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NOTE

From:	Presidency
To:	Permanent Representatives Committee/Council
Subject:	Multiannual Financial Framework (2021-2027): draft Negotiating Box

1. The purpose of presenting the draft Negotiating Box is to identify and confirm the issues which will need to be addressed in the course of the negotiation on the Multiannual Financial Framework, and where appropriate, facilitate the discussion on options and solutions on individual issues. The presentation of the draft Negotiating Box does not aim at any concluding debates or compromises at this stage.

2. The draft Negotiating Box is drawn up and developed under the responsibility of the Presidency, it is therefore not binding on any delegation. The Presidency continues to be guided by the principle that nothing is agreed until everything is agreed.

3. Delegations will find in Annex the revised draft Negotiating Box elaborated by the Presidency.

ANNEX

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 and Rome agendas. 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[1].]

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
     a sub-ceiling for economic, social and territorial cohesion;

     OR

     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.

[1] 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 programmes and instruments are gender-mainstreamed.

3. The maximum total figure for expenditure for EU 27 for the period 2021-2027 is EUR [x] million in appropriations for commitments, representing [x]% of EU GNI, and EUR [x] million in appropriations for payments, representing [x]% 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%] OR [an annually adjusted deflator].

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

4. The Commission shall present a mid-term review of the MFF before 1 January 202[4]. Given its nature, such a review will not lead to a reduction of pre-allocated national envelopes.

OR

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 [295] billion 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 and de-commitment rules].

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. 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.

Flexibility: Margins & Programming

8. Appropriate margins will be set within each Heading, 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.]

9. 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.
[In addition, budgetary flexibility between funds is enabled through the possibility to transfer, on a voluntary basis, up to [5]% of national allocations under shared management to direct and indirect management [for the benefit of the Member State concerned]].

Flexibility: Thematic Instruments

10. Flexibility will also be provided through dedicated thematic 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.

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

OR

The European Globalisation Adjustment Fund will be discontinued, its objectives will be pursued by the ESF+.

12. The European Union Solidarity Fund, providing ex-post financial assistance to EU Member States and accession countries affected by major natural disasters, and the Emergency Aid Reserve, ensuring capacity to respond rapidly to specific emergency needs [within the Union or] in third countries, should remain separate instruments. The annual ceilings for these instruments shall be EUR [x] million and EUR [x] million respectively. [The amounts will be mobilised over and above the MFF ceilings for commitments [and payments]].

OR

The European Union Solidarity Fund and the Emergency Aid Reserve should be replaced by a combined single instrument for internal and external crisis and emergency situations. The annual ceiling for this instrument shall be EUR [x] million. [The amounts will be mobilised over and above the MFF ceilings for commitments [and payments]].

Flexibility: Non-Thematic Instruments

13. The objective of the Flexibility Instrument is to finance clearly identified expenditure which could not be financed within the limits of the ceilings available for one or more other Headings; the Flexibility Instrument's annual ceiling will be set at EUR [x] million. [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; European Union Solidarity Fund; Emergency Aid Reserve.] [The amounts will be mobilised over and above the MFF ceilings for commitments [and payments]].

14. Those margins within Headings left available under the ceilings for commitments of the previous financial year will, as of 202[2], establish a Global Margin for Commitments (Union Reserve) [for well-defined policy objectives]. [As of 2023, in addition to the margins, an amount equivalent to de-commitments of appropriations made during year n-2 shall be made available.] [The size of the Margin available each year shall not exceed EUR [x] million.]

15. A Contingency Margin of up to [x]% of GNI will be constituted outside of the ceilings of the MFF as a last resort instrument to react to unforeseen circumstances. Amounts made available through the mobilisation of the Contingency Margin shall be fully offset against the margins in one or more MFF Headings for the current or future financial years.

16. [The instruments described in paragraphs 13, 14 and 15 will be replaced by a combined single flexibility instrument/transversal reserve which can respond to specified unforeseen events. The annual ceiling for the instrument [to be topped up by amounts of unused margins from previous years], shall be EUR [x] million. [If fully depleted, and as a last resort measure only, this instrument will be able to mobilize margins from one or more MFF Headings of the current or future financial years.]]

Flexibility: Payments

17. Via the Global Margin for Payments, starting from 202[2] as part of the technical adjustment, the Commission shall adjust the payment ceiling for the years [2022-2027] upwards by an amount equivalent to the difference between the executed payments and the MFF payment ceiling of the year n-1. Any upward adjustment shall be fully offset by the corresponding reduction of the payment ceiling for the year n-1. [The Global Margin for Payments shall continue with restriction in terms of the amount of the adjustment of ceilings. The annual adjustments in years [202x-2027] shall not exceed EUR [x] million as compared to the original payment ceiling.]

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18. In line with the overall effort of consolidation, financial instruments and budgetary guarantees are further streamlined, notably in InvestEU and as part of the 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 and repayments stemming from financial instruments and budgetary guarantees should be treated in a horizontal manner.]

19. 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, as well as in the areas of [migration,] environment and climate change.

20. 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.]

21. p.m. Third country participation.

22. 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 coordinated manner in programmes across the relevant Headings.

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

23. 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] OR [generalised malfunctioning of Member States authorities as regards budget-related aspects].

24. Conditionality under the regime will be genuine; thus an aim will be to tackle instances of [deficiencies] OR [malfunctioning] which affect or risk affecting the sound implementation of the EU budget or the financial interests of the Union in a direct way. The instances of deficiencies will be identified [with clear and sufficiently precise criteria].

25. 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.

26. 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

27. 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.

28. The level of commitments for this Heading will not exceed:

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

29. 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 [x] million. [The amounts shall not be specified in the Council Regulation laying down the Multiannual Financial Framework.]

    ii. The financial envelope for the implementation of the Space Programme for the period 2021-2027 will be [a maximum of] EUR [x] million, of which EUR [x] million will be dedicated to Galileo and EUR [x] million to Copernicus. [The amounts shall not be specified in the Council Regulation laying down the Multiannual Financial Framework.]

Horizon Europe

30. 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. 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.

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

InvestEU

32. 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 act will set out the various financial interactions between the applicable expenditure programmes and the InvestEU Fund.

Connecting Europe Facility

33. 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.

34. The financial envelope for the implementation of the Connecting Europe Facility (CEF) for the period 2021 to 2027 will be EUR [x] million. That amount will be distributed among the sectors as follows:

(a) transport: EUR [x] million,

- out of which EUR [x] million will be transferred from the Cohesion Fund to be spent in line with the CEF Regulation [exclusively in the relevant Member State eligible for funding from the Cohesion Fund until 202[3] and thereafter based on competition between Member States eligible for the Cohesion Fund] OR [based on high degree of competitiveness among Member States eligible for funding from the Cohesion Fund];

(b) energy: EUR [x] million;

(c) digital: EUR [x] million.

Digital Europe Programme

35. 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

36. 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.

37. Commitment appropriations for this Heading, which includes a [sub-ceiling] OR [sub-Heading] for "Economic, social and territorial cohesion" will not exceed the following level:

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

38. 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.

39. 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.

40. Resources for the "Investment for jobs and growth" goal will amount to a total of EUR [x] million and will be allocated as follows:

   a) EUR [x] million for less developed regions;

   b) EUR [x] million for transition regions;

   c) EUR [x] million for more developed regions;

   d) EUR [x] million for Member States supported by the Cohesion Fund;

   e) EUR [x] 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.

41. [In 2024, the Commission will in its technical adjustment for the year 2025, review the total allocations under the investment for jobs and growth goal of each Member State for 2025 to 2027, applying the allocation method on the basis of the then available most recent statistics and of the comparison, for the capped Member States, between the cumulated national GDP observed for the years 2021 to 2023 and the cumulated national GDP estimated in 2018. It shall adjust those total allocations whenever there is a cumulative divergence of more than [+/-5]%. The adjustments required shall be spread in equal proportions over the years 2025 to 2027. The sum of all Member States' adjustments whether positive or negative will not exceed EUR [4000] million].]

42. The amount of resources available for the ESF+ under the Investment for jobs and growth goal will be EUR [x] million, including specific funding for outermost regions of EUR [x] million. [EUR [x] 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.]

43. [Member States may request the transfer of up to [5]% of programme financial allocations between the ERDF and the ESF+ within a Member State’s allocation for „Investment in jobs and growth” goal].

44. The amount of support from the Cohesion Fund to be transferred to the CEF will be EUR [x] 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.

45. Resources for the "European territorial cooperation" goal (Interreg) will amount to a total of EUR [x] million and will be distributed as follows:

a) a total of EUR [x] million for cross-border cooperation;

b) a total of EUR [x] million for transnational cooperation;

c) a total of EUR [x] million for outermost regions' cooperation;

d) a total of EUR [x] million for interregional cooperation;

[e) a total of EUR [x] million for interregional innovation investments.]

46. [0.35] % of the global resources will be allocated to technical assistance at the initiative of the Commission.

Definitions and eligibility

47. 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 [2014 to 2016], 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.

48. 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 [2014 to 2016], is less than 90% of the average GNI per capita of the EU-27 for the same reference period.

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

49. 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: [1.3]%;

        iii. for regions in Member States whose level of GNI per capita is over [99]% of the EU average: [0.9]%.

    c) to the amount obtained under step (b) is added, if applicable, an amount resulting from the allocation of a premium of EUR [500] 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 [500] 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_2 equivalent per year applied to the population share of the region of the number of tonnes of CO_2 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 [400] 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].]

<u>Allocation method for transition regions eligible under the Investment for jobs and growth goal</u>

50. 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 [18] 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 49 (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 [500] 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 [500] 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_2 equivalent per year applied to the population share of the region of the number of tonnes of CO_2 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 [400] 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

51. The total initial theoretical financial envelope will be obtained by multiplying an aid intensity per head and per year of EUR [18] by the eligible population.

52. 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/km2 (weighting [2,5]%).

53. [To the amounts by NUTS level 2 region obtained in accordance with point (52) is added, if applicable, an amount of EUR [1] per tonne of CO_2 equivalent per year applied to the population share of the region of the number of tonnes of CO_2 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.]

54. [To the amounts by NUTS level 2 region obtained in accordance with point (53) is added, an amount resulting from the allocation of a premium of EUR [400] 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

55. 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 [2014-2016] 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 58 to 64. This adjustment will proportionally increase all other transfers resulting from paragraphs 49 to 54.

Allocation method for the European territorial cooperation goal

56. [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 land border regions and of other NUTS level 3 regions of which at least half of the regional population lives within[25] kilometres of the land [and maritime] border (weighting [36]%);

b) population living within [25] kilometres of the land borders (weighting [24]%);

c) total population of the Member States (weighting [20]%);

d) total population of all NUTS level 3 regions along border coastlines and of other NUTS level 3 regions of which at least half of the regional population lives within [25] kilometres of the border coastlines (weighting [9.8]%);

e) population living in the maritime border areas within [25] kilometres of the border coastlines (weighting [6.5]%);

f) 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 sum of weights of criteria (c), (d) and (e). The share of the outermost regions' cooperation corresponds to the weight of criterion (f).]

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

57. 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)

58. 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 [[x] % of their GDP] OR [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 2014-2016] 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 2014-2016] is equal to or above [60]% and below [65]% of the EU-27 average: [1.85]% of their GDP;

c) for Member States whose average GNI per capita (in PPS) [for the period 2014-2016] is equal to or above [65]% of the EU-27 average: [1.55]% 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.

59. The rules described in paragraph 58 will not result in allocations per Member State higher than [108]% 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.

60. 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 [76]% 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.

61. 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 [[x]% 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

62. 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.

63. No transition region will receive less than what it would have received if it had been a more developed region.

64. A total of EUR [x] million will be allocated for the PEACE PLUS programme where it is acting in support of peace and reconciliation. In addition, at least EUR [x] million will be allocated for the PEACE PLUS programme [from the allocation for Ireland under the European Territorial Cooperation goal (Interreg)] for the continuation of North-South cross border co-operation.

Co-financing rates

65. The co-financing rate for the Investment for jobs and growth goal at the level of each [priority] OR [programme] will not be higher than:
    a) [70]% for the less developed regions;
    b) [[x]% 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 at the level of each [priority] OR [programme] will not be higher than [70]%.
Higher co-financing rates for priorities supporting innovative actions 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

66. Mechanisms to ensure a link between Union funding policies and the economic governance of the Union should be maintened [and further refined], allowing the Commission to 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

67. 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]%.

Specific rules on pre-financing will be set out for Interreg programmes.

Decommitment rules

68. Any amount in a programme which has not been used for pre-financing or for which a payment application has not been submitted by 26 December of the second calendar year following the year of the budget commitments for the years 2021 to 2026 will be decommitted. [The amount to be covered by pre-financing or payment applications by the time limit concerning the budget commitment of 2021 will be [60] % of that commitment. [10] % of the budget commitment of 2021 will be added to each budget commitment for the years 2022 to 2025 for the purposes of calculating the amounts to be covered].

OR

Any amount in a programme which has not been used for pre-financing or for which a payment application has not been submitted by 26 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

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

a) Member States with a gross national income ratio equal to or above [100]% 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 [60]% to "smart";

b) Member States with a gross national income ratio equal to or above [75]% and below [100]% 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]% of the EU average 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".

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 [2014 to 2016], 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

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

Economic and Monetary Union

71. [The Reform Support Programme will provide technical and financial support for reforms at national level with an overall allocation of EUR [x] million, of which:

- up to EUR [x] million for a Reform Delivery Tool providing financial incentives across all Member States for relevant key reforms identified as part of the European Semester. The maximum financial contribution available is calculated using criteria and methodology based on the [population] of each Member State;
- up to EUR [x] million for a dedicated Convergence Facility to support non-euro area Member States seeking to adopt the single currency. Allocations foreseen for the Convergence Facility will be [transferred to the Reform Delivery Tool] OR [cancelled] if by the end of 2023 an eligible Member State has not taken the necessary steps to claim support from the Convergence Facility;
- up to EUR [x] million for the technical support instrument providing to Member States, upon their request, support for the design and implementation of reforms.]

72. [A new European Investment Stabilisation Function will complement existing instruments at national and European level to absorb large asymmetric macroeconomic shocks in the euro area, by providing back-to-back loans of up to EUR [30] billion guaranteed by the EU budget under the own resources ceiling. The loans will be available to Member States complying with strict eligibility criteria for sound fiscal and economic policies. In addition, a subsidy may be provided by the Stabilisation Support Fund to cover interest rate on the loans granted under the European Investment Stabilisation Function. This subsidy will be financed, in particular, from contributions from euro area Member States equivalent to a share of monetary income (seigniorage). The European Investment Stabilisation Function will be open to euro-area Member States and non-euro area Member States participating in the European Exchange Rate Mechanism II.]

Investing in people, social cohesion and values

73. The ESF+ will provide comprehensive support to youth employment, up- and re-skilling of workers, social inclusion and 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 [as well as the European Globalisation Adjustment Fund].

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

- EUR [x] million for the ESF+ strand under direct and indirect management;
- EUR [x] 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.]

74. 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;

   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.

75. 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. Erasmus+ will [not] include funding for the DiscoverEU initiative.

76. 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

77. 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.

78. Commitment appropriations for this Heading, which consists of agriculture and maritime policy, as well as environment and climate action will not exceed the following level:

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

79. 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 [an increasingly] 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.

80. 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 [at least] [40]%.

81. The Common Agricultural Policy for the period 2021-2027 will continue to be based on the two pillar 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

82. 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 [whose direct payments per hectare are above the EU average].

OR

There will be no further external convergence of direct payments. All current direct payment levels per hectare will be adjusted [proportionately] according to the overall ceiling.

OR

The external convergence of direct payments will be fully completed by 202[X].

Capping of direct payments for large farmers

83. Capping and degressivity of the direct payments for large beneficiaries will be introduced [on a voluntary basis]. [Eco-scheme payments shall be exempted from capping and degressivity].

Agricultural reserve and financial discipline

84. 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 [x] million 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]. [Non-committed appropriations of the agricultural reserve shall be carried over within the timeframe of the MFF to finance the agricultural reserve in the following financial years]. [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 by the financial discipline mechanism.]

    OR

    An agricultural reserve is not established.

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

Flexibility between pillars

86. 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 [provided that Member States use the corresponding increase for eco-schemes]. As a result, the corresponding amount will no longer be available for support under rural development.

Pillar II

Distribution of rural development support

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

Pre-financing rural development

88. 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.

Co-financing rates for rural development support

89. The CAP Strategic Plans shall establish a [single] EAFRD contribution rate applicable to all interventions. The maximum EAFRD contribution rate 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. [[x]% 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

90. 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] OR [third] year following that of the budget commitment.

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91. 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.

92. 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

93. 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.

94. Commitment appropriations for this Heading will not exceed the following level:

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

Migration

95. 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 and 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.

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

(a) EUR [x] million will be allocated to the national programmes implemented under shared management;

(b) EUR [x] million will be allocated to the thematic facility.

[The above amounts include a dedicated, significant component for external migration management].

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

97. 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.

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

(a) EUR [x] million for the instrument for financial support for customs control equipment;

(b) EUR [x] million for the instrument for financial support for border management and visa, of which:

- EUR [x] million will be allocated to the programmes under shared management, of which EUR [x] million for a Special Transit Scheme;
- EUR [x] million will be allocated to the thematic facility.

[The above amounts include a dedicated, significant component for external migration management].

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].

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

HEADING 5 - SECURITY AND DEFENCE

100. 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.

101. The level of commitments for this Heading will not exceed:

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

Security

102. 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.]

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

(a) EUR [x] million will be allocated to the national programmes implemented under shared management;

(b) EUR [x] million will be allocated to the thematic facility.

[The above amounts include a dedicated, significant component for external migration management].

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

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

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

Defence

105. Financing from this Heading will also include the European Defence Fund (EDF) aimed at fostering competitiveness, efficiency and innovation capacity of the European defence industry by 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, from all Member States. 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 Member States, including within the framework of the Common Foreign and Security Policy.

106. A financial contribution of EUR [x] 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

107. 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 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.

108. Expenditure for Sub-Saharan Africa, the Caribbean and the Pacific currently financed through the current European Development Fund will [not] be integrated into this Heading.

109. Commitment appropriations for this Heading will not exceed the following level:

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

External action

110. 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 [x] million, of which:
   (i) Geographic programmes: EUR [x] million, of which [at least [EUR [x] million for the Neighbourhood and] [at least EUR [x] million for Sub-Saharan Africa].

(ii) EUR [x] million for thematic programmes;

(iii) EUR [x] million for rapid response actions;

(iv) EUR [x] 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.

[There will be a separate Neighbourhood Instrument. It will have a total financial envelope of EUR [x] million.]

111. [Unused commitment and payment appropriations under this instrument will [not] be automatically carried over. Decommitted appropriations will [not] be made available again.]

112. 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 [x] million.

113. External action will also finance the Common Foreign and Security Policy and Overseas Countries and Territories, including Greenland.

Pre-accession assistance

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

The European Peace Facility

115. [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 total amount available for the Facility will be EUR [x] million and will be financed as an off-budget item outside the MFF 2021-2027 through contributions from Member States based on a GNI distribution key.]

HEADING 7 - EUROPEAN PUBLIC ADMINISTRATION

116. 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.

117. Commitment appropriations for this Heading, which consists of administrative expenditure of the institutions and European schools and pensions, will not exceed:

EUROPEAN PUBLIC ADMINSTRATION (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.

118. 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.

OR

To increase transparency in the area of European Public Administration, all administrative expenditure should [where feasible] be grouped into one Heading.

119. 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, [or freezing non-salary related expenditure].

120. 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.]

121. To further control and manage administrative spending, efficiency gains [and measures] applied in comparable administrations [and the private sector] could serve as a benchmark.

III. PART II : REVENUE

122. 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 [1.29]% of the sum of all the Member States' GNIs. The total amount of annual appropriations for commitments shall not exceed [1.35]% of the sum of all the Member States' GNIs. An orderly ratio between appropriations for commitments and payments shall be maintained.

123. 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. [However, the new Common Consolidated Corporate Tax Base own resource shall apply from the 1 January of the second year following the date of application of national provisions transposing the Council Directive on a Common Consolidated Corporate Tax Base.]

Traditional own resources

124. 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]% of the amounts collected by them.

OR

The level of collection costs remains unchanged.

VAT-based own resource

125. In order to achieve simplification the current VAT-based own resource will be [abolished] OR [replaced by a simplified system that will lead to higher transparency and accountability. It will be based on the following principles:
    - focussing on the standard rated taxable supplies;
    - streamlining the procedure to calculate the Value Added Tax base;
    - applying a uniform call rate on the standard rated base.

    The VAT-based own resource shall consist of revenue from [the application of a uniform share of [45]% of Value Added Tax receipts collected from] the standard rated taxable supplies [divided by the national Value Added Tax standard rate].] The call rate shall be [1]%.

    OR

    The existing VAT-based own resource will be maintained.

[New Own Resources

126. 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]%;]
    - [the Common Consolidated Corporate Tax Base with a call rate of [3]%;]
    - [a national contribution calculated on the weight of non-recycled plastic packaging waste with a call rate of EUR [0.80] per kilogram]].

GNI-based own resource

127. 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 128.

Corrections

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

[Lump sum reductions for Member States having benefitted from a correction in 2020 will apply [for the period 2021-2027 only, being gradually decreased over [five] years]. The Member States concerned shall benefit from a gross reduction in their annual Gross National Income-based contribution of:

- Austria: EUR [110] million in 2021; EUR [88] million in 2022; EUR [66] million in 2023; EUR [44] million in 2024; EUR [22] million in 2025; EUR [0] million in 2026; EUR [0] million in 2027;
- Denmark: EUR [118] million in 2021; EUR [94] million in 2022; EUR [71] million in 2023; EUR [47] million in 2024; EUR [24] million in 2025; EUR [0] million in 2026; EUR [0] million in 2027;
- Germany: EUR [2 799] million in 2021; EUR [2 239] million in 2022; EUR [1 679] million in 2023; EUR [1 119] million in 2024; EUR [560] million in 2025; EUR [0] million in 2026; EUR [0] million in 2027;
- The Netherlands: EUR [1 259] million in 2021; EUR [1 007] million in 2022; EUR [755] million in 2023; EUR [503] million in 2024; EUR [252] million in 2025; EUR [0] million in 2026; EUR [0] million in 2027;
- Sweden: EUR [578] million in 2021; EUR [462] million in 2022; EUR [347] million in 2023; EUR [231] million in 2024; EUR [116] million in 2025; EUR [0] million in 2026; EUR [0] million in 2027.

These gross reductions shall be financed by all Member States.]