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NOTE

From:	General Secretariat of the Council
To:	Delegations
Subject:	Multiannual Financial Framework (MFF) 2021-2027 revision: third version of the 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 revision of the Multiannual Financial Framework 2021-27, 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 a third version of the draft Negotiating Box elaborated by the Presidency.

All figures below, unless otherwise specified, are in current prices.

Chapeau to be added.

SUPPORT FOR UKRAINE

1. The European Council recalls its conclusions of June 2023, welcomes Ukraine's commitment and reform efforts, and underlines the importance of Ukraine's EU accession process.
2. *(pm: The European Council underlines the need to ensure, together with partners, stable, predictable and sustainable financial support for Ukraine for the period 2024 – 2027.*

To allow for the provision of continued military support to Ukraine outside of the EU budget, a "Ukraine Assistance Fund" of up to EUR [XXX] will be established under the European Peace Facility for the period 2024-2027.

To contribute to the Recovery, reconstruction and modernization of the country, foster social cohesion and progressive integration into the Union, with a view to possible future Union membership, a Ukraine Facility for the period 2024-2027 amounting to EUR [XXX] will be set up.)

Financial Support: Ukraine facility

3. For the period 2024 – 2027, the sum of the overall resources made available from the Facility will not exceed EUR [XXX], of which:
 - (i) EUR [XXX] in the form of loans. As with the instrument for providing support to Ukraine for 2023 (Macro-Financial Assistance +) such loans will be guaranteed by extending the existing Union budget guarantee for financial assistance to Ukraine available until the end of 2027. To that effect, the Commission will borrow on behalf of the Union in the financial markets taking due consideration of the most up to date disbursements needs as spelled out in the Ukraine plan and the pace of implementation. The annual amount of loan support mobilised in a given year will not exceed EUR [XXX].

- (ii) EUR [XXX] in the form of non-repayable support, including revenues resulting from relevant Union legal acts in relation to restrictive measures in view of Russia's actions destabilising the situation in Ukraine available until the end of 2027, which will be externally assigned to the Ukraine Facility within the meaning of Article 21 (5) of Regulation (EU, Euratom) 2018/1046. The annual amount of non-repayable support mobilised in a given year will not exceed EUR [XXX].
4. For the non-repayable financial support, a new temporary thematic special instrument, the Ukraine Reserve, will be set up over and above the ceilings of the MFF 2021-27, with an amount of EUR [XXX]. The Ukraine Reserve will be mobilised by the European Parliament and the Council in the framework of the budgetary procedure provided for in Article 314 TFEU, taking into account that payments from the Ukraine Reserve under Pillar I will occur according to the approved schedule during 2024-2027, while payments under Pillar II and III will be disbursed during 2024-2027 according to the needs identified.
5. The Ukraine Reserve will be distributed as follows:
- (i) a maximum amount of EUR [XXX] for the delivery of reforms and investments to implement the Ukraine Plan as well as to maintain macro-financial stability of the country (Pillar I).
 - (ii) a maximum amount of EUR [XXX] for a specific Ukraine Investment Framework to support investments and provide access to finance (Pillar II).
 - (iii) a maximum amount of EUR [XXX] for Ukraine's Union accession assistance and support measures to design and implement EU accession-related reforms, to foster Ukraine's administrative capacity, for the interest rate subsidy of the repayable support in the form of loans available until the end of 2027 [and for the interest rate subsidies related to the loans and the Macro-Financial Assistance provided in 2022 and 2023 and the provisioning of the EIB repurposed loans referred to in Decision (EU) 2022/1628 (Pillar III).]
 - (iv) a maximum amount of EUR [XXX] for other technical and administrative assistance for the implementation of the Facility.

6. The Commission may propose to modify the maximum amounts per pillar in duly justified cases to take into account the degree of implementation and evolving needs.
7. [In order to optimise the use of the available amounts, unused appropriations may be used in the following year. The portion of the annual amount stemming from the previous year will be drawn on first].

Ukraine Plan

8. The European Council stresses the need to foster Ukraine's ownership of its recovery and reconstruction efforts by means of a Plan to be prepared by the Ukrainian Government that will set out the reform and investment agenda of Ukraine. The widest possible participation to the overall Ukraine recovery and reconstruction effort from donors outside the European Union will be strongly encouraged even before the adoption of the Plan
9. Ukraine shall develop its Plan ensuring that other donors are able to contribute supporting the measures of the Plan, including by increasing the funding available under the Facility. Coordination with other donors should take place even before the adoption of the Plan. The Commission will closely consult with Member States throughout the preparation process.
10. The Commission will assess the Ukraine Plan and make a proposal for a Council Implementing Decision. In its assessment, the Commission should take into account whether the Plan adequately ensures that other donors are able to contribute to its implementation. In the event that the Commission gives a positive assessment, the Commission proposal for a Council Implementing Decision will set out the annual amounts of non-repayable and loan support respectively and the qualitative and quantitative steps to be satisfactorily fulfilled before the payment in instalments of the support, including the provisional timetable and payment schedule. Prefinancing of up to EUR [XXX] percentage in the form of loan support should be paid no later than [XXX].
11. The Ukraine Plan and the payment schedule will be approved by the Council through a Council Implementing Decision by qualified majority. The Council, acting by qualified majority, may amend the Commission proposal and adopt the amended text through a Council Implementing Decision.

12. Payments will occur according to the approved schedule, based on payment requests submitted by Ukraine and the positive assessment by the Commission.
13. The positive assessment of payment requests will be subject to the satisfactory fulfilment of the relevant conditions set out in the Ukraine Plan.
14. The Commission will adopt a decision on the assessment of the satisfactory fulfilment of the relevant conditions and on the approval of payments in accordance with the examination procedure.
15. Where the Commission considers that Ukraine is not satisfactorily delivering on the objectives of the Facility and the conditions for the support, it will propose to the Council the suspension of the payment of the non-repayable financial support and of the loans. Based on this proposal, the Council may decide on this suspension by qualified majority through a Council Implementing Decision.
16. The principles of the financial cooperation between the Union and Ukraine will be concluded in a Framework Agreement. This Framework Agreement will set out specific arrangements for the management, control, supervision, monitoring, evaluation, reporting and audit of funds under the Facility, as well as to prevent, investigate and correct irregularities, fraud, corruption and conflicts of interest.

Exceptional Bridge Financing

17. If the Framework Agreement is not signed or the Ukraine Plan is not adopted by [31 December 2023], the Facility may be able to provide exceptional bridge financing. Based on a Commission proposal indicating that satisfactory progress on the preparation of the Ukraine Plan has been made, the Council may approve, by qualified majority through a Council Implementing Decision, the provision of limited and exceptional support to Ukraine in order to support the macro-financial stability of the country. This support will cover a period of up to three months after, either the entry into force of the Ukraine Facility Regulation, or [1 January 2024], whichever is later,

18. This exceptional bridge financing will be in the form of loans and its amount will not exceed EUR [XXX] on a monthly basis. This limit may be increased in EUR [XXX] if the conditions of the war deteriorate significantly.

Exceptional Financing

19. Under exceptional circumstances, especially related to a significant deterioration of the war, which makes it impossible for Ukraine to fulfil the conditions attached to the forms of support under the Facility, the Facility may provide exceptional financing to Ukraine. This exceptional financing will cease as soon as the fulfilment of the conditions for the forms of support under the Facility becomes possible again. The exceptional financing to Ukraine will be approved by the Council acting by qualified majority through a Council Implementing Decision, based on a Commission proposal. The exceptional financing will be subject to the precondition.

MILITARY MOBILITY UNDER HEADING 5

20. In order to support actions aimed at enhancing military mobility, including by strengthening infrastructure capacity in the Member States, the relevant programmes in Heading 5 will be increased by EUR [XXX].]

HEADING 4 AND 6— MIGRATION AND THE EXTERNAL DIMENSION:

21. Migration is a European challenge that requires a European response.
22. In order to provide for sufficient funding to support Member States in managing urgent challenges and needs related to migration and border management, as well as for the implementation of the New Pact on Migration and Asylum once adopted, including new border procedures, Heading 4 will be reinforced by EUR [XXX], [through EUR [XXX] of new resources] AND/OR [EUR [XXX] of redeployments from [XXX]].

23. In order to allow the Union to provide the necessary support in a context of extraordinary geopolitical tension, Heading 6 will be reinforced by EUR [XXX], through [EUR [XXX] of new resources], AND/OR [[EUR XXX] freed within the NDICI cushion from the inclusion in the scope of the Ukraine Facility of the provisioning and interest rate subsidies related to the loans and the Macro Financial Assistance already provided to Ukraine and from the provisioning of EIB repurposed loans for 2024-2027] AND/OR [EUR [XXX] of redeployments from [XXX]].

[Of these reinforcements,

- (i) EUR [XXX] for the purpose of maintaining effective migration cooperation with third countries, including the support for Syrian refugees in Türkiye and the broader region and the continuation of actions previously undertaken through the EU Trust Fund for Africa. AND/OR
- (ii) EUR [XXX] for the reinforcement of the NDICI-cushion. AND/OR
- (iii) At least EUR [XXX] out of the reinforcement of the NDICI-cushion will be available to strengthen and develop strategic, comprehensive and mutually beneficial rights-based partnerships between the European Union and the Southern Neighbourhood, as well as other priority countries of origin and transit of irregular migration flows in Africa and elsewhere. AND/OR
- (iv)[EUR XXX] for support to the Western Balkans.]

STRATEGIC TECHNOLOGIES FOR EUROPE PLATFORM (STEP):

24. The European Union needs to ensure its sovereignty and competitiveness in strategic sectors by strengthening its resilience and productivity, mobilising financing, reducing its strategic dependencies, investing in the skills of the future and making its economic, industrial and technological base fit for the green and digital transitions, safeguarding cohesion and the level playing field in the Single Market. For this purpose, the European Council welcomes the leveraging of existing EU funding instruments to quickly deploy financial support for investments in critical technologies; notably by (i) facilitating the use of available funding by creating new policy objectives to support European sovereignty, (ii) creating synergies among funding instruments to scale up the support for critical technologies [AND (iii) reinforcing the budget of existing instruments].

25. [In order to boost the investment capacity, additional EUR [XXX] will be allocated to targeted programmes:
- (i) EUR [XXX] for the European Innovation Council (EIC) strand of Horizon Europe in Heading 1. AND/OR
 - (ii) EUR [XXX] for InvestEU in Heading 1. AND/OR
 - (iii) EUR [XXX] for the European Defence Fund (EDF) in Heading 5. AND/OR:
 - (iv) EUR [XXX] for the Innovation Fund in Heading 3. Funding from this new compartment of the IF will [only be available for Member States whose average GDP per capita is below the EU average of the EU-27 measured in PPS] OR [will be available to all member states].]
26. In addition, [amounts resulting from total or partial non-implementation of research projects under Horizon Europe and its predecessors are made available again in line with Article 15(3) in the Financial Regulation to the benefit of the EIC strand of Horizon Europe to support the objectives of STEP] OR [the re-use of decommitted funds in relation to research projects under Horizon Europe and its predecessors will remain subject to the 2020 joint declaration of the three institutions on the matter].
27. [EUR [XXX] will be redeployed from the resources allocated under pillar II of Horizon Europe (Global challenges and European industrial competitiveness) for the period 202X-2027] AND/OR [EUR [XXX] from the reflows of the EIC pilot of Horizon 2020 will be available in Heading 1].

HEADING 7 - ADMINISTRATIVE EXPENDITURE

28. [The European Council recalls its conclusions of July 2020 and invites the European Institutions to continue seeking the optimisation of staff resources at the current level. In order to accommodate for the increased costs originating from higher inflation, the European institutions will identify areas for savings and further efficiencies within the existing ceiling of Heading 7] OR

[The European Council recalls its conclusions of July 2020 asking for the optimisation of staff resources at the current level; nevertheless, resources of the European administration (Heading 7) are under pressure due to high inflation. In order to accommodate for this increase, commitment appropriations for Heading 7 will be increased by EUR [XXX]] OR

[The resources of the European administration (Heading 7) are under pressure due to additional tasks given to the Union and high inflation. New initiatives undertaken and legislative acts adopted over the last two years have given additional tasks to the Union since the start of this Multiannual Financial Framework without a corresponding increase in staff and related resources. In order to accommodate for this increase, commitment appropriations for Heading 7 will be increased by EUR [XXX]].

NEXT GENERATION-EU INTEREST PAYMENTS

29. [In order to finance the additional costs for interest and coupon payments related to the funds borrowed on the capital markets, Heading 2b) will be increased in EUR [XXX] for interest payments due by the Union in relation to its borrowing on the capital markets under NextGenerationEU for the period 2021-2027. The annual amounts will be (2018 prices):

- 2025: EUR XXX
- 2026: EUR XXX
- 2027: EUR XXX.

Insofar as amounts not used for interest payments allow it, repayments of the principal of the funds borrowed will start before the end of the 2021-2027 MFF.]

OR

EURI Instrument

[In order to finance the costs for interest and coupon payments related to the funds borrowed on the capital markets, a new thematic special instrument will be introduced over and above the ceilings solely for the purpose of financing EURI interest costs for the years 2025-2027. This instrument will be exceptional and limited to address the situation of uncertainty as to the amount of EURI interest costs in a situation where the borrowing operations for NextGenerationEU are still ongoing in unexpected market circumstances. The maximum total amount for the instrument is EUR [XXX]. It will cover the additional costs where, in a given year, the costs of the interest and coupon payments due in respect of the funds borrowed on the capital markets in accordance with Article 5(2) of Decision (EU, Euratom) No 2020/2053 exceed the following amounts (2018 prices):

- 2025: EUR 2 332 million
- 2026: EUR 3 196 million
- 2027: EUR 4 168 million]

OR

[In order to finance the costs for interest and coupon payments related to the funds borrowed on the capital markets, a new thematic special instrument will be introduced over and above the ceilings solely for the purpose of financing EURI interest costs for the years 2025-2027. This instrument will be exceptional and limited to address the situation of uncertainty as to the amount of EURI interest costs in a situation where the borrowing operations for NextGenerationEU are still ongoing in unexpected market circumstances. It will cover the additional costs where, in a given year, the costs of the interest and coupon payments due in respect of the funds borrowed on the capital markets in accordance with Article 5(2) of Decision (EU, Euratom) No 2020/2053 exceed the following amounts (2018 prices):

- 2025: EUR 2 332 million
- 2026: EUR 3 196 million
- 2027: EUR 4 168 million]

SPECIAL INSTRUMENTS:

Flexibility instrument:

30. [In the light of the more frequent use of the Flexibility Instrument in the years 2021-2023, the ceiling for the annual amount will be increased by EUR [XXX] (in 2018 prices)] OR [The ceiling for the annual amount of the Flexibility Instrument will remain EUR 915 million].
31. [Each year, starting in 2024, the annual amount available for the Flexibility Instrument will be increased by an amount equivalent to the portion of the annual amount for the European Globalisation Adjustment Fund, which has not been used in the previous year.]

Solidarity and Emergency Aid Reserve:

32. [In the light of the many natural disasters and humanitarian crises, the maximum annual amount of the Solidarity and Emergency Aid Reserve (SEAR) will be increased by EUR [XXX] (in 2018 prices)] OR [The maximum annual amount of the Solidarity and Emergency Aid Reserve (SEAR) will remain EUR 1 200 million per year].

33. [In the light of the many natural disasters happened in the European territory and natural disasters and humanitarian crises in third countries and in order to avoid the existence of competing priorities, the European Solidarity Fund and the Emergency Aid Reserve should be split as follows:

(i) the European Solidarity Fund will have an amount of EUR [XXX] per year (in 2018 prices);

(ii) the Emergency Aid Reserve will have an amount of EUR [XXX] per year (in 2018 prices) for rapid responses to specific emergency needs within the Union or in third countries.]

Impact on payments

34. In order to provide for an adequate level of payment appropriations to match the increased level of commitment appropriations, the payment ceilings will be increased by EUR [XXX] in [YYYY].
