clusters is designed to reflect the Union's political priorities and provide for the necessary flexibility in the interest of efficient allocation of resources. In addition, the reduction in the number of programmes aims to ensure coherence and promote synergies. The overall framework will reflect simplification and lead to a reduction of red tape for beneficiaries and managing authorities, it will promote equal opportunities by ensuring that activities and actions in relevant programmes and instruments are gender-mainstreamed and contribute to gender equality.

3. The maximum total figure for expenditure for EU 27 for the period 2021-2027 is EUR [1 087 327] million in appropriations for commitments, representing [1.07]% of EU GNI, and EUR [1 080 000] million in appropriations for payments, representing [1.06]% of EU GNI. The breakdown of appropriations for commitments is described below. The same figures are also set out in the table contained in Annex I which equally sets out the schedule of appropriations for payments. All figures are expressed using constant 2018 prices. There will be automatic annual technical adjustments for inflation using a fixed deflator of 2%.

*p.m. Once the negotiation is finalised, the figures will also be presented in current prices using the agreed deflator.*

4. There shall be no mid-term review of the MFF.
5. The RAL (reste à liquider) is an inevitable by-product of multi-annual programming and differentiated appropriations. However, the RAL is expected to be more than EUR [303] billion in current prices by the end of the financial framework for 2014-2020, leading to payments from the current MFF constituting a significant amount of overall payments in the first years of the next MFF. In order to ensure a predictable level and profile as well as an orderly progression of payments, several measures are taken, such as simplifying implementation and setting appropriate pre-financing rates, de-commitment rules and timely adoption of the sectoral legislation for the MFF 2021-2027.

6. Following the principle of budgetary unity, as a rule, all items of EU financing will be included in the MFF. [However, given their specificities, some instruments, will be placed outside the MFF ceilings in commitment [and payment] appropriations or constitute off-budget items.] The Union must have the capacity to respond to exceptional circumstances, whether internal or external. At the same time, the need for flexibility must be weighed against the principle of budgetary discipline and transparency of EU expenditure respecting the binding character of the MFF ceilings. The necessary degree of overall flexibility depends on several parameters, such as the duration of the MFF, the number of Headings, the size of margins therein and the level of in-built flexibility in spending programmes.
7. The duration of the sectoral programs should, as a rule, be aligned with time frame of the current Multiannual Financial Framework.
8. In order to respect the competences of the respective institutions as well as to comply with relevant case-law of the Court of Justice of the European Union, delegated acts shall be limited to non-essential elements of the respective legislative acts.

### **Margins & Programming**

9. Appropriate margins will be set within Headings, amounting to a total of EUR [X] million. Within certain programmes, a thematic facility is established that would be programmed on a needs basis, other programmes will foresee similar unallocated funds as in-built flexibility.

10. a) Possible deviation from the reference amounts for multiannual programmes shall not be more than 15% of the amount for the entire duration of the programme.
- b) Member States may request, on a voluntary basis, during programming process, at the beginning of the period and during implementation, the transfer of:
- i. up to 5% in total of the initial national allocation from any of the funds of Common Provisions Regulation<sup>2</sup> under shared management to any instrument under direct or indirect management for the benefit of the Member State concerned and
  - ii. up to 5% of the respective initial financial allocation of the ERDF, CF and the ESF+ towards ERDF, CF and the ESF+ within a Member State's allocation for "Investment in jobs and growth" goal.
11. In line with the overall effort of consolidation, financial instruments and budgetary guarantees are further streamlined, notably in InvestEU and as part of the Neighbourhood, Development and International Cooperation Instrument (NDICI), thereby respecting the principle that the use of these instruments is strictly limited to circumstances where there is a clear market failure and sub-optimal investment situations. While recognizing the opportunities of this type of funding, financial liabilities arising from financial instruments, budgetary guarantees and financial assistance need to be closely monitored. Revenues, repayments and recoveries stemming from financial instruments implemented under direct or indirect management established by programs prior to 2021 may be used for the provisioning of the relevant guarantee or be returned to the general budget of the Union based on a decision of the budgetary authority in the context of the annual budgetary procedure.
12. The role of the EU budget in supporting the effective implementation of EU wide policy objectives should be further enhanced, notably by strengthening the link between the EU budget and the European Semester including facilitating the implementation of the European Pillar of Social Rights as well as in the areas of migration, environment and climate change and gender equality.

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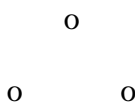
<sup>2</sup> The European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the European Maritime and Fisheries Fund, the Asylum and Migration Fund, the Internal Security Fund and the Border Management and Visa Instrument.

13. Reflecting the importance of tackling climate change in line with the Union's commitments to implement the Paris Agreement and the United Nations Sustainable Development Goals, programmes and instruments should contribute to mainstream climate actions and to the achievement of an overall target of at least 25% of the Union budget expenditures supporting climate objectives. As a general principle, all EU expenditure should be consistent with Paris Agreement objectives. An effective methodology for monitoring climate-spending, including reporting and relevant measures in case of insufficient progress, should ensure that the next MFF as a whole contributes to the implementation of the Paris Agreement. The Commission shall report annually on climate expenditure.

*[p.m. In order to address social and economic consequences of ambitious climate change policies, a Just Transition Mechanism will be created.]*

14. A comprehensive approach to migration which combines more effective control of EU external borders, increased external action and the internal aspects, in line with EU principles and values, must be ensured. This will be achieved in a more coordinated manner in programmes across the relevant Headings, including rapid mobilisation of funds, taking into account the needs relating to migration flows.
15. Gender equality and gender mainstreaming should be taken into account and promoted throughout the preparation, implementation and monitoring of relevant programmes.

16. Union programmes should be open to EEA countries, acceding countries, candidate countries and potential candidates, as well as to partners covered by the European Neighbourhood Policy in accordance with the principles and terms and conditions for the participation of these partners in Union programmes established in the respective framework agreements and decisions or other instruments taken under such agreements. The participation of other third countries should be subject to an agreement laying down the conditions applicable to the participation of the third country concerned in any programme. Such an agreement should ensure a fair balance as regards the contribution and benefits of the third country participating in the Union programmes, not confer any decision-making power on these programmes and contain rules for protecting the Union's financial interests.



### **Protection of the Union's budget in case of generalised deficiencies as regards the rule of law in the Member States**

17. In order to protect the sound implementation of the EU budget and the financial interests of the Union, a general regime of conditionality will be introduced to tackle identified instances of generalised deficiencies as regards of the rule of law in Member State authorities.
18. Conditionality under the regime will be genuine; thus an aim will be to tackle instances of deficiencies which affect or risk affecting the sound implementation of the EU budget or the financial interests of the Union in a sufficiently direct way. The instances of deficiencies will be identified with clear and sufficiently precise criteria.
19. In the case of such deficiencies, the Commission will propose appropriate and proportionate measures that will have to be approved by the Council by [reversed] qualified majority.
20. This regime will be separate and autonomous from other procedures provided for in the Treaties.



## **II. PART I : EXPENDITURE**

### **HEADING 1 - SINGLE MARKET, INNOVATION AND DIGITAL**

21. Single Market, Innovation and Digital corresponds to an area where EU action has significant value added. The programmes under this Heading have a high potential to contribute to the Bratislava and Rome priorities, in particular as regards the promotion of research, innovation and the digital transformation, European Strategic Investments, action in favour of the Single Market and competitiveness of enterprises and SMEs. In allocating funding within this Heading, particular priority shall be given to delivering a substantial and progressive enhancement of the EU's research and innovation effort. At the same time, complementarity between programmes in this Heading, such as in the area of digital, should be ensured.
22. The level of commitments for this Heading will not exceed EUR [151 790] million:

HEADING 1 - SINGLE MARKET, INNOVATION AND DIGITAL						
(Million euros, 2018 prices)						
2021	2022	2023	2024	2025	2026	2027
X	X	X	X	X	X	X

## Large Scale Projects

23. This Heading will continue to support funding to large scale projects in the new European Space Programme as well as to the International Thermonuclear Experimental Reactor project (ITER):
- i. The financial envelope for the implementation of ITER for the period 2021-2027 will be a maximum of EUR [5 000] million.
  - ii. The financial envelope for the implementation of the Space Programme for the period 2021-2027 will be a maximum of EUR [12 702] million, of which EUR [7 697] million will be dedicated to Galileo and EUR [4 610] million to Copernicus.

## Horizon Europe

24. There is a need to reinforce and extend the excellence of the Union's science and innovation base. The effort in research, development and innovation will therefore be based on excellence. The Programme shall assist widening countries to increase participation in the Programme. At the same time, the participation gap and the innovation divide must continue to be addressed by various measures and initiatives; this, together with a single set of rules, will ensure an efficient and effective future European Research Policy which will also offer better opportunities for SMEs and newcomers to participate in the programmes. Better links between research and innovation institutions throughout Europe will be facilitated to strengthen research collaboration across the Union. Particular attention will be paid to the coordination of activities funded through Horizon Europe with those supported under other Union programmes, including through cohesion policy. In this context, important synergies will be needed between Horizon Europe and the structural funds for the purpose of "sharing excellence", thereby enhancing regional R&I capacity and the ability of all regions to develop clusters of excellence.

25. The financial envelope for the implementation of the Horizon Europe Programme for the period 2021-2027 will be EUR [84 013] million, of which EUR [8 608] million will be dedicated to research and innovation in food, agriculture, rural development and the bioeconomy.

### **InvestEU**

26. The InvestEU Fund will act as a single EU investment support mechanism for internal action, replacing all existing financial instruments; its overall objective is to support the policy objectives of the Union by mobilising public and private investment within the EU that fulfil the criterion of additionality, thereby addressing market failures and sub-optimal investment situations that hamper the achievement of EU goals regarding sustainability, competitiveness and inclusive growth. Clear provisions within the relevant basic acts will set out the various financial interactions between the applicable expenditure programmes and the InvestEU Fund.

### **Connecting Europe Facility**

27. In order to achieve smart, sustainable and inclusive growth and stimulate job creation, the Union needs an up-to-date, high-performance infrastructure to help connect and integrate the Union and all its regions, in the transport, energy and digital sectors. Those connections are key for the free movement of persons, goods, capital and services. The trans-European networks facilitate cross-border connections, foster greater economic, social and territorial cohesion and contribute to a more competitive social market economy and to combating climate change by taking into account decarbonisation commitments. All Member States should be treated equally, disadvantages resulting from permanent geographic vulnerabilities should be duly taken into account.

28. The financial envelope for the implementation of the Connecting Europe Facility (CEF) for the period 2021 to 2027 will be EUR [28 396] million. That amount will be distributed among the sectors as follows:
- (a) transport: EUR [21 384] million,
    - out of which EUR [10 000] million will be transferred from the Cohesion Fund to be spent in line with the CEF Regulation:
      - 30% shall be made available based on high degree of competitiveness among Member States eligible for funding from the Cohesion Fund and 70% shall respect the national allocations under the Cohesion Fund until 2023 and thereafter based on full competition between Member States eligible for the Cohesion Fund;
  - (b) energy: EUR [5 180] million;
  - (c) digital: EUR [1 832] million.

### **Digital Europe Programme**

29. The Digital Europe Programme will invest in key strategic digital capacities such as the EU's high-performance computing, artificial intelligence and cybersecurity. It will complement other instruments, notably Horizon Europe and CEF, in supporting the digital transformation of Europe.

## **HEADING 2 - COHESION AND VALUES**

30. The aim of this Heading is to contribute EU added value by fostering convergence, supporting investment, job creation and growth, helping reduce economic, social and territorial disparities within Member States and across Europe and delivering on the Bratislava and Rome agenda. This Heading invests in Regional development and cohesion in deepening the Economic and Monetary Union, and in people, social cohesion and values. This Heading will play a crucial role in contributing to sustainable growth and social cohesion and in promoting common values.
31. Commitment appropriations for this Heading, which includes a sub-Heading for "Economic, social and territorial cohesion" will not exceed EUR [374 056] million of which EUR [323 181] million will be allocated to a sub-Heading for "Economic, social and territorial cohesion:

COHESION AND VALUES						
(Million euros, 2018 prices)						
2021	2022	2023	2024	2025	2026	2027
X	X	X	X	X	X	X
of which: Economic, social and territorial cohesion						
X	X	X	X	X	X	X

## Cohesion Policy

32. The main objective of Cohesion Policy is to develop and pursue actions leading to the strengthening of economic, social and territorial cohesion by contributing to reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions. Through the European Regional Development Fund (ERDF), the shared management strand of the European Social Fund Plus (ESF+) and the Cohesion Fund (CF), it will pursue the following goals: "Investment for jobs and growth" in Member States and regions, to be supported by all the Funds; and "European territorial cooperation", to be supported by the ERDF.
33. Cohesion policy will play an increasingly important role in supporting the ongoing economic reform process by Member States by strengthening the link to the European Semester. The Commission and Member States shall take into account relevant country-specific recommendations during the entire process.
34. Resources for the "Investment for jobs and growth" goal will amount to a total of EUR [313 100] million and will be allocated as follows:
- a) EUR [195 600] million for less developed regions;
  - b) EUR [42 200] million for transition regions;
  - c) EUR [34 200] million for more developed regions;
  - d) EUR [39 700] million for Member States supported by the Cohesion Fund;
  - e) EUR [1 400] million as additional funding for the outermost regions identified in Article 349 of the TFEU and the NUTS level 2 regions fulfilling the criteria laid down in Article 2 of Protocol No 6 to the 1994 Act of Accession.
35. There will be no technical adjustment.

36. The amount of resources available for the ESF+ under the Investment for jobs and growth goal will be EUR [86 300] million, including specific funding for outermost regions of EUR [370] million. EUR [175] million of the ESF+ resources for the Investment for jobs and growth goal will be allocated for transnational cooperation supporting innovative solutions under direct or indirect management.
37. The amount of support from the Cohesion Fund to be transferred to the CEF will be EUR [10 000] million. The Cohesion Fund allocations of each Member State will be reduced accordingly. The modalities of the use of the transferred amount are included under Heading 1, CEF.
38. Resources for the "European territorial cooperation" goal (Interreg) will amount to a total of EUR [7 930] million and will be distributed as follows:
- a) a total of EUR [5 683] million for maritime and land cross-border cooperation;
  - b) a total of EUR [1 474] million for transnational cooperation;
  - c) a total of EUR [500] million for interregional cooperation;
  - d) a total of EUR [273] million for outermost regions' cooperation.

The amount of EUR [970] million allocated by the Commission for ETC - component for interregional innovation investments is split in two parts:

- [500] million is dedicated to interregional innovation investments under direct or indirect management of the ERDF under the "Investments for jobs and growth" goal, and
- [470] million is included above in the strands a) to d) taking into account the updated architecture of ETC programmes.

39. 0.35 % of the global resources will be allocated to technical assistance at the initiative of the Commission.

## Definitions and eligibility

40. Resources from the ERDF and ESF+ for the "Investment for jobs and growth" goal will be allocated to three types of NUTS level 2 regions, taking into account the NUTS classification as of 2016, defined on the basis of how their GDP per capita, measured in purchasing power standards ('PPS') and calculated on the basis of Union figures for the period 2015 to 2017, relates to the average GDP of the EU-27 for the same reference period, as follows:
- a) less developed regions, whose GDP per capita is less than 75% of the average GDP of the EU-27;
  - b) transition regions, whose GDP per capita is between 75% and 100% of the average GDP of the EU-27;
  - c) more developed regions, whose GDP per capita is above 100% of the average GDP of the EU-27.
41. The Cohesion Fund will support those Member States whose gross national income (GNI) per capita, measured in purchasing power standards ('PPS') and calculated on the basis of Union figures for the period 2015 to 2017, is less than 90% of the average GNI per capita of the EU-27 for the same reference period.
42. [*p.m. Effects of the statistical update compared to the Commission proposal.*]

## Methodology on the allocation of global resources per Member State for the period 2021-27:

### Allocation method for less developed regions eligible under the Investment for jobs and growth goal

43. Each Member State's allocation is the sum of the allocations for its individual eligible regions, calculated according to the following steps:
- a) determination of an absolute amount per year (in Euro) obtained by multiplying the population of the region concerned by the difference between that region's GDP per capita, measured in PPS, and the EU-27 average GDP per capita in PPS;



- b) application of a percentage to the above absolute amount in order to determine that region's financial envelope; this percentage is graduated to reflect the relative prosperity, measured in PPS, as compared to the EU-27 average, of the Member State in which the eligible region is situated, i.e.:
- i. for regions in Member States whose level of GNI per capita is below [82]% of the EU average: [2.8]%;
  - ii. for regions in Member States whose level of GNI per capita is between [82]% and [99]% of the EU average: [1.2]%;
  - iii. for regions in Member States whose level of GNI per capita is over [99]% of the EU average: [0.7]%.
- c) to the amount obtained under step (b) is added, if applicable, an amount resulting from the allocation of a premium of EUR [570] per unemployed person per year, applied to the number of persons unemployed in that region exceeding the number that would be unemployed if the average unemployment rate of all the EU less developed regions applied;
- d) to the amount obtained under step (c) is added, if applicable, an amount resulting from the allocation of a premium of EUR [570] per young unemployed person (age group 15-24) per year, applied to the number of young persons unemployed in that region exceeding the number that would be unemployed if the average youth unemployment rate of all the EU less developed regions applied;
- e) to the amount obtained under step (d) is added, if applicable, an amount resulting from the allocation of a premium of EUR [250] per person (age group 25-64) per year, applied to the number of persons in that region that would need to be subtracted in order to reach the average level of low education rate (less than primary, primary and lower secondary education) of all the EU less developed regions;

- f) to the amount obtained under step (e) is added, if applicable, an amount of EUR [1] per tonne of CO<sub>2</sub> equivalent per year applied to the population share of the region of the number of tonnes of CO<sub>2</sub> equivalent by which the Member State exceeds the target of greenhouse gas emissions outside the emissions trading scheme set for 2030 as proposed by the Commission in 2016;
- g) to the amount obtained under step (f) is added, if applicable, an amount resulting from the allocation of a premium of EUR [405] per person per year, applied to the population share of the regions of net migration from outside the EU to the Member State since 1 January 2013.

Allocation method for transition regions eligible under the Investment for jobs and growth goal

44. Each Member State's allocation is the sum of the allocations for its individual eligible regions, calculated according to the following steps:
- a) determination of the minimum and maximum theoretical aid intensity for each eligible transition region. The minimum level of support is determined by the initial average per capita aid intensity of all more developed regions, i.e. EUR [16.7] per head and per year. The maximum level of support refers to a theoretical region with a GDP per head of 75% of the EU-27 average and is calculated using the method defined in paragraph 43 (a) and (b) above. Of the amount obtained by this method, [60]% is taken into account;
  - b) calculation of initial regional allocations, taking into account regional GDP per capita (in PPS) through a linear interpolation of the region's relative GDP per capita compared to EU-27;

- c) to the amount obtained under step (b) is added, if applicable, an amount resulting from the allocation of a premium of EUR [560] per unemployed person per year, applied to the number of persons unemployed in that region exceeding the number that would be unemployed if the average unemployment rate of all the EU less developed regions applied;
- d) to the amount obtained under step (c) is added, if applicable, an amount resulting from the allocation of a premium of EUR [560] per young unemployed person (age group 15-24) per year, applied to the number of young persons unemployed in that region exceeding the number that would be unemployed if the average youth unemployment rate of all less developed regions applied;
- e) to the amount obtained in accordance with point (d) is added, if applicable, an amount resulting from the allocation of a premium of EUR [250] per person (age group 25-64) per year, applied to the number of persons in that region that would need to be subtracted in order to reach the average level of low education rate (less than primary, primary and lower secondary education) of all less developed regions;
- f) to the amount obtained in accordance with point (e) is added, if applicable, an amount of EUR [1] per tonne of CO<sub>2</sub> equivalent per year applied to the population share of the region of the number of tonnes of CO<sub>2</sub> equivalent by which the Member State exceeds the target of greenhouse gas emissions outside the emissions trading scheme set for 2030 as proposed by the Commission in 2016;
- g) to the amount obtained in accordance with point (f) is added, an amount resulting from the allocation of a premium of EUR [405] per person per year, applied to the population share of the region of net migration from outside the EU to the Member State since 1 January 2013.

Allocation method for more developed regions eligible under the Investment for jobs and growth goal

45. The total initial theoretical financial envelope will be obtained by multiplying an aid intensity per head and per year of EUR [16.7] by the eligible population.
46. The share of each Member State concerned will be the sum of the shares of its eligible regions, which are determined on the basis of the following criteria, weighted as indicated:
- a) total regional population (weighting [20]%)
  - b) number of unemployed people in NUTS level 2 regions with an unemployment rate above the average of all more developed regions (weighting [15]%)
  - c) employment to be added to reach the average employment rate (ages 20 to 64) of all more developed regions (weighting [20]%)
  - d) number of persons aged 30 to 34 with tertiary educational attainment to be added to reach the average tertiary educational attainment rate (ages 30 to 34) of all more developed regions (weighting [20]%)
  - e) number of early leavers from education and training (aged 18 to 24) to be subtracted to reach the average rate of early leavers from education and training (aged 18 to 24) of all more developed regions (weighting [15]%)
  - f) difference between the observed GDP of the region (measured in PPS), and the theoretical regional GDP if the region were to have the same GDP per head as the most prosperous NUTS level 2 region (weighting [7,5]%)
  - g) population of NUTS level 3 regions with a population density below 12,5 inhabitants/km<sup>2</sup> (weighting [2,5]%).
47. To the amounts by NUTS level 2 region obtained in accordance with point (46) is added, if applicable, an amount of EUR [1] per tonne of CO<sub>2</sub> equivalent per year applied to the population share of the region of the number of tonnes of CO<sub>2</sub> equivalent by which the Member State exceeds the target of greenhouse gas emissions outside the emissions trading scheme set for 2030 as proposed by the Commission in 2016.

48. To the amounts by NUTS level 2 region obtained in accordance with point (47) is added, an amount resulting from the allocation of a premium of EUR [405] per person per year, applied to the population share of the region of net migration from outside the EU to the Member State since 1 January 2013.

Allocation method for the Member States eligible for the Cohesion Fund

49. The financial envelope will be obtained by multiplying the average aid intensity per head and per year of EUR [62.9] by the eligible population. Each eligible Member State's allocation of this theoretical financial envelope corresponds to a percentage based on its population, surface area and national prosperity, and will be obtained by applying the following steps:
- a) calculation of the arithmetical average of that Member State's population and surface area shares of the total population and surface area of all the eligible Member States. If, however, a Member State's share of total population exceeds its share of total surface area by a factor of five or more, reflecting an extremely high population density, only the share of total population will be used for this step;
  - b) adjustment of the percentage figures so obtained by a coefficient representing one third of the percentage by which that Member State's GNI per capita (measured in purchasing power parities) for the period 2015-2017 exceeds or falls below the average GNI per capita of all the eligible Member States (average expressed as 100%).

For each eligible Member State, the share of the Cohesion Fund will not be higher than one third of the total allocation minus the allocation for the European territorial development goal after the application of paragraphs 52 to 58. This adjustment will proportionally increase all other transfers resulting from paragraphs 43 to 48.

### Allocation method for the European territorial cooperation goal

50. The allocation of resources by Member State, covering cross-border, transnational and outermost regions' cooperation is determined as the weighted sum of the shares determined on the basis of the following criteria, weighted as indicated:

- a) total population of all NUTS level 3 border regions and of other NUTS level 3 regions of which at least half of the regional population lives within [25] kilometres of the border (weighting [45.8]%)
- b) [population living within [25] kilometres of the borders (weighting [30.5]%)
- c) total population of the Member States (weighting [20]%)
- d) total population of outermost regions (weighting [3.7]%).

The share of the cross-border component corresponds to the sum of the weights of criteria (a) and (b). The share of the transnational component corresponds to the weight of criterion (c). The share of the outermost regions' cooperation corresponds to the weight of criterion (d).

### Allocation method for the additional funding for the outermost regions identified in Article 349

TFEU and the NUTS level 2 regions fulfilling the criteria laid down in Article 2 of Protocol No 6 to the 1994 Act of Accession

51. An additional special allocation corresponding to an aid intensity of EUR [30] per inhabitant per year will be allocated to the outermost NUTS level 2 regions and the northern sparsely populated NUTS level 2 regions. That allocation will be distributed per region and Member State in a manner proportional to the total population of those regions.

Minimum and maximum levels of transfers from the funds supporting economic, social and territorial cohesion (capping and safety nets)

52. In order to contribute to achieving adequate concentration of cohesion funding on the least developed regions and Member States and to the reduction in disparities in average per capita aid intensities the maximum level of transfer (capping) from the Funds to each individual Member State will be determined as a percentage of the GDP of the Member State, whereby these percentages will be as follows:
- a) for Member States whose average GNI per capita (in PPS) for the period 2015-2017 is under [60]% of the EU-27 average: [2.3]% of their GDP;
  - b) for Member States whose average GNI per capita (in PPS) for the period 2015-2017 is equal to or above [60]% and below [65]% of the EU-27 average: [2.0]% of their GDP;
  - c) for Member States whose average GNI per capita (in PPS) for the period 2015-2017 is equal to or above [65]% and below [70]% of the EU-27 average: [1.55]% of their GDP.
  - d) for Member States whose average GNI per capita (in PPS) for the period 2015-2017 is equal to or above [70]% of the EU-27 average: [1.50] of their GDP.

The capping will be applied on an annual basis to the GDP projections of the European Commission, and will - if applicable - proportionally reduce all transfers (except for the more developed regions and the European territorial cooperation goal) to the Member State concerned in order to obtain the maximum level of transfer.

53. The rules described in paragraph 52 will not result in allocations per Member State higher than [107]% of their level in real terms for the 2014-2020 programming period. This adjustment will be applied proportionately to all transfers (except for the European territorial development goal) to the Member State concerned in order to obtain the maximum level of transfer.

54. In order to consolidate convergence efforts and to ensure that transition is smooth and gradual, the minimum total allocation from the Funds for a Member State will correspond to [73]% of its individual 2014-2020 total allocation. The adjustments needed to fulfil this requirement will be applied proportionally to the allocations from the Funds, excluding the allocations under the European territorial cooperation goal.
55. The maximum total allocation from the Funds for a Member State having a GNI per capita (in PPS) of at least [120]% of the EU-27 average will correspond to [92]% of its individual 2014-2020 total allocation. The adjustments needed to fulfil this requirement will be applied proportionally to the allocations from the Funds, excluding the allocation under the European territorial cooperation goal.

#### Additional allocation provisions

56. For all regions that were classified as less developed regions for the 2014-2020 programming period, but whose GDP per capita is above 75% of the EU-27 average, the minimum yearly level of support under the Investment for jobs and growth goal will correspond to [60]% of their former indicative average annual allocation under the Investment for jobs and growth goal, calculated by the Commission within the multiannual financial framework 2014-2020.
57. No transition region will receive less than what it would have received if it had been a more developed region.
58. A total of EUR [100] million will be allocated for the PEACE PLUS programme in support of peace and reconciliation and of the continuation of North-South cross border cooperation.

#### **Co-financing rates**

59. The co-financing rate for the Investment for jobs and growth goal will not be higher than:
- a) 70% for the less developed regions;
  - b) 60% for transition regions that in the 2014-2020 programming period were classified as less developed regions;



- c) 55% for the transition regions;
- d) 40% for the more developed regions.

The co-financing rates for outermost regions will not be higher than 70%.

The co-financing rate for the Cohesion Fund will not be higher than 70%.

Higher co-financing rates for priorities supporting innovative actions and for support for most deprived under ESF+ may apply.

The co-financing rate for Interreg programmes will not be higher than 70%.

Higher co-financing rates for external cross-border cooperation programmes under the European territorial cooperation goal (Interreg) may apply.

Technical assistance measures implemented at the initiative of, or on behalf of, the Commission may be financed at the rate of 100%.

### **Measures linked to sound economic governance**

60. Mechanisms to ensure a link between Union funding policies and the economic governance of the Union should be maintained, allowing the Commission to request a review or amendments to relevant programmes in order to support implementation of the relevant Council recommendations or maximise growth and competitiveness impact of the Funds; or make a proposal to the Council to suspend all or part of the commitments or payments for one or more of the programmes of the Member State concerned where that Member State fails to take effective action in the context of the economic governance process.

### **Pre-financing rates**

61. The Commission will pay pre-financing based on the total support from the Funds set out in the decision approving the programme. The pre-financing for each Fund will be paid in yearly instalments, subject to availability of funds, as follows:
- a) 2021: 0.5%;
  - b) 2022: 0.5%;
  - c) 2023: 0.5%;
  - d) 2024: 0.5%;
  - e) 2025: 0.5%;
  - f) 2026: 0.5%.

The pre-financing for European territorial cooperation goal (Interreg) will be paid in yearly instalments, subject to availability of funds, as follows:

- a) 2021: 1%;
- b) 2022: 1%;
- c) 2023: 3%;
- d) 2024: 3%;
- e) 2025: 3%;
- f) 2026: 3%.

For the Asylum and Migration Fund, the Internal Security Fund and the Border Management and Visa Instrument a specific pre-financing rate will be set out.

### **Decommitment rules**

62. Any amount in a programme which has not been used for pre-financing or for which a payment application has not been submitted by 31 December of the second calendar year following the year of the budget commitments for the years 2022 to 2026 will be decommitted. Amounts included in payment applications shall also fulfil enabling conditions in order to avoid decommitment. In order to ensure a smooth transition, the 25% of the budget commitments for the year 2021 will be added to each budget commitment for the years 2022 to 2025 for the purposes of calculating the amounts to be covered by pre-financing or payment application by the time limit concerning the budget commitment for those years. The amount to be covered by pre-financing or payment applications by the time limit concerning the budget commitments for the budget commitment of 2022 shall be 70% of that commitment. 10% of the budget commitments of 2022 will be added to each budget commitment for the years 2023 to 2025 for the purposes of calculating the amounts to be covered.
63. In order to take account of the involvement of non-EU actors in the implementation of Interreg programmes supported by an external financing instrument of the Union, any amount which has not been used for pre-financing or for which a payment application has not been submitted by 31 December of the third calendar year following the year of the budget commitments for the years 2021 to 2026 will be decommitted.

## Thematic concentration of ERDF support

64. With regard to programmes implemented under the Investment for jobs and growth goal, the total ERDF resources in each Member State will be concentrated either at national or regional level as follows:

- a) Member States with a gross national income ratio equal to or above 100% or more developed regions will allocate at least 85% of their total ERDF resources under priorities other than for technical assistance to "smart" and "green" objectives, and at least 30% to "green";
- b) Member States with a gross national income ratio equal to or above 75% and below 100% or transition regions will allocate at least 45% of their total ERDF resources under priorities other than for technical assistance to "smart", and at least 30% to "green";
- c) Member States with a gross national income ratio below 75% or less developed regions will allocate at least 35% of their total ERDF resources under priorities other than for technical assistance to "smart", and at least 30% to "green".

The Member States will decide at the beginning of the programming period the level – national or regional – to which thematic concentration would be applied. When a Member State decides to establish the thematic concentration at regional level, its requirements will be defined for all regions of the Member State included in the same development category.

If the share of Cohesion Fund resources allocated to support the “green” objective is higher than 50%, then the difference may be counted towards achieving the minimum ERDF shares.

For the purposes of this paragraph, the gross national income ratio means the ratio between the gross national income per capita of a Member State, measured in purchasing power standards and calculated on the basis of Union figures for the period from 2015-2017, and the average gross national income per capita in purchasing power standards of the 27 Member States for that same reference period.

## **Support to the Turkish-Cypriot community**

65. This Heading will also finance support to the Turkish-Cypriot community.

## **Economic and Monetary Union**

66. [The Budgetary Instrument for Convergence and Competitiveness (BICC) will support structural reforms and public investment through a coherent package. Strategic guidance will be provided by the euro area Member States through a strengthened Euro Area Recommendation. The instrument will be applicable to all euro area Member States and to ERM II Member States on a voluntary basis. The financial envelope for the BICC for the period of 2021-2027 will be EUR [12 903] million. Possible additional voluntary contributions to the instrument could be provided through external assigned revenue, which shall be used under the rules and for the purpose of the BICC.
67. Within the BICC a maximum financial contribution will be available for each eligible Member State, which will be calculated based on the population share and inverse of GDP per capita for at least 80% of the funds, while ensuring that the maximum allocation represents at least 70% of each eligible Member State GNI share in the total GNI of the euro area. Within the BICC a national co-financing rate will be set at 25%. For Member States experiencing a severe economic downturn the national co-financing rate would be reduced to 12.5%.]
68. [A Convergence and Reform Instrument (CRI) will be available to Member States whose currency is not the euro, whose per capita gross national income (GNI) is below the average GNI of the euro area and who have not informed the Commission of their intention to participate in the BICC under [Article 7b(3)]. The financial envelope for the CRI for the period 2021-2027 will be EUR [5 511] million.
69. Within the CRI a maximum financial contribution will be available for each eligible Member State, which will be calculated based on [the population share and inverse of GDP per capita]. For those Member States that do not participate either in the BICC or the CRI, a financial arrangement should be defined to address their full financial liability in relation to the BICC].

70. The Technical Support Instrument will improve Member States' administrative capacity to design, develop and implement reforms. It will be available for all Member States and have a financial envelope for the period 2021-2027 of EUR [767] million.

### **Investing in people, social cohesion and values**

71. The ESF+ will provide comprehensive support to youth employment, up- and re-skilling of workers, social inclusion and poverty[, including child poverty,] reduction by merging existing programmes: the European Social Fund, the Youth Employment Initiative, the Fund for European Aid to the Most Deprived, the Employment and Social Innovation programme and the Health programme.

The total financial envelope for the ESF+ for the period 2021-2027 will be EUR [87 300] million, of which:

- EUR [1 042] million for the ESF+ strand under direct and indirect management;
- EUR [86 300] million for the ESF+ strand under shared management under the Investment for Jobs and Growth goal.

The shared management strand will remain under a sub-heading together with the ERDF and the Cohesion Fund.

72. With regard to the ESF+ resources under shared management each Member State shall allocate:
- a) at least [25]% to the specific objectives for the social inclusion, including integration of migrants;
  - b) at least [2]% to the specific objective addressing material deprivation;
  - c) at least [10]% to targeted actions for young people not in employment (NEET) in the case of having a rate of NEET above the EU average.

73. Building on the existing Erasmus+, the new programme will provide learning and mobility opportunities for pupils, apprentices, young people, students and teachers. It will have a strong focus on inclusion of people with fewer opportunities and will strengthen transnational cooperation opportunities for universities, vocational education and training institutions. Erasmus+ will continue to support cooperation in the field of Sport.
74. This Heading will also provide funding for the European Solidarity Corps, the Creative Europe Programme as well as the Justice, Rights and Values and the Pericles IV Programme.

### **HEADING 3 - NATURAL RESOURCES AND ENVIRONMENT**

75. Funding in this Heading focuses on delivering added value through a modernised, sustainable agricultural, maritime and fisheries policy as well as by advancing climate action and promoting environmental and biodiversity protection. The mainstreaming of climate across the budget and enhanced integration of environmental objectives gives this Heading a key role in reaching the ambitious target of at least 25% of EU expenditure contributing to climate objectives.
76. Commitment appropriations for this Heading, which consists of agriculture and maritime policy, as well as environment and climate action will not exceed EUR [346 582] million of which EUR [254 247] million will be allocated to market related expenditure and direct payments:

NATURAL RESOURCES AND ENVIRONMENT						
(Million euros, 2018 prices)						
2021	2022	2023	2024	2025	2026	2027
X	X	X	X	X	X	X
of which : Market related expenditure and direct payments						
X	X	X	X	X	X	X

## Common Agricultural Policy

77. A reformed and modernised Common Agricultural Policy (CAP) will ensure access to safe, high quality, affordable, nutritious and diverse food. It will support the transition towards an economically, environmentally and socially sustainable and market-oriented agricultural sector and the development of vibrant rural areas. The CAP will continue to deliver on the objectives set out in the Treaties and provide a fair standard of living for the agricultural community. The CAP will also pay full regard to the welfare requirements of animals. Account should be taken of the social structure of agriculture and of the structural and natural disparities between the various agricultural regions.
78. A new delivery model bringing both pillars under a single programming instrument - the CAP Strategic Plan - will ensure that common objectives set at EU level will be met. The new delivery model will grant more flexibility for the Member States and contribute to simplification. The share of the CAP expenditure that is expected to be dedicated to climate action shall be 40%.
79. The Common Agricultural Policy for the period 2021-2027 will continue to be based on the two pillars structure:
- a) Pillar I (market measures and direct payments) will provide direct support to farmers and finance market measures. It will contribute, in particular through a new environmental architecture, to a higher level of environmental and climate ambition of the Common Agricultural Policy. Measures in Pillar I will, as in the current financing period, be funded entirely by the EU budget.
  - b) Pillar II (Rural Development) will deliver specific climate and environmental public goods, improve the competitiveness of the agriculture and forestry sectors, promote the diversification of economic activity and quality of life and work in rural areas including areas with specific constraints. Measures in Pillar II will be co-financed by Member States.



## **Pillar I**

### *External convergence*

80. The external convergence of direct payments will continue. All Member States with direct payments per hectare below 90% of the EU average will close 50% of the gap between their current average direct payments level and 90% of the EU average in six equal steps starting in 2022. This convergence will be financed proportionately by all Member States. [All Member States will be guaranteed to reach a level of EUR [X]/ha in direct payments by 2027 based on potentially eligible area of 2016, before the changes due to the transferred amount between the two CAP Pillars].

### *Capping of direct payments for large farmers*

81. Capping of the direct payments for large beneficiaries will be introduced at the level of EUR [100 000]. It will apply only to the Basic Income Support for Sustainability (BISS). When applying capping, Member States may, on voluntary basis, subtract from the amount of Basic Income Support for Sustainability per beneficiary all labour related costs.

### *Agricultural reserve and financial discipline*

82. A reserve intended to provide support for the agricultural sector for the purpose of market management or stabilisation or in the case of crises affecting the agricultural production or distribution (“the agricultural reserve”) shall be established at the beginning of each year in the European Agricultural Guarantee Fund (EAGF). The amount of the agricultural reserve shall be EUR [450] million in current prices at the beginning of each year of the period 2021-2027. The unused amounts of the agricultural crisis reserve in financial year 2020 will be carried over to financial year 2021 to set up the reserve (exact years to be synchronized with the CAP transitional period). Non-committed appropriations of the agricultural reserve shall be carried over to finance the agricultural reserve. In case the reserve is used, it will be re-filled using existing revenue assigned to the EAGF, margins available under the EAGF sub-ceiling or, as a last resort, by the financial discipline mechanism.

83. The financial discipline mechanism, will remain for the purpose of ensuring the respect of the EAGF sub-ceiling.

### **Flexibility between pillars**

84. Member States may decide to make available as additional support:

- for measures under rural development programming financed under the EAFRD in the financial years 2022-2027, up to 15% of their annual national ceilings set out in Annex IV after deduction of the allocations for cotton set in Annex VI for calendar years 2021 to 2026 of the Regulation of the European Parliament and of the Council establishing rules on support for strategic plans. As a result, the corresponding amount will no longer be available for granting direct payments. The threshold may be increased by 15 percentage points provided that Member States use the corresponding increase for EAFRD financed interventions addressing specific environmental- and climate-related objectives and by 2 percentage points provided that Member States use the corresponding increase for EAFRD financed interventions for supporting young farmers.
- up to 15% of the Member State's allocation for EAFRD in financial years 2022-2027 to the Member State's allocation for direct payments set out in Annex IV of the Regulation of the European Parliament and of the Council establishing rules on support for strategic plans for calendar years 2021 to 2026. As a result, the corresponding amount will no longer be available for support under rural development.

## **Pillar II**

### *Distribution of rural development support*

85. The allocation for EAFRD for the period 2021-2027 is EUR [80 037] million of which 0.25% will be used for technical assistance of the Commission.

*Pre-financing rural development*

86. An initial pre-financing shall be paid in instalments as follows:
- a. in 2021\*: 1% of the amount of support from the EAFRD for the entire duration of the CAP Strategic Plan;
  - b. in 2022\*: 1% of the amount of support from the EAFRD for the entire duration of the CAP Strategic Plan;
  - c. in 2023\*: 1% of the amount of support from the EAFRD for the entire duration of the CAP Strategic Plan.
- \* (Exact years to be synchronized with the CAP transitional period).

*Co-financing rates for rural development support*

87. The maximum EAFRD contribution rate, to be established in the CAP Strategic Plans, shall be:
- a. 70% of the eligible public expenditure in the outermost regions and in the smaller Aegean islands within the meaning of Regulation (EU) No 229/2013;
  - b. 70% of the eligible public expenditure in the less developed regions;
  - c. 55% of the eligible public expenditure in transition regions;
  - d. 65% of the eligible expenditure for payments for natural or other area-specific constraints;
  - e. 43% of the eligible public expenditure in the other regions.

The minimum EAFRD contribution rate shall be 20%. A higher 80% co-financing rate shall apply for environmental, climate and other management commitments; for area-specific disadvantages resulting from certain mandatory requirements; for non-productive investments; for support for the European Innovation Partnership and for LEADER. 100% co-financing apply for funds transferred to the EAFRD.

*De-commitment rules*

88. The Commission shall automatically decommit any portion of a budget commitment for rural development interventions in a CAP Strategic Plan that has not been used for prefinancing or for making interim payments in relation to expenditure effected by 31 December of the second year following that of the budget commitment.

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89. Financing under this Heading will also support the European Maritime and Fisheries Fund, targeting funding to the Common Fisheries Policy (CFP), the Union's maritime policy and the Union's international commitments in the field of ocean governance, notably in the context of the 2030 Agenda for Sustainable Development. It will therefore support sustainable fisheries and aquaculture and the conservation of marine biological resources, as well as the local communities dependent on it.

90. The Heading will further finance the programme for the environment and climate action, LIFE, which will provide additional support to conservation of biodiversity, including Natura 2000, and the transformation of the Union into a clean, circular, energy efficient, low carbon and climate resilient society.

## **HEADING 4 - MIGRATION AND BORDER MANAGEMENT**

91. This Heading finances measures related to the management of external borders, migration and asylum, thereby contributing to the delivery of the Bratislava and Rome agenda. Coordinated action at EU level offers significant EU added value as effective control of external borders is a prerequisite for ensuring more efficient migration management and a high level of internal security while safeguarding the principle of free movement of persons and goods within the Union. Programmes under this Heading will help the European Union and its Member States to deliver on a comprehensive approach to migration effectively.
92. Commitment appropriations for this Heading will not exceed EUR [23 389] million:

MIGRATION AND BORDER MANAGEMENT						
(Million euros, 2018 prices)						
2021	2022	2023	2024	2025	2026	2027
X	X	X	X	X	X	X

### **Migration**

93. The Asylum and Migration Fund will support Member States' work to provide reception to asylum seekers and integration measures. It will also support the development of a common asylum and migration policy and facilitate effective external migration management, including returns and reinforced cooperation with third countries. Synergies will be ensured with cohesion policy, which supports socio-economic integration, with external policy, which addresses the external dimension, including the root causes of migration, and through cooperation with third countries on migration management and security.

94. The allocation for the Asylum and Migration Fund for the period 2021-2027 is EUR [9 205] million and shall be used as follows:

- (a) EUR [5 523] million will be allocated to the national programmes implemented under shared management;
- (b) EUR [3 682] million will be allocated to the thematic facility.

The thematic facility includes a dedicated, significant component for tailored actions to address external migration.

Allocations to Member States will be based on objective criteria linked to asylum, legal migration and integration and countering irregular migration including returns and will be updated in 2024 with effect as of 2025 based on the latest available statistical data.

## **Border Management**

95. The Integrated Border Management Fund will provide support to the shared responsibility of securing the external borders while safeguarding the free movement of persons within the Union, and will facilitate legitimate trade, contributing to a secure and efficient customs union. Synergy will be ensured with external policy instruments, in order to contribute to border protection and external migration management through cooperation with third countries.

96. The allocation for the Integrated Border Management Fund for the period 2021-2027 is EUR [5 505] million, and shall be used as follows:

- (a) EUR [893] million for the instrument for financial support for customs control equipment;
- (b) EUR [4 612] million for the instrument for financial support for border management and visa, of which:
  - EUR [3 228] million will be allocated to the national programmes under shared management, of which EUR [139] million for the Special Transit Scheme;
  - EUR [1 384] million will be allocated to the thematic facility.

The thematic facility includes a dedicated, significant component for tailored actions to address external migration.

Allocations to Member States under (b) will be based on objective criteria linked to external land borders, external sea borders, airports and consular offices and will be updated in 2024 with effect as of 2025 based on the latest available statistical data for these criteria.

97. These measures will be complemented by a reinforced European Border and Coast Guard Agency (EBCGA), with a total envelope of EUR [6 148] million.

## **HEADING 5 - SECURITY AND DEFENCE**

98. Actions under this Heading constitute programmes targeted at security and defence where cooperation at Union level offers high value added, reflecting the changed geopolitical situation and the new political priorities of the EU. This includes actions in relation to internal security, crisis response and nuclear decommissioning as well as in the area of defence.

99. The level of commitments for this Heading will not exceed EUR [14 691] million:

HEADING 5 - SECURITY AND DEFENCE						
(Million euros, 2018 prices)						
2021	2022	2023	2024	2025	2026	2027
X	X	X	X	X	X	X

### **Security**

100. Financing from this Heading will support the Internal Security Fund, which will contribute to ensuring a high level of security in the Union in particular by preventing and tackling terrorism and radicalisation, serious and organised crime and cybercrime as well as by assisting and protecting victims of crime. It will also finance actions dedicated to external migration management in relation to combatting illegal migration and trafficking of human beings.

101. The allocation for the Internal Security Fund for the period 2021-2027 is EUR [1 705] million, and shall be used as follows:

- (a) EUR [1 194] million will be allocated to the national programmes implemented under shared management;
- (b) EUR [511] million will be allocated to the thematic facility.



The thematic facility includes a dedicated, significant component for tailored actions to address external migration.

102. In order to support nuclear safety in Europe, a specific support will be granted to the decommissioning of the following nuclear power plants:

- EUR [490] million to Ignalina in Lithuania for 2021 - 2027;
- EUR [50] million to Bohunice in Slovakia for 2021 - 2025 with a maximum EU contribution rate of 50%;
- EUR [57] million to Kozloduy in Bulgaria for 2021 - 2027 with a maximum EU contribution rate of 50%.

In addition, EUR [448] million for the decommissioning of the EU's own installations will be provided.

## **Defence**

103. Financing from this Heading will also include a financial contribution of EUR [6 014] million for the European Defence Fund (EDF) aimed at fostering competitiveness, efficiency and innovation capacity of the European defence technological and industrial base supporting collaborative actions and cross-border cooperation throughout the Union, at each stage of the industrial cycle of defence products and technologies. The programme design will ensure participation of defence industries of all sizes, including SME and mid-caps, across the Union, thus strengthening and improving defence supply and value chains. It shall contribute to the European Union's strategic autonomy and the ability to work with strategic partners and support projects consistent with defence capability priorities commonly agreed by the Member States, including within the framework of the Common Foreign and Security Policy and particularly in the context of the Capability Development Plan.

104. A financial contribution of EUR [2 500] million will be made to the Connecting Europe Facility to adapt the TEN-T networks to military mobility needs.

## **HEADING 6 - NEIGHBOURHOOD AND THE WORLD**

105. This Heading finances the Union's external action and assistance for countries preparing for accession to the Union. Stronger coordination between external and internal policies will ensure proper implementation of the 2030 Agenda for Sustainable Development, the Paris Climate Agreement, the EU Global Strategy, the European Consensus on Development, the European Neighbourhood Policy, as well as external dimension of migration, including the Partnership Framework with third countries on migration. A modernised external policy will demonstrate EU added value by increasing effectiveness and visibility and making the Union better equipped to pursue its goals and values globally, in strong coordination with Member States.
106. Expenditure for Sub-Saharan Africa, the Caribbean and the Pacific currently financed through the current European Development Fund will be integrated into this Heading.
107. Commitment appropriations for this Heading will not exceed EUR [103 217] million:

NEIGHBOURHOOD AND THE WORLD						
(Million euros, 2018 prices)						
2021	2022	2023	2024	2025	2026	2027
X	X	X	X	X	X	X

## External action

108. In order to increase the coherence, transparency, flexibility and effectiveness of EU external cooperation, most existing instruments will be merged into a Neighbourhood, Development and International Cooperation Instrument with a total financial envelope of EUR [75 492] million, of which:
- (i) Geographic programmes: EUR [57 374] million, of which at least EUR [18 360] million for the Neighbourhood, while maintaining an adequate geographical balance, and at least EUR [26 966] million for Sub-Saharan Africa.
  - (ii) EUR [6 039] million for thematic programmes;
  - (iii) EUR [3 020] million for rapid response actions;
  - (iv) EUR [9 059] million for the emerging challenges and priorities cushion to address unforeseen circumstances, new needs or emerging challenges, like crisis and post-crisis situations or migratory pressure, or promote new Union-led or international initiatives or priorities.
109. [Unused commitment and payment appropriations under this instrument may be carried over to the following financial year. Decommitted appropriations will not be made available again.]
110. The allocation for the Humanitarian Aid Instrument, delivering EU assistance to save and preserve lives, prevent human suffering, safeguard populations affected by natural disasters or man-made crises, will be EUR [9 760] million.
111. External action will also finance a financial contribution of EUR [2 819] million for the Common Foreign and Security Policy and Overseas Countries and Territories, including Greenland.

## **Pre-accession assistance**

112. The allocation for the Instrument for Pre-Accession, supporting beneficiaries on their path to fulfilling the accession criteria, will be EUR [11 365] million.

## **The European Peace Facility**

113. A European Peace Facility will be established as an off-budget instrument to finance actions in the field of security and defence which the Council may decide, replacing the current African Peace Facility and the Athena mechanism. The financial ceiling for the Facility for the period 2021-2027 will be EUR [4 500] million and will be financed as an off-budget item outside the MFF through contributions from Member States based on a GNI distribution key.

## **HEADING 7 - EUROPEAN PUBLIC ADMINISTRATION**

114. A highly professional European Public Administration, recruited on the broadest possible geographical basis, plays a crucial role in supporting the Union to deliver on its priorities and to implement policies and programmes in the common European interest. At the same time, while recalling previous and ongoing reform efforts, European citizens expect every public administration and its staff to operate as efficiently as possible. In the context of a future Union of 27 Member States it is necessary to continuously consolidate these reforms and constantly improve efficiency and effectiveness of the European Public Administration.
115. Commitment appropriations for this Heading, which consists of administrative expenditure of the institutions and European schools and pensions, will not exceed EUR [73 602] million:

EUROPEAN PUBLIC ADMINISTRATION						
(Million euros, 2018 prices)						
2021	2022	2023	2024	2025	2026	2027
X	X	X	X	X	X	X
of which : administrative expenditure of the institutions						
X	X	X	X	X	X	X

The ceilings will be set in such a way as to avoid excessive margins and to reflect expected salary-adjustments, career-progression, pension costs and other relevant assumptions.

116. Programme support expenditure should as per current and past practice continue to be linked to the operational expenditure within the respective programme envelopes or policy area. To increase transparency and control, the administrative and programme support expenditure should be monitored and reported across all Headings regularly and in a comprehensive way. In the context of a future Union of 27 Member States, all EU institutions should adopt a comprehensive and targeted approach for considering the number of staff.
117. All EU institutions, bodies, agencies and their administrations should conduct a regular staff screening that ensures the optimisation of staff resources [at the current level] and should continue to seek efficiency gains in non-salary related expenditure, including by deepening interinstitutional cooperation, such as in the area of IT, procurement and buildings, and freezing non-salary related expenditure.
118. Recognizing that the 2013 Staff Regulations reform package contains clear and precise provisions, the reporting and the necessary evaluation of the current reform are to serve as a basis for any possible subsequent revision of the Staff Regulations. The Commission is invited in its evaluation and possible subsequent proposals to address issues such as career progression, the size and duration of allowances, the adequacy of the tax system, the solidarity levy as well as the sustainability of the pension system.
119. To further control and manage administrative spending, efficiency gains and measures applied in comparable administrations could serve as a benchmark.

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## **Flexibility: Thematic Special Instruments**

120. Flexibility will also be provided through dedicated thematic special instruments that provide additional financial means to respond to specific unforeseen events; it is the nature of these instruments that they are only used in case of need, therefore clear criteria for their mobilisation should be defined. In the spirit of the overall aim to consolidate and streamline EU expenditure, duplication both between these instruments as well as with spending programmes should be avoided and further synergy explored. The complex rules for re-shuffling of amounts between instruments and the carry-over of unused amounts to the following years should be simplified and harmonised.
121. The European Globalisation Adjustment Fund, a solidarity and emergency relief instrument offering one-off assistance to support workers who lose their jobs in restructuring events linked to globalisation including those caused by automation and digitalisation shall not exceed a maximum annual amount of EUR [186] million (2018 prices). [The amounts will be mobilised over and above the MFF ceilings for commitments [and payments]].
122. A new Solidarity and Emergency Aid Reserve (SEAR) should replace the current European Union solidarity fund (EUSF) and the current emergency aid reserve (EAR). It may be used to respond to emergency situations resulting from major natural disasters in Member States and accession countries under the EUSF, and for rapid response to specific emergency needs within the EU or in third countries following events which could not be foreseen, in particular emergency response and humanitarian crises. Clear criteria and modalities for its use should be defined.

The annual amount of the Reserve is fixed at EUR [920] million (2018 prices). Decision on transfers to allow its mobilisation shall be taken by the European Parliament and by the Council on a proposal by the Commission. The Reserve shall be entered in the general budget of the Union as a provision. The annual amount may be used up to year n+1. The amount stemming from the [previous] year shall be drawn on first.

[The amounts will be mobilised over and above the MFF ceilings for commitments [and payments].]

By 1 October of each year, at least one quarter of the annual amount for year n shall remain available to cover needs arising until the end of that year. As of 1 October, the remaining part of the amount available may be mobilised either for internal or external operations to cover needs arising until the end of that year.

### **Flexibility: Non-Thematic Special Instruments**

123. The Global Margin for Commitments (GMC), the Global Margin for Payments (GMP) and the Contingency Margin (CM) will be replaced by a Single Margin Instrument (SMI). This instrument will be able to use commitments and/or payments by drawing upon:

- In the first instance, margins of one or more MFF Headings left available below the MFF ceilings from previous financial years as from the year 2021, to be made available in the years 2022-2027 and to be fully offset against the margins of the respective previous years.
- Only if the amounts available pursuant to the first indent, if any, are insufficient, an additional amount which shall be fully offset against the margins for current or future financial years. The amounts thus offset shall not be further mobilised in the context of the MFF.

With the exception of payment margins referred to in the first indent, amounts may be mobilised over and above the respective annual ceilings in relation to an amending or annual budget to allow the financing of specific unforeseen expenditure which could not be financed within the limits of the ceilings available. For the payment margins referred to in the first indent the Commission shall adjust the payment ceiling for the years 2022-2027 upwards by amounts equivalent to the difference between the executed payments and the MFF payment ceiling of the year n-1 as part of the annual technical adjustment of the financial framework.

The total annual amount mobilised for this instrument in relation to an amending or annual budget shall not exceed [0.04]% of EU GNI in commitments and [0.03]% of EU GNI in payments, and shall be consistent with the own resources ceiling.



In addition, the annual upwards adjustment of the payment ceiling shall not exceed the following amounts (in 2018 prices) for the years 2025-2027 as compared to the original payment ceiling of the relevant years:

2025 – EUR [8 000] million

2026 – EUR [13 000] million

2027 – EUR [15 000] million

[In order to prevent exhaustion of all future margins by means of mobilization of the Single Margin Instrument, until the year [2025] mobilisations drawing upon future margins may not use more than [two thirds] of the available margins for each of the years [2025, 2026 and 2027] for commitments and payments respectively [as calculated at the time of the mobilisation]. As from the year [2025] the aforementioned limitation will no longer apply.]

124. The Flexibility instrument will be a [last resort] non-thematic instrument to allow the financing of specific unforeseen expenditure in commitments and corresponding payments that could not be financed otherwise. The Flexibility instrument annual ceiling will be set at EUR [772] million (2018 prices). The annual amount may be used up to year  $n+[2]$ . The amount stemming from the previous years shall be drawn on first, in order of age. Each year the annual amount available for the Flexibility Instrument shall be increased by amounts lapsed in the previous year from the [European Globalisation Adjustment Fund] and Solidarity and Emergency Aid Reserve.

[The amounts will be mobilised over and above the MFF ceilings for commitments [and payments].]

125. There shall be no financing for special instruments from de-commitments.

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### **III. PART II : REVENUE**

126. The own resources arrangements should be guided by the overall objectives of simplicity, transparency and equity, including fair burden sharing. The total amount of own resources allocated to the Union budget to cover annual appropriations for payments shall not exceed [1.25]% of the sum of all the Member States' GNIs. The total amount of annual appropriations for commitments shall not exceed [1.31]% of the sum of all the Member States' GNIs. An orderly ratio between appropriations for commitments and payments shall be maintained.
127. The new system of own resources of the European Union will enter into force on the first day of the second month following receipt of the notification of its adoption by the last Member State. All its elements will apply retroactively from 1 January 2021.
128. Regarding the Council Regulation on the methods and procedure for making available own resources and on the measures to meet cash requirements, the Commission is invited to assess presenting a proposal for its revision in order to tackle challenges with respect to making available own resource.

#### *Traditional own resources*

129. [The system for collecting traditional own resources and transferring them to the EU budget will remain unchanged.]

From 1 January 2021, Member States shall retain, by way of collection costs, [10-20]% of the amounts collected by them[, thus keeping the current level unchanged].

*VAT-based own resource*

130. The current VAT-based own resource will be [abolished] OR [replaced by the Commission's refined alternative method from January 2019].

*New Own Resources*

131. A basket of new Own Resources will be introduced composed of a share of revenues from:

- [the Emissions Trading System with a call rate of [20]%;
- a national contribution calculated on the weight of non-recycled plastic packaging waste with a call rate of EUR [0.80] per kilogram.

*[p.m. Possible proposals for new own resources, other than proposed by the Commission in 2.5.2018, including a possible extension of the Emission Trading System, will be assessed in the course of the period 2021-2027.]*

*GNI-based own resource*

132. The method of applying a uniform call rate for determining Member States' contributions to the existing own resource based on gross national income (GNI) will remain unchanged, without prejudice to point 133.

*Corrections*

133. The current corrections system expires by the end of 2020.

*[p.m. Possible lump sum reductions 2021-2027.]*

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