Council of the
European Union

**Brussels, 9 December 2025**
**(OR. en)**

**16344/25**

**CADREFIN 357**
**FIN 1498**
**POLGEN 219**
**RESPR 46**

**NOTE**

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| From: | General Secretariat of the Council |
| To: | Permanent Representatives Committee/Council |
| Subject: | Multiannual Financial Framework (MFF) 2028-2034<br>- Draft Negotiating Box |

1. The purpose of presenting a 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 (MFF), 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 draft Negotiating Box elaborated by the Presidency.

**ANNEX**

# I. HORIZONTAL

1. The new MFF will cover seven years between 2028 and 2034. The budget will enable the EU to respond to current and future challenges and to fulfil its political priorities. It covers new policies and established ones to ensure EU's long-term security and prosperity. Europe must take responsibility for its own security, including through stronger defence capabilities and protection of our borders and values, migration management and also boost its competitiveness and clean transition efforts. At the same time, established policies stemming from Treaty obligations including economic, social and territorial cohesion and common agricultural policy remain crucial.

2. The Multiannual Financial Framework for the period 2028 to 2034 will have the following structure:

   i) Heading 1 "Economic, social and territorial cohesion, agriculture, rural and maritime prosperity and security"

   ii) Heading 2 "Competitiveness, prosperity and security";

   iii) Heading 3 "Global Europe";

   iv) Heading 4 "Administration".

   A simpler and more efficient structure of the budget is necessary to provide responsiveness in a time of geopolitical and economic uncertainty. The grouping of expenditure in 4 Headings 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 should lead to a reduction of administrative burden for beneficiaries, managing authorities and auditing bodies.

3. The maximum total figure for expenditure for EU 27 for the period 2028-2034 is EUR [X] million in commitment appropriations and EUR [X] million in payment appropriations. The breakdown of the amounts of the annual ceilings on commitment appropriations by Heading is described below. The same figures are also set out in the table contained in Annex I which equally sets out the annual ceilings of payment appropriations. All figures are expressed using constant 2025 prices.

4. There will be automatic annual technical adjustments for inflation using [a deflator of 2 %, which will be technically adjusted for the year n+1 by the forecasted inflation if the forecast is below 1 % or above 3 %] OR [a fixed deflator of 2 %].

5. The MFF will be revised in the event of a revision of the Treaties, a reunification of Cyprus or the accession of new Member States to the Union.

6. The Commission shall present a proposal for a new multiannual financial framework before 1 [July 203X].

**Simplification**

7. The MFF will follow a simplified and streamlined structure with the aim to reduce rigidity and limit administrative burden for authorities and beneficiaries. Furthermore, the MFF should mitigate overlapping objectives between programmes and provide a simplified access to funding opportunities and budget information for applicants and beneficiaries. In addition, the reduction in the number of programmes aims to ensure coherence and promote synergies.

8. The RAL (reste à liquider) is an inevitable by-product of multiannual programming and differentiated appropriations. However, the RAL is expected to reach EUR [339] billion by the end of the financial framework for 2021-2027, leading to payments from the current MFF constituting a significant amount of overall payments in the first years of the next MFF. To ensure a predictable level and profile as well as an orderly progression of payments and increase the responsiveness of the EU budget, several measures are taken, such as simplifying implementation, setting appropriate pre-financing rates, payment and de-commitment rules and timely adoption of the sectoral legislation for the MFF 2028-2034.

9. [In the event of the adoption of rules under shared management after [1 January 2028], the amounts corresponding to allocations not used in 2028 will be transferred in equal proportions to each of the years 2029 to 2032 with a corresponding adjustment to the MFF ceilings.]

10. Following the principle of budgetary unity, as a rule, all items of EU expenditure 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.

**Flexibility**

11. The Union must have the capacity to respond to exceptional circumstances and changing priorities, whether internal or external. At the same time, the need for flexibility must be weighed against predictability for long-term investments as well as the principles of budgetary discipline and transparency of EU expenditure, respecting the binding character of the MFF ceilings.

12. In line with the capacity to respond to evolving needs and reprioritising funds, the MFF should facilitate possible redeployments and reprogramming within and across programmes. Any possible deviation from the indicative financial envelope for multiannual programmes shall not be more than [20] % of the amount for the entire duration of the programme. This does not apply to appropriations pre-allocated per Member State.

13. Appropriate margins will be set within each Heading. Within certain programmes, unallocated amounts and cushions will be established. In a fast-evolving environment, resources for response to crisis situations such as natural disasters should [also] be part of inbuilt flexibility within certain programmes.

14. The Single Margin Instrument (SMI) will comprise the following:

    i) As of 2029, the margins left available below the MFF ceilings for commitment appropriations of the year n-1 are to be made available over and above the MFF ceilings for commitment appropriations in the framework of the budgetary procedure (Global Margin for Commitments).

    ii) As of 202[9], as part of the technical adjustment, the Commission can adjust the payment ceiling for the years [2029-2034] upwards by an amount equivalent to the difference between the executed payments and the MFF payment ceiling of the year n-1 (Global Margin for Payments). Any upward adjustment shall be fully offset by the corresponding reduction of the payment ceiling for the year n-1. The annual adjustments in years [203X-2034] shall not exceed EUR [X] million as compared to the original payment ceiling.

    iii) As a last resort to react to unforeseen circumstances, amounts can be made available over and above the MFF ceilings for commitment or payment appropriations, provided that they are fully offset against the margins in one or more MFF Headings for the current or future financial years or against the margin under the payment ceiling (Contingency Margin). The amounts thus offset shall not be further mobilised in the context of the MFF.

15. The Flexibility Instrument shall finance clearly identified unforeseen expenditure which could not be financed within the limits of the ceilings available for one or more Headings. Appropriations will be over and above the MFF ceilings for commitment and payment appropriations. The Flexibility Instrument's annual ceiling will be set at EUR [X] million. [As of 2029, the annual amount available for the Flexibility Instrument will be increased by:

i) [an amount equivalent to fines entered into the budget in year n-2;]

ii) [an amount equivalent to decommitments of appropriations made during year n-2;]

iii) [amounts lapsed in [the] previous year[s].]

**Governance**

16. The necessary degree of overall flexibility should be underpinned by robust governance and involvement of Member States and relevant institutions, in particular the Council, in the planning and adjustment of activities and priorities as well as the implementation of the budget. This shall ensure that the EU budget is closely aligned with the Union's priorities across spending programmes.

17. [A new political steering mechanism will be established as an integral part of the annual budgetary procedure. Every autumn, the Commission will present an integrated strategy report on EU policy and funding priorities to guide a structured discussion as input to the Budgetary Authority prior to the annual budgetary procedure. The Commission will seek to reflect the outcome of this discussion when presenting its draft budget.]

18. Member States shall be closely involved in setting priorities and deciding on work programmes within spending programmes in the appropriate fora, including where relevant through appropriate comitology procedures and preserving their involvement in the examination procedure. Each institution will act within the limits of the powers conferred on it in the Treaties. Delegated acts shall be limited to non-essential elements of the respective legislative acts.

19. The duration of the MFF sectoral programmes should, as a rule, be aligned with the timeframe of the MFF 2028-2034.

**Impact and Performance**

20. The role of the EU budget in supporting the effective implementation of EU-wide policy objectives should be further enhanced. A horizontal expenditure tracking and performance framework for the EU budget shall be established to reflect the results and reform progress achieved by EU spending as well as measure the effect of the EU budget to inform future policy decisions. A horizontal performance framework should also contribute to limiting administrative burden associated with the implementation of the EU budget for authorities and beneficiaries.

21. The budget should provide substantial leverage to increase the impact of EU spending. This includes a sufficient degree of co-financing across programmes. In addition, in line with the overall effort of consolidation, financial instruments and budgetary guarantees should be streamlined further, notably through the financial toolbox of the European Competitiveness Fund and Global Europe, thereby leveraging the budget to mobilise private investments. While recognising the opportunities of this type of funding, financial liabilities arising from financial instruments, budgetary guarantees and financial assistance need to be closely monitored.

22. Union programmes and instruments should in a just, socially balanced, fair and cost-effective manner contribute to reaching the long-term commitments of the Paris Agreement as well as to promote environmental and biodiversity protection. As part of the efforts to deliver results on these priorities, [at least] [35] % of the Union budget expenditure, excluding defence and security related spending [as well as migration, border and visa management and internal security], should support climate and environmental objectives underpinned by an efficient, proportional and transparent methodology. It should ensure that EU expenditure is consistent with Paris Agreement objectives, the "do no significant harm" principle, the Union's climate target of reducing emissions by at least 55 % by 2030 and the objective of reaching climate neutrality at the latest by 2050, while limiting administrative burdens for authorities and beneficiaries.

23. In order to protect the sound implementation of the EU budget and the financial interests of the Union, the MFF shall include strong safeguards to ensure respect of the rule of law and the effective application of the Charter of Fundamental Rights in full respect of the principles of objectivity, non-discrimination and equal treatment of Member States, and will also be applied fairly, impartially and fact-based, ensuring due process.

    A solid and efficient audit and control system will ensure the legality and reliability of payments, avoiding duplication of responsibilities and take into account the principle of proportionality.

## II. HEADING 1 – ECONOMIC, SOCIAL AND TERRITORIAL COHESION, AGRICULTURE, RURAL AND MARITIME, PROSPERITY AND SECURITY

24. The objective of this Heading is to deliver EU added value by fostering cohesion, upwards convergence, economic growth, competitiveness, resilience and security, by supporting investments and reforms for an inclusive, sustainable, prosperous, autonomous and secure Europe. Expenditure under this Heading will aim at reducing economic, social and territorial disparities, foster the attractiveness and development of rural areas, support resilient, competitive and sustainable EU agricultural and fisheries' sectors, as well as boost the blue economy, invest in people, reinforce the Union's defence capabilities, bolster security and migration management and protect the Union's external borders, while ensuring the good functioning of the single market across the Union. This heading will also cover the repayment of NextGenerationEU (NGEU).

25. Farming and fisheries are strategic sectors for the Union, ensuring safe, high-quality food for the EU and playing a key role in global food security. Stabilising farmers' incomes, attracting a future generation of farmers, guaranteeing food security within the Union and supporting the transition towards an economically, environmentally, socially resilient, sustainable and market-oriented agricultural sector with a level playing field remain fundamental priorities for the Common Agricultural Policy financed by the EU budget. In the same spirit, the EU budget will continue to finance a resilient Common Fisheries Policy.

26. Promoting an overall harmonious development of the Union and reducing disparities by supporting a strengthening of its economic, social and territorial cohesion remain the cornerstone of Cohesion policy. The EU budget will continue to provide financing for investments and structural adjustments in all categories of regions, according to their specific challenges, with particular attention paid to less developed regions.

27. Coordinated action at EU level in relation to effective control of external borders is essential for ensuring more efficient migration management and a high level of internal security in the Union while safeguarding the principle of free movement of persons and goods within the Union. The EU budget will continue to support the strengthening of the internal security and the implementation, strengthening and development of the common migration and asylum policy and of the European integrated border management and European visa policy.

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

| HEADING 1 - ECONOMIC, SOCIAL AND TERRITORIAL COHESION, AGRICULTURE, RURAL AND MARITIME PROSPERITY AND SECURITY (Million euros, 2025 prices) | | | | | | |
|---|---|---|---|---|---|---|
| 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 |
| X | X | X | X | X | X | X |

**European Fund for Economic, Social and Territorial Cohesion, Agriculture and Rural, Fisheries and Maritime, Prosperity and Security**

29. The European Fund for Economic, Social and Territorial Cohesion, Agriculture and Rural, Fisheries and Maritime, Prosperity and Security will be established to contribute to the following policy objectives:

    – To reduce regional imbalances in the Union and the backwardness of the least favoured regions and promote European territorial cooperation, including supporting projects in the area of environment and trans-European networks;

    – To support quality employment, education and skills and social inclusion and to contribute to a socially fair transition towards climate neutrality;

    – To support the implementation of the Common Agricultural Policy of the Union;

    – To support the implementation of the Common Fisheries Policy of the Union;

    – To protect and strengthen democracy in the Union and uphold Union values.

30. The Fund will mainly be delivered through nationally pre-allocated financial envelopes and implemented under shared management.

31. The financial envelope under the European Fund for Economic, Social and Territorial Cohesion, Agriculture and Rural, Fisheries and Maritime, Prosperity and Security will amount to a total of EUR [X] million and will be allocated as follows:

i) EUR [X] million to the National and Regional Partnership Plans, of which:

a) At least EUR [X] million for less developed regions;

b) At least EUR [X] million for Common Agricultural Policy income support;

c) At least EUR [X] million for Common Fisheries Policy interventions;

d) At least EUR [X] million for migration, border and visa management and internal security measures.

ii) EUR [X] million to the Interreg Plan

iii) EUR [X] million to the EU Facility

Up to [0.5] % of the global amount will be allocated to technical assistance at the initiative of the Commission.

32. At least [14] % of the global amount under the Fund, including the National and Regional Partnership Plans, not counting the minimum amounts for Common Agricultural Policy and Common Fisheries Policy interventions and financing under the Social Climate Fund, will be dedicated to meeting the Union's social objectives.

33. [At least [X] % of the global amount under the National and Regional Partnership Plans, not counting the minimum amounts for Common Agricultural Policy and Common Fisheries Policy interventions and financing under the Social Climate Fund, will be dedicated to rural areas.]

34. Furthermore, the National and Regional Partnership Plans are expected to contribute with [43] % of the global amount to meeting the Union's climate and environmental objectives, not counting measures contributing to defence and security, [as well as migration, border and visa management and internal security].

*National and Regional Partnership Plans*

35. Member States will prepare National and Regional Partnership Plans to support the general objectives and, taking into account the specific challenges and needs of the Member State concerned and its regions, contribute in a comprehensive and adequate manner to the specific objectives of the Fund. The plans will set out reforms and investments and other interventions that effectively address all or a significant subset of relevant country-specific recommendations under the European Semester, [the Rule of Law Report], CAP national recommendation, Digital Decade recommendations, National Energy and Climate Plans and relevant documents and strategies in the area of home affairs. The assessment of the plan will also take into account the financial allocation of the Member State concerned, the principle of proportionality and country-specific recommendations addressed in other national plans or documents adopted at the EU level.

36. The National and Regional Partnership Plans will be prepared and implemented in accordance with the principles of partnership and multi-level governance including regional and local authorities, and in accordance with Member States' institutional, legal and financial framework. To this end, the design of the plan has to reflect the collaboration with regional and other public authorities.

37. The National and Regional Partnership Plans will be divided into chapters. Member States may include national, sectoral as well as regional and territorial chapters, ensuring multi-stakeholder involvement. A Member State may include multiple regional and territorial chapters. The National and Regional Partnership Plans may include a chapter regarding the Common Agricultural Policy to contribute the specific identity of the CAP.

38. Member States will in their programming ensure appropriate investments for cohesion policy measures in all categories of regions, taking into account current investment levels. If the allocation to transition and more developed regions is lower than [X] % of the current investment level, Member States will provide a justification based on objective criteria.

39. The Plans will be assessed by the Commission within [four] months of the submission and approved by the Council. Amendments to the Plans will be assessed by the Commission within [three] months of the submission of the amended Plan and approved by the Council. The Commission may, in duly justified cases, propose to the Member State to amend existing measures or to introduce new measures.

40. Member States may set up managing authorities at regional level, ensuring direct involvement of regional authorities in the management and implementation of the plans. Regional managing authorities may interact directly with the Commission. Where a Member State identifies more than one managing authority, it will appoint a coordinating function to ensure a coherent implementation of the plan. To the extent possible, to ensure continuity and cost-effectiveness, Member States should build upon the existing governance structures and institutions.

41. The disbursement of payments will be based on the fulfilment of the relevant milestones and targets or relevant outputs. Auditing will be conducted applying the single audit principle.

42. A flexibility amount corresponding to [25] % of the amount allocated to Member States under the National and Regional Partnership Plans will be made available for programming as follows:

    i) [5] % to address urgent and specific needs as a response to a crisis situation before the mid-term review. Any remaining amount will be programmed during the mid-term review for evolving needs;

    ii) [15] % following the mid-term review to cater for evolving needs;

    iii) [5] % to address urgent and specific needs as a response to a crisis situation after the mid-term review as of 2031. Any remaining amount will be available for programming under the plan after June 2033.

    The flexibility amount will not take into account the financial contribution to Interreg and ring-fenced support measures for agriculture.

43. In the event of a crisis situation, Member States may request to amend their National and Regional Partnership Plans to respond to the crisis. To ensure effective use of the funding, the following steps will be carried out [with the possibility of Member States requesting that multiple steps are taken at the same time]:

i) [Member States propose a reprogramming corresponding to [1] % of the amount allocated to Member States under the National and Regional Partnership Plans;]

ii) In case the request exceeds the first step, up to [2.5] % of the flexibility amount for addressing urgent and specific needs may be programmed;

iii) For further needs linked to natural disasters, Member States may request support for Union Actions under the EU Facility, subject to the availability of funding;

iv) In case the needs exceed the above, Member States may receive additional support from the cushion under the EU Facility, subject to the availability of funding.

44. [In the event of the adoption of the Fund after [1 January 2028], appropriate measures should be taken to ensure income support to farmers for the year 2028.]

*Social Climate Fund*

45. Social Climate Plans under the Social Climate Fund [will] OR [may] be integrated as separate chapters of the National and Regional Partnership Plans as of 2028. [Member States may transfer amounts from their 2026 and 2027 allocations under the Social Climate Fund to their National and Regional Partnership Plan.]

*[Catalyst Europe*

46. An amount of EUR [X] million in loan support will be available to Member States to be implemented as part of their National and Regional Partnership Plans. The request for loan support will be linked to additional reforms, investments and other interventions. The request for loan support will be made by [31 January 2028].

47. Loan support will be distributed based on the principles of equal treatment, solidarity, proportionality and transparency. The share of loan support for the three biggest recipients will not be higher than [60] % of the total amount available for support.]

*EU Facility*

48. An EU facility will be established to increase flexibility and enable the EU budget to more effectively address unforeseen crises, as well as finance interventions complementing and reinforcing the National and Regional Partnership Plans. The EU facility, implemented under shared, direct or indirect management, will consist of:

    i) EUR [X] million for Union actions, including a Unity Safety Net responding to market disturbances and stabilising agricultural markets, actions related to migration, border management and internal security, environmental, nature and climate actions, Solidarity Actions in case of natural disasters and other Union actions. [At least EUR [X] million will be dedicated to Solidarity Actions.]

    ii) EUR [X] million for emerging challenges and priorities cushion.

49. Unused funding related to the Unity Safety Net, Solidarity Actions in case of natural disasters and the cushion will be carried over to the following year [and may be used until 2034].

*50. [p.m. Governance of the EU Facility]*

*Budgetary commitments*

51. The budgetary commitments of each National and Regional Partnership Plan will be done in annual instalments as follows:

    i) [15.8] % in 2028

    ii) [15.5] % in 2029

    iii) [15.1] % in 2030

    iv) [14.8] % in 2031

    v) [14.4] % in 2032

    vi) [12.8] % in 2033

    vii) [11.7] % in 2034

*Categories of regions*

52. For the National and Regional Partnership Plans, regions at NUTS2 level are classified based on each region's purchasing power standards (PPS), calculated using Union data for the period [2021-2023], as follows:

    i) 'Less developed region' whose GDP per capita is less than [75] % of the average GDP per capita of the EU-27;

    ii) 'Transition regions' whose GDP per capita is between [75] % and [100] % of the average GDP per capita of the EU-27;

    iii) 'More developed regions' whose GDP per capita is above [100] % of the average GDP per capita of the EU-27.

*Support under the Common Agricultural Policy*

53. The Union budget will continue to provide income support to farmers and sustainable farming and food production as part of the Common Agricultural Policy, delivering on the objectives set out in the Treaties including by providing a fair standard of living for the agricultural community.

54. In order to maintain a prominent status for the Common Agricultural Policy for the European agricultural sector, the CAP regulation will lay out certain provisions specific to the Common Agricultural Policy. The CAP regulation will ensure a strong and integrated Common Agricultural Policy under the National and Regional Partnership Plans.

55. The planned average aid per hectare for area-based income support for Common Agricultural Policy interventions will not be, in current prices, less than EUR [130] and not more than EUR [240] for each Member State.

56. [A degressive scale for total annual area-based income support will be introduced in accordance with the following:

    i) For area-based income between EUR [20 000] and [50 000], the annual amount will be reduced by [25] %;

    ii) For area-based income between EUR [50 000] and [75 000], the annual amount will be reduced by [50] %;

    iii) For area-based income above EUR [75 000], the annual amount will be reduced by [75] %]

57. Capping of total annual area-based income support for large beneficiaries [on a voluntary basis] will be introduced at the level of EUR [100 000].

*Horizontal conditions*

58. Member States will put in place and maintain effective mechanisms to ensure the compliance of the measures supported by their Plans with the relevant provisions of the Charter of Fundamental Rights of the European Union and the respect of the principles of the rule of law throughout the implementation of the Fund. The Council will be involved as appropriate in the implementation of horizontal conditions, which shall be in full respect of the principles of objectivity, non-discrimination and equal treatment of Member States.

*[Allocation methodology for the National and Regional Partnership Plans*

59. The financial allocation for Member States under the National and Regional Partnership Plans will be determined using a general key and a home affairs key, to which the contribution from the social climate fund allocation for the relevant period will be added.

60. The general key will be determined for each Member State as follows:

i) The average of Member State's share of total EU population (2024) and the Member State's share of total EU population at risk of poverty or social exclusion in rural areas (2024).

ii) The average will be multiplied with the squared value of the inverse relative GNI per capita in each Member State compared to the EU average, measured in PPS (2023), after incorporating the following adjustments:

a) A Regional Prosperity Gap is calculated for all NUTS3 regions with a GDP per capita, measured in PPS (2021-2023), below [75] % of the EU average. The difference between the regions relative GDP per capita and the [75] % EU average will be aggregated by the region's population (2022) and divided by the total population of the Member State (2022).

b) An Agricultural Prosperity Gap is calculated by taking into account the gap between direct payments, at the 2027 level, per potentially eligible hectare (2022) and the [90] % of the EU average for each Member State. This will be multiplied by the potentially eligible hectares in the Member State (2022) and expressed in relation to the direct payments, at the 2027 level, for the Member State.

The initial key as determined above will be normalised to 100 %. A cap and safety net normalised to 100 %, will be applied iteratively until no Member State's allocation share is lower than [80] % or higher than [105] % of its 2021-2027 allocation share of relevant pre-allocated funds under shared management.

61. The home affairs key will be determined as follows:

i) [45] % for border management with [90] % of the Member State's share of total EU sea borders and EU external land borders with neighbouring countries in continental Europe other than EU countries, Schengen countries and EFTA countries, and [10] % of the Member State's share of the EU total uniform visas applied for short stays (2024). Member States with an external direct border to Russia or Belarus will have a factor of [1.25] for those specific borders under the external borders.

ii) [35] % for migration, integration and asylum based on the average of the Member State's share of the total asylum applicants in the EU (2022-2024), Member States' share of the total number of first instance positive decisions on asylum applications in the EU (2022-2024), the Member State's share of the total number of beneficiaries of temporary protection in the EU from non-EU countries (2022-2024), and the Member State's share of the total number of third country nationals returned following an order to leave (2022-2024).

iii) [20] % for internal security with normalising [40] % of the Member State's share of EU population (2024); [45] % of the Member State's inverted GNI per capita measured in PPS (2023) compared to the EU average, and [15] % of Member State's share of EU surface area.

62. An amount of up to EUR [X] million for the Special Transit Scheme will be allocated under Lithuania's Plan for integrated border management and for the common policy on visas.

63. Member States will allocate a minimum amount to less developed regions, which will be determined by multiplying the population living in less developed regions (2021-2023) as a share of the Member State's total population (2021-2023) to the pre-allocated envelope for the National and Regional Partnership Plans, excluding the minimum amounts for Common Agricultural Policy and Common Fisheries Policy interventions.

A factor of [1.16] will be applied if a Member State's GNI per capita, measured in PPS (2021-2023), is below [75] % of the EU average.

A cap and safety net for less developed regions will be applied as follows:

i) For all Member States, the amount allocated to less developed regions will not be lower than [90] % or higher than [112.5] % of the 2021-2027 latest adopted allocations (June 2025) for less developed regions.

ii) The minimum amounts for Common Agricultural Policy interventions per Member State will be based on the allocations for Common Agricultural Policy in 2027. The minimum amounts for the Common Fisheries Policy interventions will be based on the allocations under the European Maritime, Fisheries and Aquaculture Fund for the period 2021-2027.

*Allocation methodology for Interreg*

64. For Interreg, the allocation to Member States will be determined as follows:

i) [45.8] % based on the total population of all NUTS level 3 border regions and of other NUTS level 3 regions of which at least half of the regional population lives within [25] kilometres of the borders (2021);

ii) [30.5] % based on the population living within [25] kilometres of the borders (2021);

iii) [20] % based on the total population (2022-2024);

iv) [3.7] % weight based on the population of outermost regions (2022-2024).

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

66. The allocation for Ireland under Interreg will provide financial support for the PEACE PLUS programme in support of peace and reconciliation and of the continuation of North-South cross-border cooperation.]

*Prefinancing and co-financing*

67. The Commission will pay pre-financing based on the support allocated to the National and Regional Partnership Plans. The pre-financing will be paid as follows:

    i) 2028: [4] %, [only paid if implementing decisions are adopted by the Council by 31 July 2028] OR [If implementing decisions are not adopted by the Council by 31 December 2028, this pre-financing will be added to the amount for 2029 and 2030.]

    ii) 2029: [3] %

    iii) 2030: [3] %

    For Interreg, the pre-financing will be paid as follows:

    i) 2028: [4] %

    ii) 2029: [4] %

    iii) 2030: [4] %

68. The Union co-financing rate to the National and Regional Partnership Plans will not be higher than:

i) [85] % for less developed regions

ii) [60] % for transition regions

iii) [40] % for more developed regions

Where it is not possible to determine the proportion of implementation in a given category of region, the Union co-financing rate will be calculated by using the population weighted average of the applicable contribution rates of the regions.

69. The Union co-financing rate for Interreg will not be higher than [80] %. For outermost regions and cross-border cooperation at external borders, the co-financing rate will not be higher than [85] %.

70. For interventions related to the Common Agricultural Policy, the Union co-financing rate will not be higher than:

i) [100] % for the following measures: degressive area-based income support, coupled income support, crop specific payment for cotton and support for small farmers. These interventions cannot be financed outside the minimum amount for Common Agricultural Policy;

ii) [70] % for other measures for agriculture;

iii) [70] % for EU school scheme interventions;

iv) [70] % for sectors under Common Organisation of the Markets.

For Common Agricultural Policy interventions related to LEADER, support for knowledge-sharing, territorial and local cooperation, and interventions in outermost regions and smaller Aegean islands, as well as financing from outside the minimum ring-fenced support for agriculture, the standard Union co-financing rates set out above will apply.

71. For interventions in the area of Home Affairs related to resettlement and humanitarian admission, transfer of applicants for international protection and special transit scheme, as well as financial contributions from the Annual Solidarity Pool, the Union co-financing will be [100] %. [For other interventions in the area of Home Affairs, the baseline for Union co-financing will not be higher than [X] %.]

*Decommitment rules*

72. With the exception of some CAP interventions, the Commission will automatically decommit any portion of a budget commitment for a National and Regional Partnership Plan and the Interreg Plan chapter that has not been used for prefinancing or for which a payment application has not been submitted by [31 October] of the [year] following that of the budget commitment.

73. [Any decommitments as a result of non-fulfilment of the Charter and Rule of Law horizontal conditions for one year may be made available again by the budgetary authority for the use under other Union instruments or programmes implemented in direct or indirect management, in particular supporting Europe's democracy, civil society, Union values or fight against corruption.]

**Support to the Turkish-Cypriot community**

74. This Heading will also finance support to the Turkish-Cypriot community. The indicative financial envelope allocated to the programme will be EUR [X] million.

**Repayment of NextGenerationEU**

75. The repayment for funds borrowed on the capital markets to address the consequences of the COVID-19 crisis (NGEU), comprising the payment of principal, interest payments as well as associated costs, will be financed under this heading. The repayment will start in 2028 to ensure a steady and predictable reduction in liabilities until 31 December 2058. The total amount for 2028-2034 will be EUR [X] million used exclusively to cover repayments, interest payments and associated costs. Cost overruns or savings on interest payments and associated costs will reduce or increase the amount for payment of principal, respectively, ensuring a fixed annual amount for NGEU financing.

**[European Border and Coast Guard Agency**

76. In view of supporting the shared responsibility of securing the external borders while safeguarding the free movement of persons within the Union, the actions under home affairs will be complemented by the actions carried out by a reinforced European Border and Coast Guard Agency (Frontex) with an allocation of EUR [X] million.]

## III. HEADING 2 - COMPETITIVENESS, PROSPERITY AND SECURITY

77. Competitiveness, prosperity and security correspond to an area where EU action has significant value added for all Member States across the Union. The initiatives under this Heading should contribute to bolstering European competitiveness in technologies and strategic sectors from collaborative research to scaling up innovation, industrial and infrastructure deployment and manufacturing, in support of projects and companies including SMEs and the crowding in of private, institutional and national investments. Furthermore, this Heading will also contribute to civil protection and health emergency preparedness and response, funding in the area of skills, education, solidarity, culture, media, democracy and European values as well as supporting the functioning of the Single Market.

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

| HEADING 2 - COMPETITIVENESS, PROSPERITY AND SECURITY (Million euros, 2025 prices) | | | | | | |
|---|---|---|---|---|---|---|
| 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 |
| X | X | X | X | X | X | X |

**European Competitiveness Fund**

79. A European Competitiveness Fund (the 'ECF') will be established to bolster European competitiveness as a whole, notably in strategic sectors and technologies along the investment journey based on open and fair award procedures, and ensuring equal opportunities across the EU to access funding. Particular attention will be paid to SMEs and small midcaps across Member States.

80. The indicative financial envelope for the implementation of the ECF for the period 2028-2034 will be EUR [X] million. The financial envelope will indicatively be allocated as follows:

i) EUR [X] million to general objectives;

ii) EUR [X] million to Clean Transition and Industrial Decarbonisation;

iii) EUR [X] million to Health, Biotechnology, Agriculture and Bioeconomy;

iv) EUR [X] million to Digital Leadership;

v) EUR [X] million to Resilience and Security, Defence Industry and Space.

81. Together, the ECF, Horizon Europe and the Innovation Fund will provide coherent support to the Union's competitiveness, across the investment journey. The ECF may support Important Projects of Common European Interest (IPCEIs), conditional on national co-funding[, and follow-on projects based on results from IPCEIs, conditional on significant private investments.]

82. An ECF InvestEU Instrument will serve as a horizontal delivery tool for Union-internal policies to address market failures or suboptimal investment situations through budgetary guarantees and financial instruments. The instrument will be implemented by partners in an open architecture, drawing on the expertise of all implementing partners, including National Promotional Banks, while acknowledging the special role of the European Investment Bank Group (EIB). The instrument may provide support under other Union programmes in accordance with the objectives set out in those programmes. The maximum amount of the budgetary guarantee under the EU Compartment of the ECF InvestEU Instrument will be EUR [X] million. The minimum amount of the Union support from ECF delivered through ECF InvestEU Instrument will be EUR [X] million.

83. It is essential that European funding contributes to the uptake of strategic technologies developed in the Union. In this regard, the award procedures may set out eligibility conditions to ensure the competitiveness of the Union, including protection of economic interests and autonomy of the Union where necessary and appropriate through preferential conditions such as restrictions or incentives for Union entities, while limiting distortion of the Single Market.

84. [The ECF will in exceptional and duly justified cases include the possibility of accelerated support for projects of imperative public interest or critical time sensitivity, which could otherwise not be effectively implemented under the normal rules and which will benefit from certain additions, exceptions, and derogations from applicable law during the award procedure or implementation of the supported activities.]

85. The ECF will support a strong European Defence Technological and Industrial Base to ensure the Union’s ability to respond to emerging security challenges[, including supporting the Ukrainian defence technological and industrial base.]

**Horizon Europe**

86. Horizon Europe shall be tightly connected to the European Competitiveness Fund by placing research and innovation at the heart of the Union’s economy and investment strategy. Support for research, development and innovation will be based on excellence. At the same time, the participation gap and the innovation divide must continue to be addressed. To this end, Horizon Europe will enhance the research and innovation capacity in widening and transition countries. [From 2030 onwards, capacity-building measures are restricted to those widening countries that have increased their real expenditure of public investment in research and development in the latest known year compared to the year prior.]

87. The indicative financial envelope for Horizon Europe for the period 2028-2034 will be EUR [X] million, of which

i) EUR [X] million for Excellent Science;

ii) EUR [X] million for Competitiveness and Society;

iii) EUR [X] million for Innovation;

iv) EUR [X] million for the European Research Area, of which [X] million for widening participation.

**Connecting Europe Facility**

88. The Connecting Europe Facility aims to accelerate investment in the field of trans-European networks for transport and energy and leveraging funding from both the public and the private sectors as well as facilitate cross-border cooperation in the field of renewable energy.

89. The indicative financial envelope for the implementation of the Connecting Europe Facility for the period 2028-2034 will be EUR [X] million, of which:

i) EUR [X] million for transport and military mobility[, of which EUR [X] for military mobility].

ii) EUR [X] million for energy.

90. The maximum Union co-financing should be as follows:

i) [50] % for studies needed to prepare project implementation;

ii) [50] % for works related to the transport sector, which shall be increased to [75] % for Member States with a per capita GNI of less than 90 % of the EU average;

iii) [50] % for works relating to the energy sector;

iv) [75] % for actions in the energy sector contributing to the development of projects of common interest;

v) [60] % for works in the transport and energy sectors undertaken in outermost regions.

**Civil protection and health emergency preparedness and response**

91. The new Union Civil Protection Mechanism and Union support for Health Emergency Preparedness and Response will provide support for preventing, preparing for and responding to all kind of natural and human-induced disasters including cross-border threats to health, that may occur inside or outside the Union. The indicative financial envelope allocated to the programme will be EUR [X] million.

**Education, culture, democracy and European values**

92. Erasmus+ will support high-quality education and training and will provide learning and mobility opportunities for young people, apprentices, students and teachers. Erasmus+ will also support the participation of young people in solidarity activities and cooperation in the field of Sport. The indicative financial envelope allocated to the programme will be EUR [X] million.

93. AgoraEU will bring together support for democracy, culture, media and civil society. The indicative financial envelope allocated to the programme will be EUR [X] million.

**Euratom research and nuclear safety**

94. This Heading will continue to support the Research and Training Programme of the European Atomic Energy Community with an indicative financial envelope of EUR [X] million, of which EUR [X] million will contribute to the ITER project.

95. The Instrument for Nuclear Safety Cooperation and Decommissioning will have an indicative financial envelope of EUR [X] million. Support to the decommissioning of the Ignalina nuclear power plant in Lithuania will continue with an indicative financial envelope of EUR [X] million and with a maximum Union co-financing rate of [86] %.

**Other programmes**

96. This Heading will also provide funding for the Justice programme with an indicative financial envelope of EUR [X] million, the Pericles V programme with an indicative financial envelope of EUR [X] million and a Single Market and Customs Programme encompassing the functioning of the Single Market, Customs Union, Taxation and Anti-Fraud with an indicative financial envelope of EUR [X] million.

## IV. HEADING 3 – GLOBAL EUROPE

97. This heading finances the Union's external action, notably international partnerships including development cooperation, humanitarian aid and assistance for candidate countries and potential candidates preparing for accession to the Union. The financing of external action will be simpler, more focused, and more flexible, while preserving predictability of EU support. It will uphold and promote the Union's values and strategic interests while promoting mutually beneficial partnerships. It will ensure proper implementation of the Union's international commitments, including the Sustainable Development Goals and the Paris Climate Agreement, as well as the external dimension of migration and a continued unwavering support to Ukraine.

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

| HEADING 3 – GLOBAL EUROPE (Million euros, 2025 prices) | | | | | | |
|---|---|---|---|---|---|---|
| 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 |
| X | X | X | X | X | X | X |

**Global Europe Instrument**

99. The Global Europe Instrument will serve a wide range of Union policies, including support to candidate countries and potential candidates on their path towards accession to the Union, as well as actions related to neighbourhood, international partnerships including development cooperation, humanitarian aid, support to Ukraine and the external aspects of other Union policies. The Instrument will enable the Union, in cooperation with Member States, to comprehensively respond to irregular migration and forced displacement in a way that is coherent with the global approach to migration and complementary to the internal dimension of the Union migration policy. Support under the instrument will be fostered through a broad array of tools, ensuring synergies with the European Competitiveness Fund and coherence with the implementation of the Global Gateway strategy.

100. The Global Europe Instrument will primarily be implemented through geographic programmable actions, complemented where relevant by non-programmable actions. The non-programmable actions will include humanitarian aid actions in accordance with the Humanitarian Aid Regulation, macro-financial assistance, actions addressing crisis, peace and foreign policy needs, resilience, and competitiveness.

101. The Global Europe Instrument will have an indicative financial envelope of EUR [X] million. The financial envelope will indicatively be allocated as follows:

i) EUR [X] million for the Europe pillar;

ii) EUR [X] million for the Middle East, North Africa and the Gulf pillar;

iii) EUR [X] million for the Sub-Saharan Africa pillar;

iv) EUR [X] million for the Asia and the Pacific pillar;

v) EUR [X] million for the Americas and the Caribbean pillar;

vi) EUR [X] million for the Global pillar;

vii) EUR [X] million for an emerging challenges and priorities cushion.

102. The Council will play a central role throughout the planning and implementation of the instrument, including providing ex ante strategic and political steering, mobilising assistance for emerging challenges and priorities and monitoring implementation and performance.

103. The Instrument should enable the provision of support up to a maximum amount of EUR [X] million in the form of budgetary guarantees, Euratom loans, loans in the form of macro-financial assistance, and policy-based loans notably to partner countries implementing performance-based plans. [Policy-based loans will be made available through implementing acts].

104. Unused commitment and payment appropriations under this Instrument will be automatically carried over to the following financial year.

105. Any portion of a budgetary commitment for an action which, by 31 December of the [fifth] year following that of the budgetary commitment, has not been used for the purpose of pre-financing or making interim payments, or for which no certified statement of expenditure or any payment request has been submitted, will be decommitted.

**Support for Ukraine**

106. The Union will continue to provide financial support to Ukraine for its accession process and longer-term reconstruction. For the 2028-2034 period, support for Ukraine of up to EUR [X] million will be provided in the form of:

i) Provisioning of budgetary guarantees and support other than in the form of loans financed from a Ukraine Reserve over and above the MFF ceilings, with an annual ceiling of EUR [X] million;

ii) Loan support guaranteed by the headroom.

The Union may provide support to Ukraine in the form of a budgetary guarantee up to EUR [X] million.

107. Additional funding for Ukraine may be prioritised from the Europe and Global pillars and from the emerging challenges and priorities cushion for support in the form of humanitarian assistance and other duly targeted activities.

108. The Council will continue to be closely involved in the governance of support for Ukraine.

**External action outside of the Global Europe Instrument**

109. This Heading will also finance indicative financial allocations of EUR [X] million for the Common Foreign and Security Policy, EUR [X] million for sustainable fisheries partnership agreements and regional fisheries management organisation, and EUR [X] million for the Overseas Countries and Territories, including Greenland.

**European Peace Facility**

110. The European Peace Facility will continue to operate as an off-budget instrument to finance actions in the field of security and defence for the 2028-2034 period. The financial ceiling for the Facility will be EUR [X] million and will be financed through contributions from Member States based on a GNI contribution key.

## V. HEADING 4 –ADMINISTRATION

111. 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 of common European interest. At the same time, the simplification efforts across policy areas, including omnibus packages and the reduction in the number of MFF programmes, as well as the introduction of new technologies, including AI, should lead to reduced administrative burdens and corresponding savings. Recognising the shifting demands on administration in light of evolving priorities, it remains crucial to continuously improve the flexibility, efficiency, transparency and effectiveness of the European public administration.

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

| HEADING 4 - ADMINISTRATION (Million euros, 2025 prices) | | | | | | |
|---|---|---|---|---|---|---|
| 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 |
| X | X | X | X | X | X | X |

113. The ceilings of this Heading will be set in such a way as to avoid excessive margins and to reflect expected salary-adjustments, career-progression, pension costs, new tasks and priorities implemented by the institutions, financing of planned building projects and other relevant assumptions.

114. The ceilings of this Heading shall be set to take into account [a stabilisation of the total number of staff at the current level for all EU institutions[, bodies, agencies and their administrations]] OR [an increase of the total number of staff of [2 500] for all EU institutions].

115. The principle of budgetary discipline should apply to all institutions. All EU institutions, bodies, offices and agencies are invited to conduct regular reviews of their administrative spending to underpin management of shifting demands, ensuring the realisation of efficiency gains and the optimisation of staff resources by focusing on key areas and discontinuing tasks of less priority. To this end, the Commission is invited to propose initiatives to deepen interinstitutional cooperation, such as in the areas of IT, cybersecurity, procurement and buildings.

116. [Programme support expenditure should continue to be linked to the operational expenditure within the respective programme envelopes or policy area, while ensuring a transparent, continuous, regular and comprehensive monitoring and reporting across all Headings;]

OR

[All expenditure related to the administration of programmes, with the exception of research programmes, should be grouped under this Heading.]

117. [Union contribution to decentralised agencies and other bodies should continue to be financed from the policy headings related to their purpose;]

OR

[Union contribution to all decentralised agencies and other bodies should [where feasible] be grouped under this Heading.]

## VI. REVENUE

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

119. The amounts of the own resources ceilings continue to be temporarily increased by 0.6 percentage points of the sum of all the Member States' GNIs resulting from borrowing related to the NextGenerationEU, until all these liabilities have ceased to exist, and at the latest until 31 December 2058.

120. [In the event of a severe crisis, severe hardship or serious threat thereof affecting the Union or its Member States in the period 2028-2034, the Council by qualified majority, after obtaining the consent of the European Parliament and taking into account any possible guidance by the European Council, may decide to authorise the Commission to extraordinarily borrow funds on the capital markets for loans to Member States for the sole purpose of addressing the consequences of such situations. [The sum of the funds borrowed will not exceed [X billion EUR] for the period 2028-2034.] The amounts of the own resources ceilings shall be temporarily increased by [X] percentage points for the sole purpose of covering all liabilities of the Union resulting from the borrowing for such loans until all such liabilities have ceased to exist.]

121. The new system of own resources of the European Union will enter into force on the first day of the first month following receipt of the notification of its adoption by the last Member State. All its elements will apply retroactively from 1 January 2028. [However, the new Corporate Resource for Europe own resource will apply from the 1 January of the first year following the year in which the Own Resources Decision has entered into force.] Member States will proceed with the approval of the new Own Resources Decision as soon as possible, in accordance with their national constitutional requirements.

*Traditional own resources*

122. From 1 January 2028, Member States shall retain, by way of collection costs, [10] % of the amounts collected by them. [The revenue from a Union handling fee will be made available to the Union as traditional own resources as of 1 January 2028.]

*VAT-based own resource*

123. The VAT-based own resource will apply a call rate of [0.30] %. The capping of the VAT base will be [discontinued] OR [maintained].

*Plastic-based own resource*

124. The own resource based on non-recycled plastic packaging waste shall apply a call rate of EUR [1] per kilogram [adjusted annually to inflation]. The mechanism to avoid excessively regressive impact on national contributions will be [discontinued] OR [maintained].

*New Own Resources*

125. New Own Resources will be introduced composed of the following:

i) [Annual contributions from companies based on their annual net turnover:

a) From EUR 100 000 000.01 to EUR 249 999 999.99 a contribution of EUR 100 000;

b) from EUR 250 000 000 to EUR 499 999 999.99 a contribution of EUR 250 000;

c) from EUR 500 000 000 to EUR 749 999 999.99 a contribution of EUR 500 000;

d) of EUR 750 000 000 or more a contribution of EUR 750 000.]

ii) [A national contribution calculated on the amounts of manufactured tobacco and amounts of tobacco related products released for consumption multiplied by the minimum rate applicable to each Member State with a call rate of [15] % for all Member States.]

iii) [A national contribution calculated on the weight of non-collected electrical and electronic equipment with a call rate of EUR [2] per kilogram [adjusted annually to inflation.]]

iv) [Revenues from the Emissions Trading System 1 (ETS) with a call rate of [30] %.]

v) [Revenues from the Carbon Border Adjustment Mechanism (CBAM) with a call rate of [75] %.]

*Other revenue*

126. [Revenues and repayments stemming from financial instruments and budgetary guarantees should be treated in a horizontal manner and treated as other revenue from 2028, reducing Member States' contributions.]

*GNI-based own resource*

127. The application of a uniform call rate to the sum of GNI of each Member State in the light of the total of all other revenue remains unchanged. The current GNI corrections will be [discontinued] OR [maintained].