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**NOTE**

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From: General Secretariat of the Council  
To: Delegations

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Subject: Multiannual Financial Framework (MFF) 2021-2027 mid-term revision: fifth version of the draft Negotiating Box

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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 fifth version of the draft Negotiating Box elaborated by the Presidency.

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

**SUPPORT FOR UKRAINE**

1. 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 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 will be set up.
2. 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 guaranteed by extending the existing Union budget guarantee for financial assistance to Ukraine available until the end of 2027. Up to [XXX percentage] of the loan support will be available for pre-financing. 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, under a new thematic instrument the Ukraine Reserve, set up over and above the ceilings of the MFF 2021-27. The annual amount mobilised in a given year will not exceed EUR [XXX]. Potential revenues for the Union budget that could be generated under the relevant Union legal acts, concerning the use of extraordinary revenues held by private entities stemming directly from the immobilised Central Bank of Russia assets, will be externally assigned to the Ukraine Facility within the meaning of Article 21 (5) of Regulation (EU, Euratom) 2018/1046 and will be deduced from the agreed non-repayable support.
3. 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.
4. 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.

5. A precondition for the support to Ukraine under the Facility shall be that Ukraine continues to uphold and respect effective democratic mechanisms, including a multi-party parliamentary system, and the rule of law, and to guarantee respect for human rights, including the rights of persons belonging to minorities.
6. The Council will play a key role in the governance of the Ukraine Facility. In this sense, a Council Implementing Decision shall be adopted by qualified majority for the adoption and amendments of the Ukraine Plan and for the approval and the suspension of payments based on the relevant assessments and proposals by Commission.

#### **MILITARY MOBILITY UNDER HEADING 5**

7. In the context of substantially changed security environment in Europe and due to the urgent need to strengthen European resilience, in order to support actions in Connecting Europe Facility programme aimed at enhancing military mobility, via strengthening the dual-use transport infrastructure capacity in the Member States, Heading 5 will be reinforced by EUR [XXX].]

#### **HEADING 4 AND 6— MIGRATION AND THE EXTERNAL DIMENSION**

8. Migration is a European challenge that requires a European response.
9. In order to provide for sufficient funding to support Member States in managing urgent challenges and needs related to migration and border management in frontline Member States, as well as in those affected by the war in Ukraine, and 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].
10. The European Council recalls the potential use of cohesion policy funds for migration purposes. In this sense, invites the Commission to assist countries to exploit this possibility. Moreover, the European Council invites the Commission to explore further flexibilities for these purposes.

11. 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] [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)**

12. 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. The European Council welcomes the leveraging of existing EU funding instruments to quickly deploy financial support for investments in critical technologies.
13. For this purpose, the use of available funding will be facilitated and synergies among funding instruments will be created to scale up the support for critical technologies according to the following measures:
- (i) A twelve month extension and a 100% of cofinancing rate for the final accounting year of the 2014 – 2020 programming period.
  - (ii) Under the 2021 – 2027 programming period, a 100% cofinancing rate and a 30 % of pre-financing for STEP priorities and the possibility for Member States with a GDP per capita under European average to transfer unused funds under Brexit Adjustment Reserve to cohesion funds for STEP priorities.

14. In order to boost the investment capacity, additional EUR [XXX] will be allocated to targeted programmes:
- (i) EUR [XXX] for InvestEU in Heading 1.
  - (ii) EUR [XXX] for the European Defence Fund (EDF) in Heading 5.
  - (iii) The Innovation Fund (IF) will have EUR [XXX] of additional revenues as a result of the higher than predicted ETS prices that will be devoted to financed STEP priorities.
15. Additional funding of up to EUR 93 billion for investments on STEP priorities can be requested in the form of loans using the unused RRF loans by extending its application deadline beyond 31 August 2023.

### **HEADING 7 - ADMINISTRATIVE EXPENDITURE**

16. 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.

### **NEXT GENERATION-EU INTEREST PAYMENTS**

#### **EURI Instrument**

17. 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 in order to finance the costs for interest and coupon payments related to the funds borrowed on the capital markets. 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 on the system of own resources 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**

18. The ceiling for the annual amount of the Flexibility Instrument will remain EUR 915 million.

### **Solidarity and Emergency Aid Reserve**

19. [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.)]

20. 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 existing European Solidarity Fund and the Emergency Aid Reserve (SEAR) should be split in two separate instruments as follows:

- (i) the European Solidarity Reserve will have an amount of EUR 900 million euro per year (in 2018 prices) for assistance to respond to emergency situations covered by the European Union Solidarity Fund;
- (ii) the Emergency Aid Reserve will have an amount of EUR 300 million euro per year (in 2018 prices) for rapid responses to specific emergency needs within the Union or in third countries.

21. The annual amounts not used for the European Solidarity Fund and for the Emergency Aid Reserve set to lapse according to the rules in force, will be made available for use in the Flexibility Instrument in the following year.

## **IMPACT ON PAYMENTS**

22. 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].

## **ELEMENTS THAT REDUCE THE IMPACT ON NATIONAL BUDGETS**

23. The European Council highlights the difficult budgetary situation that the Union and Member States are facing in a context of repeated crisis, geopolitical turbulences and uncertainty.

24. The priorities identified in this mid-term revision will be therefore partially financed as follows.
25. An amount of EUR [XXX] million will be reassigned to the priorities mentioned above while not undermining any political priority within the current MFF:
- a) As a result of the inclusion into the Ukraine Facility of various forms of support decided in 2022-23:
    - i. EUR [XXX] million from the NDICI cushion will become available.
    - ii. EUR [XXX] million of legacy interest rate subsidy to Ukraine will no longer be required from Member States as external assigned revenue.
  - b) EUR [XXX] million will be mobilised from the Flexibility Instrument.
  - c) EUR [XXX] million will be redeployed from the European Globalization Adjustment Fund for displaced workers.
  - d) EUR [XXX] million from the Asylum, Migration and Integration Fund and the Integrated Border Management Fund will be used for the identified priorities in Heading 4 in this mid-term revision.
  - e) An amount equivalent to the one resulting from total or partial non-implementation of research projects under Horizon Europe and its predecessors and made available again in line with Article 15(3) in the Financial Regulation will be redeployed to the benefit of the programmes identified in this mid-term revision.
  - f) EUR [XXX] from the resources allocated under pillar II of Horizon Europe (Global challenges and European industrial competitiveness) for the period 202X-2027 will be used to the benefit of the programs identified in this mid-term revision.
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## TABLES

Table 1

MID-TERM REVISION BY PRIORITY			
PRIORITIES		COMMISSION PROPOSAL	PRES PROPOSAL
Ukraine	<i>Grants and provisioning</i>	17	17
	<i>Loans</i>	33	33
	<b>Total</b>	<b>50</b>	<b>50</b>
Migration and external challenge	<b>Heading 4</b>		
	<i>of which : AMIF</i>	0,8	0,8
	<i>BMWl</i>	1	1
	<i>European Union Asylum Agency</i>	0,2	0,2
	<b>Heading 6</b>		
	<i>of which : Syrian refugees</i>	1,68	1,18
	<i>of which : Syrian refugees (Turkey)</i>	3,5	2,5
	<i>Southern migration route (Neighbourhood South Line)</i>	0,32	0,32
	<i>Cushion</i>	3	3
	<i>Of which: Southern neighbourhood</i>	0	2
	<i>Western Balkans</i>	2	1,5
<b>Total Migration/EC</b>	<b>12,5</b>	<b>10,5</b>	
STEP	<i>Innovation Fund</i>	5	5
	<i>InvestEU</i>	3	1
	<i>European Innovation council under Horizon Europe</i>	0,5	0
	<i>European Defence Fund</i>	1,5	1
	<b>Total</b>	<b>10</b>	<b>7</b>
<b>NGEU financing costs (EURI line)</b>		<b>20</b>	<b>15</b>
<b>Administration</b>		1,9	0
<b>Flexibility Instrument</b>		3	0
<b>SEAR</b>		2,5	1,5
<b>TOTAL GRANTS</b>		<b>65,8</b>	<b>51</b>
<b>TOTAL LOANS</b>		<b>33</b>	<b>33</b>
<b>TOTAL</b>		<b>98,8</b>	<b>84</b>

Table 2

ELEMENTS THAT REDUCE THE IMPACT ON THE NATIONAL BUDGETS (in EUR billions)	
<i>Payments previously included in NDICI (legacy payments)</i>	1,9
<i>Reuse of windfall benefits from the Emissions Trading System</i>	5,0
<i>Interest payments from national budgets (MFA+)</i>	2,3
<i>Unallocated funds AMIF BMVI</i>	1,1
<i>Flexibility Instrument</i>	1,7
<i>European Globalisation Adjustment Fund for displaced workers</i>	0,9
<i>Redeployments and reuse of de-commitments from Horizon Europe included in Commission proposal as presented the 20 of June</i>	2,1
<b>TOTAL</b>	<b>15</b>

Table 3

<b>TOTAL BUDGETARY IMPACT MID-TERM REVISION (FRESH MONEY)</b>			
	<b>COMMISSION PROPOSAL</b>	<b>PRESIDENCY PROPOSAL</b>	<b>REDUCTION</b>
<b>TOTAL GRANTS</b>	65,8	51	14,8
<b>ELEMENTS THAT REDUCE FINANCIAL IMPACT</b>	0	-15	15
<b>NET CONTRIBUTIONS</b>	65,8	36	29,8
<b>ESTIMATED POTENTIAL REVENUES FROM FROZEN ASSETS</b>	15-17		

Table 4

<b>Availabilities in Non Thematic Instruments after PRES proposal</b>			
<b>Non Thematic Special Instruments</b>	<b>(1) Current availabilities (2024-2027)</b>	<b>(2) Used for MTR political priorities</b>	<b>(1)-(2) Available post MTR</b>
<b>Flexibility Instrument (FLEX)</b>	3,2	1,7	1,5
<b>Single Margin Instrument (past margins (2021-2023), 2023 margin subject to mobilisation in 2023 and availability according to Commission.</b>	1,1	0	1,3
<b>Margins (2024-2027)</b>	0,4	0	0,4
<b>TOTAL</b>	4,7	1,7	3