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## NOTE

|          |                                                                                                                                                                 |
|----------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| From:    | Presidency                                                                                                                                                      |
| To:      | Permanent Representatives Committee                                                                                                                             |
| Subject: | Multiannual Financial Framework (2021-2027): possible elements of the future draft Negotiating Box in relation to horizontal issues, Headings I, III, V and VII |

1. In line with the guidance of the June 2018 European Council, the aim of the Presidency is to advance work on the Multiannual Financial Framework (MFF) package in a comprehensive manner and as soon as possible.
2. Following discussions in the GAC meeting of 18 September 2018, the Presidency started work at technical level to identify possible elements of the future draft Negotiating Box (NB).
3. By identifying possible elements of the future draft NB, the Presidency wishes to provide a comprehensive overview of all the issues and possible options that will need to be further discussed and streamlined at political level at a later stage.
4. The possible elements of the future draft Negotiating Box are drawn up and developed under the sole responsibility of the Presidency. They are not binding on any delegation and they do not aim at serving as a basis to start or conduct negotiations at this juncture.
5. Delegations will find in Annexes I-V possible elements identified by the Ad hoc Working Party on the MFF (AHWP MFF) in relation to horizontal issues as well as Headings I, III, V and VII.

In addition to the possible elements presented to COREPER on 3 October 2018<sup>1</sup>, the Presidency draws the attention of the Committee to the possible elements relating to Headings III and VII which reflect discussions that were held in the AHWP MFF on 28 September and 5 October 2018.

6. On 10 October 2018, the Presidency will invite delegations to:
- give guidance to the issues of priorities and prioritisation in an EU 27;
  - share their views on a possible simplification of flexibility mechanisms, without prejudice to a future discussion on such instruments being over and above the ceilings in commitment and payment appropriations or not; and
  - provide guidance as appropriate on elements presented in Annexes.
7. The Committee is also informed that the Presidency intends to submit to the General Affairs Council of 16 October 2018 a state of play document<sup>2</sup> outlining its assessment of work achieved since the previous General Affairs Council meeting.

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<sup>1</sup> cf. ST 12519/18

<sup>2</sup> cf. ST 12838/18

**I. HORIZONTAL**

1. The new MFF will cover the seven years between 2021 and 2027 and be drawn up for a European Union comprising 27 Member States<sup>3</sup>. [The budget shall respond to current and future challenges and political priorities, such as Treaty-based policies (Cohesion and Agriculture) and support delivering on the agenda agreed in Bratislava and Rome. At the same time, strict prioritisation of resources is needed in view of reduced financial capacity in a future Union of 27 Member States.]
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.

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<sup>3</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 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 [294] 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.

#### **FLEXIBILITY: MARGINS & PROGRAMMING**

7. 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.]
8. 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 [to be used in the Member State from where the allocation is transferred].

#### **FLEXIBILITY: THEMATIC INSTRUMENTS**

9. 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 reconsidered and reformed.]

10. 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+.

11. 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 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]].

OR

The European Union Solidarity Fund and the Emergency Aid Reserve 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]].

#### **FLEXIBILITY: NON-THEMATIC INSTRUMENTS**

12. 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]].

13. 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.]
14. 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.
15. [The instruments described in paragraphs 12, 13 and 14 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**

16. 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.] [In addition, there shall be a possibility of shifting unused Global Margin for Payments from the MFF 2014-2020 to the MFF 2021-2027.]

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17. 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.]
18. 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 environment and climate change.
19. 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 compatible with Paris Agreement objectives.]
20. *p.m. Third country participation.*
21. *p.m. Sound financial management and the rule of law.*
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**PART I : EXPENDITURE****HEADING 1 - SINGLE MARKET, INNOVATION AND DIGITAL**

1. 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.
2. 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**

3. 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**

4. There is a need to reinforce and extend the excellence of the Union's science base. The effort in research, development and innovation will therefore be based on excellence. At the same time, access of participants in all Member States will be strengthened in order to reduce the participation gap; 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 to participate in the programmes. 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" and thereby enhance regional R&I capacity and the ability of all regions to develop clusters of excellence.
5. 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**

6. 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.

## **CONNECTING EUROPE FACILITY**

7. 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.
8. 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 2023] 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**

9. 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.
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**PART I : EXPENDITURE****HEADING 3 - NATURAL RESOURCES AND ENVIRONMENT**

1. Funding in this Heading focuses on delivering a modernised, sustainable agricultural, maritime and fisheries policy as well as 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.
2. 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 Agriculture Policy

3. 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.
4. 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]%.
5. The Common Agriculture 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 the new voluntary instrument of eco-schemes, 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.] OR [Measures in Pillar I will be co-financed by Member States.]
  - 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*

6. 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]. [The convergence of direct payments shall ensure that no Member State will receive direct payments below [x]% of the EU average by year [x].]

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*

7. 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*

8. 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.

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

### **Flexibility between pillars**

10. 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 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*

11. 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*

12. 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*

13. 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*

14. 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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15. 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.
16. 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.

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**PART I : EXPENDITURE****HEADING 5 - SECURITY AND DEFENCE**

1. 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.
2. 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**

3. Financing from this Heading will support the Internal Security Fund that will contribute to ensuring a high level of security in the Union in particular by tackling terrorism and radicalisation, serious and organised crime and cybercrime as well as by assisting and protecting victims of crime.

4. 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**

5. 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.
6. A financial contribution will be made to the Connecting Europe Facility to adapt the TEN-T networks to military mobility needs.

OR

No dedicated financing for TEN-T in the area of military mobility will be introduced.

**PART I : EXPENDITURE****HEADING 7 - EUROPEAN PUBLIC ADMINISTRATION**

1. 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.
2. Commitment appropriations for this Heading, which consists of administrative expenditure of the institutions and European schools and pensions, will not exceed:

| 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.

3. 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.

4. 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].
5. 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.]
6. To further control and manage administrative spending, efficiency gains [and measures] applied in comparable administrations and the private sector could serve as a benchmark.

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