European Council

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NOTE

From:	General Secretariat of the Council
To:	Delegations
Subject:	Special meeting of the European Council (17, 18, 19, 20 and 21 July 2020) – Conclusions

Delegations will find attached the conclusions adopted by the European Council at the above meeting.

As Europe mourns the loss of lives from the COVID-19 pandemic, the European Council extends its deepest sympathy to the victims and their families. As Europeans continue to face extraordinary challenges and uncertainty in their daily lives, all our efforts will remain focused on protecting citizens and overcoming the crisis.

The COVID-19 crisis presents Europe with a challenge of historic proportions. The EU and its Member States have had to adopt emergency measures to preserve the health of the citizens and prevent a collapse of the economy. We are slowly exiting the acute health crisis. While utmost vigilance is still required on the sanitary situation, the emphasis is now shifting to mitigating the socio-economic damage. This requires an unprecedented effort and an innovative approach, fostering convergence, resilience and transformation in the European Union. At the request of the Heads of State or Government, the Commission presented at the end of May a very wide-ranging package combining the future Multiannual Financial Framework (MFF) and a specific Recovery effort under Next Generation EU (NGEU).

On the basis of the extensive consultations held at the level of the President of the European Council and the work done in the Council, the conclusions present a balanced solution catering for the interests and positions of all Member States. It is an ambitious and comprehensive package combining the classical MFF with an extraordinary Recovery effort destined to tackle the effects of an unprecedented crisis in the best interest of the EU.

NGEU and MFF go together. We need the Recovery effort as a quick and effective answer to a temporary challenge, but this will only yield the desired result and be sustainable if it is linked to and in harmony with the traditional MFF that has shaped our budgetary policies since 1988 and offers a long-term perspective.

The first part of these conclusions deal with the Recovery effort, which is significant, focused and limited in time. Significant because the effects of the crisis are far-reaching. Focused because it must target the regions and sectors that are most hit by the crisis. Limited in time because the MFF and the rules governing it remain the basic frame for the Union's budgetary planning and implementation. The additional funds generated by the EU's borrowing will be disbursed as grants and loans via the instruments and programmes of the MFF. This ensures consistency and coherence. Both NGEU and MFF will help transform the EU through its major policies, particularly the European Green Deal, the digital revolution and resilience.

The second part looks at the 2021-2027 MFF. The approach is based on the February proposal, which has been adapted to respond to the COVID-19 crisis and in the light of the measures taken under NGEU.

I. NEXT GENERATION EU

A1. The exceptional nature of the economic and social situation due to the COVID-19 crisis requires exceptional measures to support the recovery and resilience of the economies of the Member States.

A2. The plan for European recovery will need massive public and private investment at European level to set the Union firmly on the path to a sustainable and resilient recovery, creating jobs and repairing the immediate damage caused by the COVID-19 pandemic whilst supporting the Union’s green and digital priorities. The MFF, reinforced by NGEU, will be the main European tool.

A3. In order to provide the Union with the necessary means to address the challenges posed by the COVID-19 pandemic, the Commission will be authorised to borrow funds on behalf of the Union on the capital markets. The proceeds will be transferred to Union programmes in accordance with NGEU.

A4. Given that NGEU is an exceptional response to those temporary but extreme circumstances, the powers granted to the Commission to borrow are clearly limited in size, duration and scope.

A5. For NGEU the Commission shall be empowered in the Own Resources Decision to borrow funds on the capital markets on behalf of the Union up to the amount of EUR 750 billion in 2018 prices; new net borrowing activity will stop at the latest at the end of 2026. The Union shall use the funds borrowed on the capital markets for the sole purpose of addressing the consequences of the COVID-19 crisis.

A6. The funds borrowed may be used for loans up to an amount of EUR 360 billion in 2018 prices and for expenditure up to an amount of EUR 390 billion in 2018 prices.

A7. The repayment shall be scheduled, in accordance with the principle of sound financial management, so as to ensure the steady and predictable reduction in liabilities until 31 December 2058. Amounts not used for interest payments as foreseen will be used for early repayments before the end of the MFF 2021-2027, with a minimum amount, and can be increased above this level provided that new own resources have been introduced.

A8. The amounts due by the Union in a given year for the repayment of the principal shall not exceed 7.5% of the maximum amount of EUR 390 billion for expenditure.

A9. The amounts of the own resources ceilings shall be temporarily increased by 0.6 percentage points for the sole purpose of covering all liabilities of the Union resulting from its borrowing to address the consequences of the COVID-19 crisis, until all these liabilities have ceased to exist, and at the latest until 31 December 2058.

A10. The Council Decision on the system of own resources of the European Union will clarify with regard to NGEU financing the cases in which the Commission may provisionally call more resources from Member States than their respective relative share, without increasing the ultimate liabilities of the Member States, and set out the conditions thereof. It will provide that any such contribution will be compensated without delay in line with the applicable legal framework for the EU budget and thus on the basis of the respective applicable GNI keys, without prejudice to other own resources and other revenues.

Before calling such resources, the Commission will meet these needs through active cash management and, if necessary, recourse to short term financing via the capital markets under its diversified funding strategy consistent with the limits of the Own Resources Decision. Only if such measures were not to generate the necessary liquidity, the Commission could provisionally call more resources from Member States as last reserve. The amount of additional resources which can be called annually from Member States in such circumstances shall be on a pro rata basis and, in any case, limited to their share of the temporarily increased own resources ceiling, i.e. 0.6% of Member States' GNI.

A11. The NGEU amounts channelled through the budget for expenditure shall constitute external assigned revenues. The Budgetary Authority shall exercise political control, to be defined in agreement between the European Parliament, the Council and the Commission.

A12. Given the need for swift deployment of the recovery support, it is important to create the right conditions for the rapid implementation of investment projects, particularly in infrastructure. The Commission is invited to come forward before the October European Council with proposals on how to accelerate and facilitate procedures in Member States.

A13. Legal commitments of a programme as topped-up by NGEU shall be made by 31 December 2023. Related payments will be made by 31 December 2026.

A14. The amounts under NGEU for individual programmes shall be as follows:

• Recovery and Resilience Facility (RRF)	EUR 672.5 billion
of which loans	EUR 360 billion
of which grants	EUR 312.5 billion
• ReactEU:	EUR 47.5 billion
• Horizon Europe:	EUR 5 billion
• InvestEU:	EUR 5.6 billion
• Rural Development:	EUR 7.5 billion
• Just Transition Fund (JTF):	EUR 10 billion
• RescEU:	EUR 1.9 billion
• Total:	EUR 750 billion

Recovery and Resilience Facility

A15. 70% of the grants provided by the RRF shall be committed in the years 2021 and 2022. The remaining 30% shall be fully committed by the end of 2023. As a rule, the maximum volume of the loans for each Member State will not exceed 6.8% of its GNI.

A16. The RRF commitment allocation key for the years 2021-2022 shall be established according to the Commission proposal. In the allocation key for the year 2023 the 2015-2019 unemployment criterion is replaced, in equal proportion, by the loss in real GDP observed over 2020 and by the cumulative loss in real GDP observed over the period 2020-2021 and will be calculated by 30 June 2022.

A17. The prefinancing for the RRF will be paid in 2021 and should be 10%.

A18. Member States shall prepare national recovery and resilience plans setting out the reform and investment agenda of the Member State concerned for the years 2021-23. The plans will be reviewed and adapted as necessary in 2022 to take account of the final allocation of funds for 2023.

A19. The recovery and resilience plans shall be assessed by the Commission within two months of the submission. The criteria of consistency with the country-specific recommendations, as well as strengthening the growth potential, job creation and economic and social resilience of the Member State shall need the highest score of the assessment. Effective contribution to the green and digital transition shall also be a prerequisite for a positive assessment.

The assessment of the recovery and resilience plans shall be approved by the Council, by qualified majority on a Commission proposal, through an implementing act which the Council shall endeavour to adopt within 4 weeks of the proposal.

The positive assessment of payment requests will be subject to the satisfactory fulfilment of the relevant milestones and targets.

The Commission shall ask the opinion of the Economic and Financial Committee on the satisfactory fulfilment of the relevant milestones and targets. The Economic and Financial Committee shall strive to reach a consensus. If, exceptionally, one or more Member States consider that there are serious deviations from the satisfactory fulfilment of the relevant milestones and targets, they may request the President of the European Council to refer the matter to the next European Council.

The Commission shall adopt a decision on the assessment of the satisfactory fulfilment of the relevant milestones and targets and on the approval of payments in accordance with the examination procedure.

If the matter was referred to the European Council, no Commission decision concerning the satisfactory fulfilment of the milestones and targets and on the approval of payments will be taken until the next European Council has exhaustively discussed the matter. This process shall, as a rule, not take longer than three months after the Commission has asked the Economic and Financial Committee for its opinion. This process will be in line with Article 17 TEU and Article 317 TFEU.

ReactEU

A20. Notwithstanding the rules on capping and redistribution, additional allocations shall apply; to support the most important sectors that will be crucial to lay the basis for a sound recovery following the COVID-19 crisis in certain Member States, ReactEU will provide the following additional allocations: Luxembourg (EUR 100 million); Malta (EUR 50 million).

Climate target

A21. Climate action will be mainstreamed in policies and programmes financed under the MFF and NGEU. An overall climate target of 30% will apply to the total amount of expenditure from the MFF and NGEU and be reflected in appropriate targets in sectoral legislation. They shall comply with the objective of EU climate neutrality by 2050 and contribute to achieving the Union's new 2030 climate targets, which will be updated by the end of the year. As a general principle, all EU expenditure should be consistent with Paris Agreement objectives.

II. MFF 2021-2027

A22. The draft European Council Conclusions of February 2020 (5846/20) constitute the basis for the global compromise. This draft reflected the discussions held over many months. In view of the COVID-19 crisis and the measures taken under NGEU, a certain number of changes have been introduced and are reflected in the Annex.

A23. The overall amount for commitments is EUR 1,074.3 billion. This figure is somewhat lower than the one in February. This has to be seen against the background of the ambitious European recovery effort outlined in the first part of this paper.

A24. The Union's financial interests shall be protected in accordance with the general principles embedded in the Union Treaties, in particular the values of Article 2 TEU.

The European Council underlines the importance of the protection of the Union's financial interests. The European Council underlines the importance of the respect of the rule of law.

A25. The financial allocation for RescEU will be EUR 1.1 billion. Health will be increased to EUR 1.7 billion in line with the proposal of the Commission to respond to COVID-19.

A26. Special instruments outside of the ceilings shall be increased by EUR 5 billion. These EUR 5 billion will be used for a new special Brexit Adjustment Reserve to be established to counter unforeseen and adverse consequences in Member States and sectors that are worst affected.

A27. The February proposal introduced a number of increased flexibility measures in the areas of cohesion and agriculture. In view of the effects of the COVID-19 crisis, a second flexibility package is added concerning the implementation rules under the Cohesion Policy and the CAP as well as the thematic concentration of ERDF support.

A28. Concerning the EU's own resources, the ceiling allocated to the Union to cover annual appropriations for payments is fixed at 1.40% of the GNI of all the Member States; the total annual amount of appropriations for commitments shall not exceed 1.46% of the sum of the GNI of all the Member States.

A29. The Union will over the coming years work towards reforming the own resources system and introduce new own resources. As a first step, a new own resource based on non-recycled plastic waste will be introduced and apply as of 1 January 2021. As a basis for additional own resources, the Commission will put forward in the first semester of 2021 proposals on a carbon border adjustment mechanism and on a digital levy, with a view to their introduction at the latest by 1 January 2023. In the same spirit, the Commission will put forward a proposal on a revised ETS scheme, possibly extending it to aviation and maritime. Finally, the Union will, in the course of the next MFF, work towards the introduction of other own resources, which may include a Financial Transaction Tax. The proceeds of the new own resources introduced after 2021 will be used for early repayment of NGEU borrowing.

A30. For the period 2021-2027, lump-sum corrections will reduce the annual GNI-based contribution of Denmark, Germany, the Netherlands, Austria and Sweden. The Member States concerned shall benefit from a gross reduction in their annual GNI-based contribution. These gross reductions shall be financed by all Member States according to their GNI.

III. TRANSITION

A31. There will be no change to the MFF 2014-2020. The two Coronavirus Response Investment Initiatives remain important elements of our short term response to the crisis. Due to the exceptional circumstances, relevant actions started from 1 February 2020 onwards should be eligible for financing under ReactEU and RRF provided they pursue objectives of the respective programmes.

IV. NEXT STEPS

A32. The Council is invited to take up negotiations with the European Parliament with a view to ensuring finalisation of work on all legal acts in accordance with the relevant legal basis as a matter of exceptional urgency in order to ensure that the EU can respond to the crisis.

A33. As soon as the Own Resources Decision has been adopted, Member States will proceed with its approval as soon as possible, in accordance with their respective constitutional requirements.

ANNEX

I. HORIZONTAL

1. The new Multiannual Financial Framework (MFF) will cover seven years between 2021 and 2027. The budget will enable the European Union to respond to current and future challenges and to fulfil its political priorities, in the light of the Bratislava roadmap, as well as the Rome and Sibiu declarations and the Strategic Agenda for 2019-2024. The MFF, reinforced by "Next Generation EU" (NGEU), will also be the main instrument for implementing the recovery package in response to the socio-economic consequences of the COVID-19 pandemic.

2. The MFF for the period 2021-2027 will have the following structure:
   - Heading 1 “Single Market, Innovation and Digital”;
   - Heading 2 “Cohesion, Resilience and Values” which will include a sub-Heading for economic, social and territorial cohesion and a sub-Heading for resilience and values;
   - Heading 3 “Natural Resources and Environment” which will include a sub-ceiling for market related expenditure and direct payments;
   - Heading 4 “Migration and Border Management”;
   - Heading 5 “Security and Defence”;
   - Heading 6 “Neighbourhood and the World”;
   - Heading 7 “European Public Administration” which will include a sub-ceiling for administrative expenditure of the institutions.

   The grouping of expenditure in Headings and policy clusters is designed to reflect the Union's political priorities and provide for the necessary flexibility in the interest of efficient allocation of resources. In addition, the reduction in the number of programmes aims to ensure coherence and promote synergies. The overall framework will reflect simplification and lead to a reduction of red tape for beneficiaries and managing authorities, it will promote equal opportunities by ensuring that activities and actions in relevant programmes and instruments are gender-mainstreamed and contribute to equality between women and men.

3. The maximum total figure for expenditure for the EU-27 for the period 2021-2027 is EUR 1 074 300 million in appropriations for commitments, including the integration of the European Development Fund, and EUR 1 061 058 million in appropriations for payments. The breakdown of appropriations for commitments is described below. The same figures are also set out in the table contained in the Annex to this Annex which equally sets out the schedule of appropriations for payments. All figures are expressed using constant 2018 prices. There will be automatic annual technical adjustments for inflation using a fixed deflator of 2%.

   The figures will also be presented in current prices using the agreed deflator.

4. The European Investment Bank (EIB) should have the necessary capital to implement Union policies. The EIB Board of Governors is invited to review the capital adequacy of the EIB in view of the instruments included in the MFF and NGEU as well as the Bank's contribution to the Union's ambitions in fighting climate change and digitalising Europe's economy. In light of this review, the Board of Governors, acting unanimously, shall decide on the size and modalities of any capital increase by end 2020.

5. The Council will seek the consent of the European Parliament in accordance with Article 312(2) TFEU which provides that the Council shall adopt the MFF regulation after obtaining the consent of the European Parliament.

6. There shall be no mid-term review of the MFF.

7. The RAL (reste à liquider) is an inevitable by-product of multi-annual programming and differentiated appropriations. However, the RAL is expected to be more than EUR 308 000 million in current prices by the end of the financial framework for the period 2014-2020, leading to payments from the current MFF constituting a significant amount of overall payments in the first years of the next MFF. In order to ensure a predictable level and profile as well as an orderly progression of payments, several measures are taken, such as simplifying implementation and setting appropriate pre-financing rates, de-commitment rules and timely adoption of the sectoral legislation for the MFF 2021-2027.

8. Following the principle of budgetary unity, as a rule, all items of EU financing will be included in the MFF. However, given their specificities, all Special Instruments will be placed outside the MFF ceilings in commitment and payment appropriations or constitute off-budget items. The Union must have the capacity to respond to exceptional circumstances, whether internal or external, and be able to address new priorities in light of the rapidly changing situation following the COVID-19 pandemic. At the same time, the need for flexibility must be weighed against the principle of budgetary discipline and transparency of EU expenditure respecting the binding character of the MFF ceilings.

9. The duration of the MFF sectoral programmes should, as a rule, be aligned with the time frame of the MFF 2021-2027.

10. In order to respect the competences of the respective institutions as well as to comply with relevant case-law of the Court of Justice of the European Union, delegated acts shall be limited to non-essential elements of the respective legislative acts.

11. The relevant legislative texts now need to be adopted as soon as possible following the procedures enshrined in the Treaty and respecting the role of the different institutions. On the basis of the levels of commitments in this agreement, the Council and the European Parliament are invited to come to a timely agreement on the appropriate funding of each of the proposed instruments, programmes and funds financed under the MFF.

12. Recalling the regular contacts held with the European Parliament, notably in the margins of the meetings of the General Affairs Council, the European Council invites the Presidency to take forward discussions with the European Parliament.

13. The Commission is invited to provide all assistance and support to facilitate the decision-making process.

14. Appropriate margins will be set within Headings. Within certain programmes, a thematic facility is established that would be programmed on a needs basis; other programmes will foresee similar unallocated funds as in-built flexibility.

15. Possible deviation from the reference amounts for multiannual programmes shall not be more than 15% of the amount for the entire duration of the programme.

    Member States may request, on a voluntary basis, during the programming process, at the beginning of the period and during implementation, the transfer of:

    i. up to 5% in total of the initial national allocation from any of the funds of Common Provisions Regulation[1] under shared management to any instrument under direct or indirect management for the benefit of the Member State concerned or to any other fund of the Common Provisions Regulation under shared management, except for transfers which are possible only under ii, and,

[1] The European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the European Maritime and Fisheries Fund, the Asylum and Migration Fund, the Internal Security Fund and the Border Management and Visa Instrument.

ii. up to 20% of the respective initial financial allocation of the ERDF, CF and the ESF+ towards ERDF, CF and the ESF+ within a Member State's allocation for "Investment in jobs and growth" goal; for the Czech Republic, the percentage will be up to 25%.

16. In line with the overall effort of consolidation, financial instruments and budgetary guarantees are further streamlined, notably in InvestEU and as part of the Neighbourhood, Development and International Cooperation Instrument (NDICI), thereby respecting the principle that the use of these instruments is strictly limited to circumstances where there is a clear market failure and sub-optimal investment situations. While recognising the opportunities of this type of funding, financial liabilities arising from financial instruments, budgetary guarantees and financial assistance need to be closely monitored.

17. The role of the EU budget in supporting the effective implementation of EU wide policy objectives should be further enhanced, notably by strengthening the link between the EU budget and the European Semester, including facilitating the implementation of the European Pillar of Social Rights, as well as in the areas of migration, environment and climate change and equality between women and men as well as rights and equal opportunities for all.

18. Reflecting the importance of tackling climate change in line with the Union's commitments to implement the Paris Agreement and the United Nations Sustainable Development Goals, programmes and instruments should contribute to mainstream climate actions and to the achievement of an overall target of at least 30% of the total amount of Union budget and NGEU expenditures supporting climate objectives. EU expenditure should be consistent with Paris Agreement objectives and the "do no harm" principle of the European Green Deal. An effective methodology for monitoring climate-spending and its performance, including reporting and relevant measures in case of insufficient progress, should ensure that the next MFF as a whole contributes to the implementation of the Paris Agreement. The Commission shall report annually on climate expenditure. In order to address the social and economic consequences of the objective of reaching climate neutrality by 2050 and the Union's new 2030 climate target, a Just Transition Mechanism, including a Just Transition Fund, will be created.

19. A comprehensive approach to migration which combines more effective control of EU external borders, increased external action and the internal aspects, in line with EU principles and values, must be ensured. This will be achieved in a more coordinated manner in programmes across the relevant Headings, including rapid mobilisation of funds, taking into account the needs relating to migration flows. For that purpose, dedicated and significant components will be used to address external migration issues in Headings 4, 5 and 6.

20. Equality between women and men, as well as rights and equal opportunities for all, and the mainstreaming of these objectives should be taken into account and promoted throughout the preparation, implementation and monitoring of relevant programmes.

21. Union programmes should be open to EEA countries, acceding countries, candidate countries and potential candidates, as well as to partners covered by the European Neighbourhood Policy in accordance with the principles and terms and conditions for the participation of these partners in Union programmes established in the respective framework agreements and decisions or other instruments taken under such agreements. The participation of other third countries should be subject to an agreement laying down the conditions applicable to the participation of the third country concerned in any programme. Such an agreement should ensure a fair balance as regards the contribution and benefits of the third country participating in the Union programmes, not confer any decision-making power on these programmes and contain rules for protecting the Union's financial interests.

22. The Union's financial interests shall be protected in accordance with the general principles embedded in the Union Treaties, in particular the values of Article 2 TEU.

    The European Council underlines the importance of the protection of the Union's financial interests. The European Council underlines the importance of the respect of the rule of law.

23. Based on this background, a regime of conditionality to protect the budget and Next Generation EU will be introduced. In this context, the Commission will propose measures in case of breaches for adoption by the Council by qualified majority.

    The European Council will revert rapidly to the matter.

24. The Commission is invited to present further measures to protect the EU budget and Next Generation EU against fraud and irregularities. This will include measures to ensure the collection and comparability of information on the final beneficiaries of EU funding for the purposes of control and audit to be included in the relevant basic acts. Combatting fraud requires a strong involvement of the European Court of Auditors, OLAF, Eurojust, Europol and, where relevant, EPPO, as well as of the Member States' competent authorities.

II. PART I : EXPENDITURE

HEADING 1 - SINGLE MARKET, INNOVATION AND DIGITAL

25. Single Market, Innovation and Digital corresponds to an area where EU action has significant value added. The programmes under this Heading have a high potential to contribute to the Bratislava and Rome priorities, in particular as regards the promotion of research, innovation and the digital transformation, European Strategic Investments, action in favour of the Single Market and competitiveness of enterprises and SMEs. In allocating funding within this Heading, particular priority shall be given to delivering a substantial and progressive enhancement of the EU's research and innovation effort. At the same time, complementarity between programmes under this Heading, such as in the area of digital, should be ensured.

26. The level of commitments for this Heading will not exceed EUR 132 781 million:

HEADING 1 - SINGLE MARKET, INNOVATION AND DIGITAL (Million euros, 2018 prices)						
2021	2022	2023	2024	2025	2026	2027
19 721	19 666	19 133	18 633	18 518	18 646	18 473

Large Scale Projects

27. This Heading will continue to support funding to large scale projects in the new European Space programme as well as to the International Thermonuclear Experimental Reactor project (ITER):
    i. The financial envelope for the implementation of ITER for the period 2021-2027 will be a maximum of EUR 5 000 million.
    ii. The financial envelope for the implementation of the Space programme for the period 2021-2027 will be a maximum of EUR 13 202 million, of which EUR 8 000 million will be dedicated to Galileo and EUR 4 810 million to Copernicus.

Horizon Europe

28. There is a need to reinforce and extend the excellence of the Union's science and innovation base. The effort in research, development and innovation will therefore be based on excellence. The Horizon Europe programme shall assist widening countries to increase participation in the programme. At the same time, the participation gap and the innovation divide must continue to be addressed by various measures and initiatives such as incentives for consortia contributing to closing this gap. This, together with a single set of rules, will ensure an efficient and effective future European Research Policy which will also offer better opportunities for SMEs and newcomers to participate in the programmes. Better links between research and innovation institutions throughout Europe will be facilitated to strengthen research collaboration across the Union. Particular attention will be paid to the coordination of activities funded through Horizon Europe with those supported under other Union programmes, including through cohesion policy. In this context, important synergies will be needed between Horizon Europe and the structural funds for the purpose of "sharing excellence", thereby enhancing regional R&I capacity and the ability of all regions to develop clusters of excellence.

29. The financial envelope for the implementation of the Horizon Europe programme for the period 2021-2027 will be EUR 75 900 million.

InvestEU

30. The InvestEU Fund will act as a single EU investment support mechanism for internal action, replacing all existing financial instruments. Its overall objective is to support the policy objectives of the Union by mobilising public and private investment within the EU that fulfil the criterion of additionality, thereby addressing market failures and sub-optimal investment situations that hamper the achievement of EU goals regarding sustainability, competitiveness and inclusive growth. Clear provisions within the relevant basic acts will set out the various financial interactions between the applicable expenditure programmes and the InvestEU Fund. The allocation for the InvestEU Fund for the period 2021-2027 is EUR 2 800 million which will be complemented by reflows stemming from the instruments prior to 2021. A dedicated Just Transition Scheme will be established under InvestEU as the second pillar of the Just Transition Mechanism.

Connecting Europe Facility

31. In order to achieve smart, sustainable and inclusive growth and stimulate job creation, the Union needs an up-to-date, high-performance infrastructure to help connect and integrate the Union and all its regions, in the transport, energy and digital sectors. Those connections are key for the free movement of persons, goods, capital and services. The trans-European networks facilitate cross-border connections, such as Rail Baltica, foster greater economic, social and territorial cohesion and contribute to a more competitive social market economy and to combatting climate change by taking into account decarbonisation commitments. All Member States should be treated equally, disadvantages resulting from permanent geographic vulnerabilities should be duly taken into account.

32. The financial envelope for the implementation of the Connecting Europe Facility (CEF) for the period 2021-2027 will be EUR 28 396 million. That amount will be distributed among the sectors as follows:

    a) transport: EUR 21 384 million,

    - out of which EUR 10 000 million will be transferred from the Cohesion Fund to be spent in line with the CEF Regulation:
        - 30% shall be made available based on a high degree of competitiveness among Member States eligible for funding from the Cohesion Fund and 70% shall respect the national allocations under the Cohesion Fund until 2023 and thereafter be based on full competition between Member States eligible for the Cohesion Fund;
    - out of which EUR 1 384 million will be used for the completion of missing major cross-border railway links between cohesion countries to support the functioning of the Single Market. The co-financing rules of the transfer from the Cohesion Fund to CEF shall apply.

    b) energy: EUR 5 180 million;

    c) digital: EUR 1 832 million.

Digital Europe programme

33. The Digital Europe programme will invest in key strategic digital capacities such as the EU's high-performance computing, artificial intelligence and cybersecurity. It will complement other instruments, notably Horizon Europe and CEF, in supporting the digital transformation of Europe. The financial envelope for the implementation of the Digital Europe programme for the period 2021-2027 will be EUR 6 761 million.

HEADING 2 - COHESION, RESILIENCE AND VALUES

34. The aim of this Heading is to contribute EU added value by fostering convergence, supporting investment, job creation and growth, helping reduce economic, social and territorial disparities within Member States and across Europe and delivering on the Bratislava and Rome agenda. This Heading invests in regional development, cohesion and resilience, and in people, social cohesion and values. This Heading will play a crucial role in contributing to sustainable growth and social cohesion and in promoting common values.

35. Commitment appropriations for this Heading will not exceed EUR 377 768 million of which EUR 330 235 million will be allocated to sub-Heading 2a "Economic, social and territorial cohesion" and EUR 47 533 million will be allocated to sub-Heading 2b "Resilience and Values":

COHESION, RESILIENCE AND VALUES (Million euros, 2018 prices)						
2021	2022	2023	2024	2025	2026	2027
49 741	51 101	52 194	53 954	55 182	56 787	58 809
Sub-Heading 2a: Economic, social and territorial cohesion						
45 411	45 951	46 493	47 130	47 770	48 414	49 066
Sub-Heading 2b: Resilience and Values						
4 330	5 150	5 701	6 824	7 412	8 373	9 743

Cohesion Policy

36. The main objective of Cohesion Policy is to develop and pursue actions leading to the strengthening of economic, social and territorial cohesion by contributing to reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions. Through the European Regional Development Fund (ERDF), the shared management strand of the European Social Fund Plus (ESF+) and the Cohesion Fund (CF), it will pursue the following goals: "Investment for jobs and growth" in Member States and regions, to be supported by all the Funds; and "European territorial cooperation", to be supported by the ERDF.

37. Cohesion policy will play an increasingly important role in supporting the ongoing economic reform process by Member States by strengthening the link to the European Semester. The Commission and Member States shall take into account relevant country-specific recommendations during the entire process.

38. Resources for the "Investment for jobs and growth" goal will amount to a total of EUR 322 285 million and will be allocated as follows:

    a) EUR 202 299 million for less developed regions;

    b) EUR 47 789 million for transition regions;

    c) EUR 27 212 million for more developed regions;

    d) EUR 42 556 million for Member States supported by the Cohesion Fund;

    e) EUR 1 928 million as additional funding for the outermost regions identified in Article 349 TFEU and the NUTS level 2 regions fulfilling the criteria laid down in Article 2 of Protocol No 6 to the 1994 Act of Accession;

    f) EUR 500 million for interregional innovation investments.

39. There will be no technical adjustment.

40. The amount of resources available for the ESF+ under the "Investment for jobs and growth" goal will be EUR 87 319 million, including specific funding for outermost and northern sparsely populated regions of EUR 473 million. EUR 175 million of the ESF+ resources for the "Investment for jobs and growth" goal will be allocated for transnational cooperation supporting innovative solutions under direct or indirect management.

41. The amount of support from the Cohesion Fund to be transferred to the CEF will be EUR 10 000 million. The Cohesion Fund allocations of each Member State will be reduced accordingly. The modalities for the use of the transferred amount are included under Heading 1, CEF.

42. Resources for the "European territorial cooperation" goal (Interreg) will amount to a total of EUR 7 950 million and will be distributed as follows:

    a) a total of EUR 5 713 million for maritime and land cross-border cooperation;

    b) a total of EUR 1 466 million for transnational cooperation;

    c) a total of EUR 500 million for interregional cooperation;

    d) a total of EUR 271 million for outermost regions' cooperation.

    The amount of EUR 970 million allocated by the Commission for ETC - component for interregional innovation investments is split in two parts:

    - EUR 500 million is dedicated to interregional innovation investments under direct or indirect management of the ERDF under the “Investments for jobs and growth” goal, and
    - EUR 470 million is included above taking into account the updated architecture of ETC programmes.

43. 0.35% of the global resources will be allocated to technical assistance at the initiative of the Commission.

Definitions and eligibility

44. Resources from the ERDF and ESF+ for the "Investment for jobs and growth" goal will be allocated to three types of NUTS level 2 regions, taking into account the NUTS classification as of 2016, defined on the basis of how their GDP per capita, measured in purchasing power standards (PPS) and calculated on the basis of Union figures for the period 2015-2017, relates to the average GDP of the EU-27 for the same reference period, as follows:
    a) less developed regions, whose GDP per capita is less than 75% of the average GDP of the EU-27;
    b) transition regions, whose GDP per capita is between 75% and 100% of the average GDP of the EU-27;
    c) more developed regions, whose GDP per capita is above 100% of the average GDP of the EU-27.

45. The Cohesion Fund will support those Member States whose gross national income (GNI) per capita, measured in PPS and calculated on the basis of Union figures for the period 2015-2017, is less than 90% of the average GNI per capita of the EU-27 for the same reference period.

Methodology on the allocation of global resources per Member State for the period 2021-27

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

46. Each Member State's allocation is the sum of the allocations for its individual eligible regions, calculated according to the following steps:
    a) determination of an absolute amount per year (in Euro) obtained by multiplying the population of the region concerned by the difference between that region's GDP per capita, measured in PPS, and the EU-27 average GDP per capita in PPS;

b) application of a percentage to the above absolute amount in order to determine that region's financial envelope; this percentage is graduated to reflect the relative prosperity, measured in PPS, as compared to the EU-27 average, of the Member State in which the eligible region is situated, i.e.:

   i. for regions in Member States whose level of GNI per capita is below 82% of the EU average: 2.85%;

   ii. for regions in Member States whose level of GNI per capita is between 82% and 99% of the EU average: 1.25%;

   iii. for regions in Member States whose level of GNI per capita is over 99% of the EU average: 0.75%.

c) to the amount obtained under step (b) is added, if applicable, an amount resulting from the allocation of a premium of EUR 570 per unemployed person per year, applied to the number of persons unemployed in that region exceeding the number that would be unemployed if the average unemployment rate of all the EU less developed regions applied;

d) to the amount obtained under step (c) is added, if applicable, an amount resulting from the allocation of a premium of EUR 570 per young unemployed person (age group 15-24) per year, applied to the number of young persons unemployed in that region exceeding the number that would be unemployed if the average youth unemployment rate of all the EU less developed regions applied;

e) to the amount obtained under step (d) is added, if applicable, an amount resulting from the allocation of a premium of EUR 270 per person (age group 25-64) per year, applied to the number of persons in that region that would need to be subtracted in order to reach the average level of low education rate (less than primary, primary and lower secondary education) of all the EU less developed regions;

f) to the amount obtained under step (e) is added, if applicable, an amount of EUR 1 per tonne of CO2 equivalent per year applied to the population share of the region of the number of tonnes of CO2 equivalent by which the Member State exceeds the target of greenhouse gas emissions outside the emissions trading scheme set for 2030 as proposed by the Commission in 2016;

g) to the amount obtained under step (f) is added, if applicable, an amount resulting from the allocation of a premium of EUR 405 per person per year, applied to the population share of the regions of net migration from outside the EU to the Member State since 1 January 2014.

Allocation method for transition regions eligible under the Investment for jobs and growth goal

47. Each Member State's allocation is the sum of the allocations for its individual eligible regions, calculated according to the following steps:

a) determination of the minimum and maximum theoretical aid intensity for each eligible transition region. The minimum level of support is determined by the initial average per capita aid intensity of all more developed regions, i.e. EUR 15.2 per head and per year. The maximum level of support refers to a theoretical region with a GDP per head of 75% of the EU-27 average and is calculated using the method defined in paragraph 46 (a) and (b) above. Of the amount obtained by this method, 60% is taken into account;

b) calculation of initial regional allocations, taking into account regional GDP per capita (in PPS) through a linear interpolation of the region's relative GDP per capita compared to EU-27;

c) to the amount obtained under step (b) is added, if applicable, an amount resulting from the allocation of a premium of EUR 560 per unemployed person per year, applied to the number of persons unemployed in that region exceeding the number that would be unemployed if the average unemployment rate of all the EU less developed regions applied;

d) to the amount obtained under step (c) is added, if applicable, an amount resulting from the allocation of a premium of EUR 560 per young unemployed person (age group 15-24) per year, applied to the number of young persons unemployed in that region exceeding the number that would be unemployed if the average youth unemployment rate of all less developed regions applied;

e) to the amount obtained in accordance with point (d) is added, if applicable, an amount resulting from the allocation of a premium of EUR 250 per person (age group 25-64) per year, applied to the number of persons in that region that would need to be subtracted in order to reach the average level of low education rate (less than primary, primary and lower secondary education) of all less developed regions;

f) to the amount obtained in accordance with point (e) is added, if applicable, an amount of EUR 1 per tonne of CO2 equivalent per year applied to the population share of the region of the number of tonnes of CO2 equivalent by which the Member State exceeds the target of greenhouse gas emissions outside the emissions trading scheme set for 2030 as proposed by the Commission in 2016;

g) to the amount obtained in accordance with point (f) is added, an amount resulting from the allocation of a premium of EUR 405 per person per year, applied to the population share of the region of net migration from outside the EU to the Member State since 1 January 2014.

Allocation method for more developed regions eligible under the Investment for jobs and growth goal

48. The total initial theoretical financial envelope will be obtained by multiplying an aid intensity per head and per year of EUR 15.2 by the eligible population.

49. The share of each Member State concerned will be the sum of the shares of its eligible regions, which are determined on the basis of the following criteria, weighted as indicated:

    a) total regional population (weighting 20%);

    b) number of unemployed people in NUTS level 2 regions with an unemployment rate above the average of all more developed regions (weighting 12.5%);

    c) employment to be added to reach the average employment rate (ages 20 to 64) of all more developed regions (weighting 20%);

    d) number of persons aged 30 to 34 with tertiary educational attainment to be added to reach the average tertiary educational attainment rate (ages 30 to 34) of all more developed regions (weighting 22.5%);

    e) number of early leavers from education and training (aged 18 to 24) to be subtracted to reach the average rate of early leavers from education and training (aged 18 to 24) of all more developed regions (weighting 15%);

    f) difference between the observed GDP of the region (measured in PPS), and the theoretical regional GDP if the region were to have the same GDP per head as the most prosperous NUTS level 2 region (weighting 7.5%);

    g) population of NUTS level 3 regions with a population density below 12.5 inhabitants/km2 (weighting 2.5%).

50. To the amounts by NUTS level 2 region obtained in accordance with point 44 is added, if applicable, an amount of EUR 1 per tonne of CO2 equivalent per year applied to the population share of the region of the number of tonnes of CO2 equivalent by which the Member State exceeds the target of greenhouse gas emissions outside the emissions trading scheme set for 2030 as proposed by the Commission in 2016.

51. To the amounts by NUTS level 2 region obtained in accordance with point 45 is added, an amount resulting from the allocation of a premium of EUR 405 per person per year, applied to the population share of the region of net migration from outside the EU to the Member State since 1 January 2014.

Allocation method for the Member States eligible for the Cohesion Fund

52. The financial envelope will be obtained by multiplying the average aid intensity per head and per year of EUR 62.9 by the eligible population. Each eligible Member State's allocation of this theoretical financial envelope corresponds to a percentage based on its population, surface area and national prosperity, and will be obtained by applying the following steps:

    a) calculation of the arithmetical average of that Member State's population and surface area shares of the total population and surface area of all the eligible Member States. If, however, a Member State's share of total population exceeds its share of total surface area by a factor of five or more, reflecting an extremely high population density, only the share of total population will be used for this step;

    b) adjustment of the percentage figures so obtained by a coefficient representing one third of the percentage by which that Member State's GNI per capita (measured in PPS) for the period 2015-2017 exceeds or falls below the average GNI per capita of all the eligible Member States (average expressed as 100%).

    For each eligible Member State, the share of the Cohesion Fund will not be higher than one third of the total allocation minus the allocation for the European territorial development goal after the application of paragraphs 50 to 55. This adjustment will proportionally increase all other transfers resulting from paragraphs 40 to 45.

Allocation method for the European territorial cooperation goal

53. The allocation of resources by Member State, covering cross-border, transnational and outermost regions' cooperation is determined as the weighted sum of the shares determined on the basis of the following criteria, weighted as indicated:

    a) total population of all NUTS level 3 border regions and of other NUTS level 3 regions of which at least half of the regional population lives within 25 kilometres of the border (weighting 45.8%);

    b) population living within 25 kilometres of the borders (weighting 30.5%);

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

    d) total population of outermost regions (weighting 3.7%).

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

Allocation method for the additional funding for the outermost regions identified in Article 349 TFEU and the NUTS level 2 regions fulfilling the criteria laid down in Article 2 of Protocol No 6 to the 1994 Act of Accession

54. An additional special allocation corresponding to an aid intensity of EUR 40 per inhabitant per year will be allocated to the outermost NUTS level 2 regions and the northern sparsely populated NUTS level 2 regions. That allocation will be distributed per region and Member State in a manner proportional to the total population of those regions.

Minimum and maximum levels of transfers from the funds supporting economic, social and territorial cohesion (capping and safety nets)

55. In order to contribute to achieving adequate concentration of cohesion funding on the least developed regions and Member States and to the reduction in disparities in average per capita aid intensities the maximum level of transfer (capping) from the Funds to each individual Member State will be determined as a percentage of the GDP of the Member State, whereby these percentages will be as follows:

    a) for Member States whose average GNI per capita (in PPS) for the period 2015-2017 is under 55% of the EU-27 average: 2.3% of their GDP;

    b) for Member States whose average GNI per capita (in PPS) for the period 2015-2017 is equal to or above 68% of the EU-27 average: 1.5% of their GDP;

    c) for Member States whose average GNI per capita (in PPS) for the period 2015-2017 is equal to or above 55% and below 68% of the EU-27 average: the percentage is obtained through a linear interpolation between 2.3% and 1.5% of their GDP leading to a proportional reduction of the capping percentage in line with the increase in prosperity.

    The capping will be applied on an annual basis to the GDP projections of the Commission, and will - if applicable - proportionally reduce all transfers (except for the more developed regions and the European territorial cooperation goal) to the Member State concerned in order to obtain the maximum level of transfer.

56. The rules described in paragraph 50 will not result in allocations per Member State higher than 107% of their level in real terms for the 2014-2020 programming period. This adjustment will be applied proportionately to all transfers (except for the European territorial development goal) to the Member State concerned in order to obtain the maximum level of transfer.

57. In order to consolidate convergence efforts and to ensure that transition is smooth and gradual, the minimum total allocation from the Funds for a Member State will correspond to 76% of its individual 2014-2020 total allocation. The minimum total allocation from the Funds for a Member state where at least one third of the population lives in NUTS 2 level regions with a GDP/head of less than 50% of the EU average, will correspond to 85% of its individual 2014-2020 total allocation. The adjustments needed to fulfil this requirement will be applied proportionally to the allocations from the Funds, excluding the allocations under the European territorial cooperation goal.

58. The maximum total allocation from the Funds for a Member State having a GNI per capita (in PPS) of at least 120% of the EU-27 average will correspond to 80% of its individual 2014-2020 total allocation. The maximum total allocation from the funds for a Member State having a GNI per capita (in PPS) equal to or above 110% and below 120% of the EU-27 average will correspond to 90% of its individual 2014-2020 total allocation. The adjustments needed to fulfil this requirement will be applied proportionally to the allocations from the Funds, excluding the allocation under the European territorial cooperation goal. If a Member State has transition regions for which paragraph 61 applies, 25% of that Member State's allocation for the more developed regions shall be transferred to the allocation of that Member State's transition regions.

Additional allocation provisions

59. For all regions that were classified as less developed regions for the 2014-2020 programming period, but whose GDP per capita is above 75% of the EU-27 average, the minimum yearly level of support under the Investment for jobs and growth goal will correspond to 60% of their former indicative average annual allocation under the Investment for jobs and growth goal, calculated by the Commission within the MFF 2014-2020.

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

61. The minimum total allocation of a Member State for its transition regions, which were already transition regions in 2014-20, shall correspond to a minimum of 65% of the total 2014-20 allocation for these regions in that Member State.

62. Notwithstanding paragraphs 55 to 58, additional allocations as set out in paragraphs 63 to 67 shall apply.

63. A total of EUR 120 million will be allocated for the PEACE PLUS programme in support of peace and reconciliation and of the continuation of North-South cross border cooperation.

64. Where the population of a Member State has declined, on average, by more than 1% per year, between the periods 2007-2009 and 2016-2018, that Member State shall receive an additional allocation equivalent to the total fall in its population between those two periods multiplied by EUR 500. That additional allocation shall be for less developed regions in the Member State concerned.

65. For less developed regions in Member States who have only benefited of one period of cohesion policy, an additional allocation of EUR 400 million shall be provided to its less developed regions.

66. In order to recognise the challenges posed by the situation of island Member States and the remoteness of certain parts of the European Union, Malta and Cyprus shall receive an additional envelope of EUR 100 million each for the Structural Funds under the "Investment for growth and jobs" goal. The northern sparsely populated areas of Finland shall be allocated an additional envelope of EUR 100 million under the Structural Funds.

67. To boost competitiveness, growth and job creation in certain Member States, the Structural Funds will provide the following additional allocations under the "Investment for growth and jobs" goal: EUR 200 million for Belgium for the transition regions, EUR 200 million for Bulgaria for the less developed regions, EUR 1 550 million for the Czech Republic under the Cohesion Fund, EUR 100 million for Cyprus for the Structural Funds under the “Investment for growth and jobs” goal, EUR 50 million for Estonia, EUR 650 million for Germany for the transition regions falling under the safety net as set out in paragraph 61, EUR 50 million for Malta for the Structural Funds under the “Investment for growth and jobs” goal, EUR 600 million for Poland for the less developed regions, EUR 300 million for Portugal for the transition regions, and EUR 350 million for the more developed region of Slovenia.

Co-financing rates

68. The co-financing rate for the Investment for jobs and growth goal will not be higher than:
    a) 85% for the less developed regions;
    b) 70% for transition regions that in the 2014-2020 programming period were classified as less developed regions;
    c) 60% for the transition regions;
    d) 40% for the more developed regions.

The co-financing rates for outermost regions will not be higher than 85%.

The co-financing rate for the Cohesion Fund will not be higher than 85%.

Higher co-financing rates for priorities supporting innovative actions and for support for most deprived under ESF+ may apply.

The co-financing rate for Interreg programmes will not be higher than 80%.

Higher co-financing rates for external cross-border cooperation programmes under the European territorial cooperation goal (Interreg) may apply.

Technical assistance measures implemented at the initiative of, or on behalf of, the Commission may be financed at the rate of 100%.

Measures linked to sound economic governance

69. Mechanisms to ensure a link between Union funding policies and the economic governance of the Union should be maintained, allowing the Commission to request a review or amendments to relevant programmes in order to support implementation of the relevant Council recommendations or maximise growth and competitiveness impact of the Funds; or make a proposal to the Council to suspend all or part of the commitments or payments for one or more of the programmes of the Member State concerned where that Member State fails to take effective action in the context of the economic governance process.

Pre-financing rates

70. The Commission will pay pre-financing based on the total support from the Funds set out in the decision approving the programme. The pre-financing for each Fund will be paid in yearly instalments, subject to availability of funds, as follows:
    a) 2021: 0.5%;
    b) 2022: 0.5%;
    c) 2023: 0.5%;
    d) 2024: 0.5%;

e) 2025: 0.5%;

f) 2026: 0.5%.

The pre-financing for European territorial cooperation goal (Interreg) will be paid in yearly instalments, subject to availability of funds, as follows:

a) 2021: 1%;

b) 2022: 1%;

c) 2023: 3%;

d) 2024: 3%;

e) 2025: 3%;

f) 2026: 3%.

The pre-financing for each Fund and for the European territorial cooperation goal shall be cleared each year with the acceptance of accounts.

For the Asylum and Migration Fund, the Internal Security Fund and the Border Management and Visa Instrument a specific pre-financing rate will be set out.

Programmes relating to the period 2014-2020 period will be pre-financed at a rate of 2% as of 1 January 2021.

Decommitment rules

71. Any amount in a programme which has not been used for pre-financing or for which a payment application has not been submitted by 31 December of the third calendar year following the year of the budget commitments for the years 2021 to 2026 will be decommitted. The final date of eligibility will remain 31 December 2029.

Thematic concentration of ERDF support

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

    a) Member States with a gross national income ratio equal to or above 100% or more developed regions will allocate at least 85% of their total ERDF resources under priorities other than for technical assistance to "smart" and "green" objectives, and at least 30% to "green";

    b) Member States with a gross national income ratio equal to or above 75% and below 100% or transition regions will allocate at least 40% of their total ERDF resources under priorities other than for technical assistance to "smart", and at least 30% to "green";

    c) Member States with a gross national income ratio below 75% or less developed regions will allocate at least 25% of their total ERDF resources under priorities other than for technical assistance to "smart", and at least 30% to "green".

    The Member States will decide at the beginning of the programming period the level – national or regional – to which thematic concentration would be applied. When a Member State decides to establish the thematic concentration at regional level, its requirements will be defined for all regions of the Member State included in the same development category.

    If the share of Cohesion Fund resources allocated to support the “green” objective is higher than 50%, then the allocations above 50% may be counted towards achieving the minimum ERDF shares.

    For the purposes of this paragraph, the gross national income ratio means the ratio between the gross national income per capita of a Member State, measured in PPS and calculated on the basis of Union figures for the period 2015-2017, and the average gross national income per capita in PPS of the 27 Member States for that same reference period.

Support to the Turkish-Cypriot community

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

Interest payments

74. The financial envelope for interest payments due by the Union in relation to its borrowing on the capital markets under NGEU for the period 2021-2027 will be EUR 12 914 million. Amounts not used for interest payments will be used for early repayments before the end of the MFF 2021-2027, with a minimum amount, and can be increased above this level provided that new own resources have been introduced.

75. The Technical Support Instrument will improve Member States' administrative capacity to design, develop and implement reforms. It will be available for all Member States and have a financial envelope for the period 2021-2027 of EUR 767 million.

Investing in people, social cohesion and values

76. The ESF+ will provide comprehensive support to youth employment, up- and re-skilling of workers, social inclusion and poverty reduction, including child poverty, by merging existing programmes: the European Social Fund, the Youth Employment Initiative, the Fund for European Aid to the Most Deprived and the Employment and Social Innovation programme.

    The total financial envelope for the ESF+ for the period 2021-2027 will be EUR 87 995 million, of which:

    - EUR 676 million for the ESF+ strand under direct and indirect management;
    - EUR 87 319 million for the ESF+ strand under shared management under the Investment for Jobs and Growth goal.

    The shared management strand will remain under a sub-heading together with the ERDF and the Cohesion Fund.

77. With regard to the ESF+ resources under shared management each Member State shall allocate:

    a) at least 25% to the specific objectives for the social inclusion, including integration of migrants;

    b) at least 2% to the specific objective addressing material deprivation;

    c) at least 10% to targeted actions for young people not in employment (NEET) in the case of having a rate of NEET above the EU average.

78. Building on the existing Erasmus+, the new programme will provide learning and mobility opportunities for pupils, apprentices, young people, students and teachers. It will have a strong focus on inclusion of people with fewer opportunities and will strengthen transnational cooperation opportunities for universities, vocational education and training institutions. Erasmus+ will continue to support cooperation in the field of sport. The financial envelope for the implementation of the Erasmus+ programme for the period 2021-2027 will be EUR 21 208 million.

Resilience

79. The financial envelope of the RescEU programme under the MFF will be EUR 1 106 million.

80. A Health programme will be established. The financial envelope of the Health programme under the MFF will be EUR 1 670 million.

81. The financial envelope for the Creative Europe programme under the MFF will be EUR 1 642 million and the financial envelope for the Justice, Rights and Values programme under the MFF will be EUR 841 million.

82. The amount for Eurojust will be at least 10% higher than the level of 2020 in real terms.

83. Adequate resources will be ensured for the European Public Prosecutor's Office and OLAF in order to ensure the protection of the Union's financial interests.

HEADING 3 - NATURAL RESOURCES AND ENVIRONMENT

84. Funding in this Heading focuses on delivering added value through a modernised, sustainable agricultural, maritime and fisheries policy as well as by advancing climate action and promoting environmental and biodiversity protection. The mainstreaming of climate across the budget and enhanced integration of environmental objectives gives this Heading a key role in reaching the ambitious target of at least 30% of EU expenditure contributing to climate objectives.

85. Commitment appropriations for this Heading, which consists of agriculture and maritime policy, as well as environment and climate action will not exceed EUR 356 374 million of which EUR 258 594 million will be allocated to market related expenditure and direct payments. Direct payments under regulation (EU) No 1307/2013 and under the CAP Strategic Plan Regulation will not exceed EUR 239 916 million.

NATURAL RESOURCES AND ENVIRONMENT (Million euros, 2018 prices)						
2021	2022	2023	2024	2025	2026	2027
55 242	52 214	51 489	50 617	49 719	48 932	48 161
of which : Market related expenditure and direct payments						
38 564	38 115	37 604	36 983	36 373	35 772	35 183

Common Agricultural Policy

86. A reformed and modernised Common Agricultural Policy (CAP) will ensure access to safe, high quality, affordable, nutritious and diverse food. It will support the transition towards an economically, environmentally and socially sustainable and market-oriented agricultural sector and the development of vibrant rural areas. The CAP will continue to deliver on the objectives set out in the Treaties and provide a fair standard of living for the agricultural community. The CAP will also pay full regard to the welfare requirements of animals. Account should be taken of the social structure of agriculture and of the structural and natural disparities between the various agricultural regions.

87. A new delivery model bringing both pillars under a single programming instrument - the CAP Strategic Plan - will ensure that common objectives set at EU level will be met. The new delivery model will grant more flexibility for the Member States and contribute to simplification. The share of the CAP expenditure that is expected to be dedicated to climate action shall be 40%.

88. The Common Agricultural Policy for the period 2021-2027 will continue to be based on the two pillars structure:

    a) Pillar I (market measures and direct payments) will provide direct support to farmers and finance market measures. It will contribute, in particular through a new environmental architecture, to a higher level of environmental and climate ambition of the Common Agricultural Policy. Measures in Pillar I will, as in the current financing period, be funded entirely by the EU budget.

    b) Pillar II (Rural Development) will deliver specific climate and environmental public goods, improve the competitiveness of the agriculture and forestry sectors, promote the diversification of economic activity and quality of life and work in rural areas including areas with specific constraints. Measures in Pillar II will be co-financed by Member States.

Pillar I

External convergence

89. The external convergence of direct payments will continue. All Member States with direct payments per hectare below 90% of the EU average will close 50% of the gap between their current average direct payments level and 90% of the EU average in six equal steps starting in 2022. This convergence will be financed proportionately by all Member States. Additionally, all Member States will have a level of at least EUR 200 per hectare in 2022 and all Member States shall reach at least EUR 215 per hectare by 2027.

Capping of direct payments for large farmers

90. Capping of the direct payments for large beneficiaries will be introduced on a voluntary basis at the level of EUR 100 000. It will apply only to the Basic Income Support for Sustainability (BISS). When applying capping, Member States may subtract from the amount of Basic Income Support for Sustainability per beneficiary all labour-related costs.

Agricultural reserve and financial discipline

91. A reserve intended to provide support for the agricultural sector for the purpose of market management or stabilisation or in the case of crises affecting the agricultural production or distribution ("the agricultural reserve") shall be established at the beginning of each year in the European Agricultural Guarantee Fund (EAGF). The amount of the agricultural reserve shall be EUR 450 million in current prices at the beginning of each year of the period 2021-2027. The unused amounts of the agricultural crisis reserve in financial year 2020 will be carried over to financial year 2021 to set up the reserve (exact years to be synchronised with the CAP transitional period). Non-committed appropriations of the agricultural reserve shall be carried over to finance the agricultural reserve. In case the reserve is used, it will be re-filled using existing revenue assigned to the EAGF, margins available under the EAGF sub-ceiling or, as a last resort, by the financial discipline mechanism.

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

Flexibility between pillars

93. Member States may decide to make available as additional support:

- for measures under rural development programming financed under the EAFRD in the financial years 2022-2027, up to 25% of their annual national ceilings set out in Annex IV of the Regulation of the European Parliament and of the Council establishing rules on support for strategic plans after deduction of the allocations for cotton set out in Annex VI for calendar years 2021 to 2026. As a result, the corresponding amount will no longer be available for granting direct payments. The threshold may be increased by 15 percentage points provided that Member States use the corresponding increase for EAFRD financed interventions addressing specific environmental- and climate-related objectives and by 2 percentage points provided that Member States use the corresponding increase for EAFRD financed interventions for supporting young farmers;

- up to 25% of the Member State's allocation for EAFRD in the financial years 2022-2027 to the Member State's allocation for direct payments set out in Annex IV of the Regulation of the European Parliament and of the Council establishing rules on support for strategic plans for calendar years 2021 to 2026. As a result, the corresponding amount will no longer be available for support under rural development. The threshold may be increased to 30% for Member States with direct payments per hectare below 90% of the EU average.

Pillar II

Distribution of rural development support

94. The allocation for EAFRD for the period 2021-2027 is EUR 77 850 million of which 0.25% will be used for technical assistance of the Commission. For Member States facing particular structural challenges in their agriculture sector or which have invested heavily in Pillar II expenditure or which need to transfer higher amounts to Pillar I so as to increase the degree of convergence, within the overall global amount the following additional allocations will be made: Belgium (EUR 100 million), Germany (EUR 650 million), Ireland (EUR 300 million), Greece (EUR 300 million), Spain (EUR 500 million), France (EUR 1 600 million), Croatia (EUR 100 million), Italy (EUR 500 million), Cyprus (EUR 50 million), Malta (EUR 50 million), Austria (EUR 250 million), Slovakia (EUR 200 million), Slovenia (EUR 50 million), Portugal (EUR 300 million), Finland (EUR 400 million).

Pre-financing rural development

95. An initial pre-financing shall be paid in instalments as follows:

a) in 2021*: 1% of the amount of support from the EAFRD for the entire duration of the CAP Strategic Plan;

b) in 2022*: 1% of the amount of support from the EAFRD for the entire duration of the CAP Strategic Plan;

c) in 2023*: 1% of the amount of support from the EAFRD for the entire duration of the CAP Strategic Plan.

* (Exact years to be synchronised with the CAP transitional period).

Co-financing rates for rural development support

96. The maximum EAFRD contribution rate, to be established in the CAP Strategic Plans, shall be:

    a) 80% of the eligible public expenditure in the outermost regions and in the smaller Aegean islands within the meaning of Regulation (EU) No 229/2013;

    b) 85% of the eligible public expenditure in the less developed regions;

    c) 60% of the eligible public expenditure in transition regions;

    d) 65% of the eligible expenditure for payments for natural or other area-specific constraints;

    e) 43% of the eligible public expenditure in the other regions.

    The minimum EAFRD contribution rate shall be 20%. A higher 80% co-financing rate shall apply for environmental, climate and other management commitments; for area-specific disadvantages resulting from certain mandatory requirements; for non-productive investments; for support for the European Innovation Partnership and for LEADER. 100% co-financing applies for funds transferred to the EAFRD.

Decommitment rules

97. The Commission shall automatically decommit any portion of a budget commitment for rural development interventions in a CAP Strategic Plan that has not been used for prefinancing or for making interim payments in relation to expenditure effected by 31 December of the second year following that of the budget commitment.

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98. Financing under this Heading will also support the European Maritime and Fisheries Fund, targeting funding to the Common Fisheries Policy (CFP), the Union's maritime policy and the Union's international commitments in the field of ocean governance, notably in the context of the 2030 Agenda for Sustainable Development. It will therefore support sustainable fisheries and aquaculture and the conservation of marine biological resources, as well as the local communities dependent on it.

99. The Heading will further finance the programme for the environment and climate action, LIFE, which will provide additional support to conservation of biodiversity, including Natura 2000, and the transformation of the Union into a clean, circular, energy efficient, low carbon and climate resilient society.

100. In order to address social and economic consequences of the objective of reaching EU climate neutrality by 2050, a Just Transition Mechanism, including a Just Transition Fund, will be created. The allocation for the Just Transition Fund for the period 2021-2027 is EUR 7 500 million. The distribution key for the Just Transition Fund will be in line with the Commission's proposal, including a maximum amount and proportionate reduction in the minimum aid intensity. Access to the Just Transition Fund will be limited to 50% of national allocation for Member States that have not yet committed to implement the objective of achieving a climate-neutral EU by 2050, in line with the objectives of the Paris Agreement, the other 50% being made available upon acceptance of such a commitment.

HEADING 4 - MIGRATION AND BORDER MANAGEMENT

101. This Heading finances measures related to the management of external borders, migration and asylum, thereby contributing to the delivery of the Bratislava and Rome agenda. Coordinated action at EU level offers significant EU added value as effective control of external borders is a prerequisite for ensuring more efficient migration management and a high level of internal security while safeguarding the principle of free movement of persons and goods within the Union. Programmes under this Heading will help the European Union and its Member States to deliver on a comprehensive approach to migration effectively.

102. Commitment appropriations for this Heading will not exceed EUR 22 671 million:

MIGRATION AND BORDER MANAGEMENT (Million euros, 2018 prices)						
2021	2022	2023	2024	2025	2026	2027
2 324	2 811	3 164	3 282	3 672	3 682	3 736

Migration

103. The Asylum and Migration Fund will support Member States' work to provide reception to asylum seekers and integration measures. It will also support the development of a common asylum and migration policy and facilitate effective external migration management, including returns and reinforced cooperation with third countries, in particular those bordering on the EU or close to EU borders. Synergies will be ensured with cohesion policy, which supports socio-economic integration, with external policy, which addresses the external dimension, including the root causes of migration, and through cooperation with third countries on migration management and security.

104. The allocation for the Asylum and Migration Fund for the period 2021-2027 is EUR 8 705 million and shall be used as follows:

    a) EUR 5 523 million will be allocated to the national programmes implemented under shared management;

    b) EUR 3 182 million will be allocated to the thematic facility.

    The thematic facility includes a dedicated, significant component for tailored actions to address external migration.

    Allocations to Member States will be based on objective criteria linked to asylum, legal migration and integration and countering irregular migration including returns and will be updated in 2024 with effect as of 2025 based on the latest available statistical data.

Border Management

105. The Integrated Border Management Fund will provide support to the shared responsibility of securing the external borders while safeguarding the free movement of persons within the Union, and will facilitate legitimate trade, contributing to a secure and efficient customs union. Synergy will be ensured with external policy instruments, in order to contribute to border protection and external migration management through cooperation with third countries.

106. In view of the special needs of those Member States who have experienced the highest number of asylum applications per capita in 2018 and 2019, it is appropriate to increase the fixed amounts for Cyprus, Malta and Greece to EUR 25 million in the Asylum and Migration Fund and to EUR 25 million in the Integrated Border Management Fund.

107. The allocation for the Integrated Border Management Fund for the period 2021-2027 is EUR 5 505 million, and shall be used as follows:

a) EUR 893 million for the instrument for financial support for customs control equipment;

b) EUR 4 612 million for the instrument for financial support for border management and visa, of which:

- EUR 3 228 million will be allocated to the national programmes under shared management, of which EUR 189 million for the Special Transit Scheme;
- EUR 1 384 million will be allocated to the thematic facility.

The thematic facility includes a dedicated, significant component for tailored actions to address external migration.

Allocations to Member States under (b) will be based on objective criteria linked to external land borders, external sea borders, airports and consular offices and will be updated in 2024 with effect as of 2025 based on the latest available statistical data for these criteria.

108. These measures will be complemented by a reinforced European Border and Coast Guard Agency (EBCGA), with a total envelope of EUR 5 148 million, and by increased Member States' contributions in kind to support frontline Member States.

HEADING 5 - SECURITY AND DEFENCE

109. Actions under this Heading constitute programmes targeted at security and defence where cooperation at Union level offers high value added, reflecting the changed geopolitical situation and the new political priorities of the EU. This includes actions in relation to internal security, crisis response and nuclear decommissioning as well as in the area of defence.

110. The level of commitments for this Heading will not exceed EUR 13 185 million:

HEADING 5 - SECURITY AND DEFENCE (Million euros, 2018 prices)						
2021	2022	2023	2024	2025	2026	2027
1 700	1 725	1 737	1 754	1 928	2 078	2 263

Security

111. Financing from this Heading will support the Internal Security Fund, which will contribute to ensuring a high level of security in the Union in particular by preventing and tackling terrorism and radicalisation, serious and organised crime and cybercrime as well as by assisting and protecting victims of crime. It will also finance actions dedicated to external migration management in relation to combatting illegal migration and trafficking of human beings.

112. The allocation for the Internal Security Fund for the period 2021-2027 is EUR 1 705 million, and shall be used as follows:

    a) EUR 1 194 million will be allocated to the national programmes implemented under shared management;

    b) EUR 511 million will be allocated to the thematic facility.

    The thematic facility includes a dedicated, significant component for tailored actions to address external migration.

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

    - EUR 490 million to Ignalina in Lithuania for 2021 - 2027 with an EU contribution rate of 86%;
    - EUR 50 million to Bohunice in Slovakia for 2021 - 2025 with a maximum EU contribution rate of 50%;
    - EUR 57 million to Kozloduy in Bulgaria for 2021 - 2027 with a maximum EU contribution rate of 50%.

    In addition, EUR 448 million for nuclear safety and the decommissioning of the EU's own installations will be provided.

114. The amount for Europol will be at least 10% higher than the level of 2020 in real terms.

Defence

115. Financing from this Heading will also include a financial contribution of EUR 7 014 million for the European Defence Fund (EDF) aimed at fostering competitiveness, efficiency and innovation capacity of the European defence technological and industrial base supporting collaborative actions and cross-border cooperation throughout the Union, at each stage of the industrial cycle of defence products and technologies. The programme design will ensure participation of defence industries of all sizes, including SMEs and mid-caps, across the Union, thus strengthening and improving defence supply and value chains. It shall contribute to the European Union's strategic autonomy and the ability to work with strategic partners and support projects consistent with defence capability priorities commonly agreed by the Member States, including within the framework of the Common Foreign and Security Policy and particularly in the context of the Capability Development Plan.

116. A financial contribution of EUR 1 500 million will be made to the Connecting Europe Facility to adapt the TEN-T networks to military mobility needs.

HEADING 6 - NEIGHBOURHOOD AND THE WORLD

117. This Heading finances the Union's external action and assistance for countries preparing for accession to the Union. Stronger coordination between external and internal policies will ensure proper implementation of the 2030 Agenda for Sustainable Development, the Paris Climate Agreement, the EU Global Strategy, the European Consensus on Development, the European Neighbourhood Policy, as well as the external dimension of migration, including the Partnership Framework with third countries on migration. A modernised external policy will demonstrate EU added value by increasing effectiveness and visibility and making the Union better equipped to pursue its goals and values globally, in strong coordination with Member States.

118. Expenditure for Sub-Saharan Africa, the Caribbean and the Pacific currently financed through the current European Development Fund will be integrated into this Heading.

119. Commitment appropriations for this Heading will not exceed EUR 98 419 million:

NEIGHBOURHOOD AND THE WORLD (Million euros, 2018 prices)						
2021	2022	2023	2024	2025	2026	2027
15 309	15 522	14 789	14 056	13 323	12 592	12 828

External action

120. In order to increase the coherence, transparency, flexibility and effectiveness of EU external cooperation, most existing instruments will be merged into a Neighbourhood, Development and International Cooperation Instrument with a total financial envelope of EUR 70 800 million, of which:

   i. Geographic programmes: EUR 53 805 million, of which at least EUR 17 217 million for the Neighbourhood, while maintaining an adequate geographical balance, and at least EUR 26 000 million for Sub-Saharan Africa;

   ii. EUR 5 665 million for thematic programmes;

   iii. EUR 2 835 million for rapid response actions;

   iv. EUR 8 495 million for the emerging challenges and priorities cushion to address unforeseen circumstances, new needs or emerging challenges, like crisis and post-crisis situations or migratory pressure, or promote new Union-led or international initiatives or priorities.

121. Under conditions similar to those of the current European Development Fund, and for the 2021-2027 period, unused commitment and payment appropriations under this instrument will be automatically carried over to the following financial year and decommitted appropriations may be made available again.

122. External funding will be subject to rules on conditionality, including for respecting the principles of the United Nations Charter and international law.

123. The allocation for the Humanitarian Aid Instrument, delivering EU assistance to save and preserve lives, prevent human suffering, and safeguard populations affected by natural disasters or man-made crises, will be EUR 9 760 million.

124. External action will also finance a financial contribution of EUR 2 375 million for the Common Foreign and Security Policy and of EUR 444 million for the Overseas Countries and Territories, including Greenland.

Pre-accession assistance

125. The allocation for the Instrument for Pre-Accession, supporting beneficiaries on their path to fulfilling the accession criteria, will be EUR 12 565 million.

The European Peace Facility

126. A European Peace Facility will be established as an off-budget instrument to finance actions in the field of security and defence which the Council may decide, replacing the current African Peace Facility and the Athena mechanism. The financial ceiling for the Facility for the period 2021-2027 will be EUR 5 000 million and will be financed as an off-budget item outside the MFF through contributions from Member States based on a GNI distribution key.

HEADING 7 - EUROPEAN PUBLIC ADMINISTRATION

127. A highly professional European Public Administration, recruited on the broadest possible geographical basis, plays a crucial role in supporting the Union to deliver on its priorities and to implement policies and programmes in the common European interest. At the same time, while recalling previous and ongoing reform efforts, European citizens expect every public administration and its staff to operate as efficiently as possible. In the context of a Union of 27 Member States it is necessary to continuously consolidate these reforms and constantly improve efficiency and effectiveness of the European Public Administration.

128. Commitment appropriations for this Heading, which consists of administrative expenditure of the institutions and European schools and pensions, will not exceed EUR 73 102 million:

EUROPEAN PUBLIC ADMINSTRATION (Million euros, 2018 prices)						
2021	2022	2023	2024	2025	2026	2027
10 021	10 215	10 342	10 454	10 554	10 673	10 843
of which : administrative expenditure of the institutions						
7 742	7 878	7 945	7 997	8 025	8 077	8 188

The ceilings will be set in such a way as to avoid excessive margins and to reflect expected salary-adjustments, career-progression, pension costs and other relevant assumptions.

129. Programme support expenditure should as per current and past practice continue to be linked to the operational expenditure within the respective programme envelopes or policy area. To increase transparency and control, the administrative and programme support expenditure should be monitored and reported across all Headings regularly and in a comprehensive way. In the context of a Union of 27 Member States, all EU institutions should adopt a comprehensive and targeted approach for considering the number of staff and are invited to reduce administrative expenditure where possible.

130. All EU institutions, bodies, agencies and their administrations should conduct a regular staff screening that ensures the optimisation of staff resources at the current level and should continue to seek efficiency gains in non-salary related expenditure, including by deepening interinstitutional cooperation, such as in the area of IT, procurement and buildings, and freezing non-salary related expenditure.

131. Recognising that the 2013 Staff Regulations reform package contains clear and precise provisions, the reporting and the necessary evaluation of the current reform are to serve as a basis for any possible subsequent revision of the Staff Regulations. The Commission is invited in its evaluation and possible subsequent proposals to address issues such as career progression, the size and duration of allowances, the adequacy of the tax system, the solidarity levy as well as the sustainability of the pension system.

132. To further control and manage administrative spending, efficiency gains and measures applied in comparable administrations could serve as a benchmark.

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Flexibility: Thematic Special Instruments

133. Flexibility will also be provided through dedicated thematic Special Instruments that provide additional financial means to respond to specific unforeseen events. It is the nature of these instruments that they are only used in case of need. Therefore clear criteria for their mobilisation should be defined. In the spirit of the overall aim to consolidate and streamline EU expenditure, duplication both between these instruments as well as with spending programmes should be avoided and further synergy explored. The complex rules for the re-shuffling of amounts between instruments and the carry-over of unused amounts to the following years should be simplified and harmonised.

134. Without prejudice to the Single Margin Instrument, the maximum total amount of the Special Instruments for 2021-2027 outside of the ceilings will be EUR 20 106 million, to be able to address new priorities and unforeseen events in light of the rapidly changing situation following COVID-19, of which EUR 5 000 million will be available for a new special Brexit Adjustment Reserve to be established to counter adverse consequences in Member States and sectors that are worst affected. The Commission is invited to present a proposal by November 2020.

135. The European Globalisation Adjustment Fund, a solidarity and emergency relief instrument offering one-off assistance to support workers who lose their jobs in restructuring events linked to globalisation including those caused by automation and digitalisation shall not exceed a maximum annual amount of EUR 186 million (2018 prices). The amounts will be mobilised over and above the MFF ceilings for commitments and payments.

136. A new Solidarity and Emergency Aid Reserve (SEAR) envelope should cover the European Union Solidarity Fund (EUSF) and the Emergency Aid Reserve (EAR). It may be used to respond to emergency situations resulting from major disasters in Member States and accession countries under the EUSF, and for rapid response to specific emergency needs within the EU or in third countries following events which could not be foreseen, in particular emergency response and humanitarian crises (Emergency Aid Reserve). Clear criteria and modalities for its use should be defined.

    The annual amount of the Reserve is fixed at EUR 1 200 million (2018 prices). Decision on transfers to allow its mobilisation shall be taken by the European Parliament and by the Council on a proposal by the Commission. The Reserve shall be entered in the general budget of the Union as a provision. The annual amount may be used up to year n+1. The amount stemming from the previous year shall be drawn on first.

    The amounts will be mobilised over and above the MFF ceilings for commitments and payments.

    By 1 October of each year, at least one quarter of the annual amount for year n shall remain available to cover needs arising until the end of that year. As of 1 October, the remaining part of the amount available may be mobilised either for internal or external operations to cover needs arising until the end of that year.

Flexibility: Non-Thematic Special Instruments

137. The Global Margin for Commitments (GMC), the Global Margin for Payments (GMP) and the Contingency Margin (CM) will be replaced by a Single Margin Instrument (SMI). This instrument will be able to use commitments and/or payments by drawing upon:

    - In the first instance, margins of one or more MFF Headings left available below the MFF ceilings from previous financial years as from the year 2021, to be made available in the years 2022-2027 and to be fully offset against the margins of the respective previous years.

- Only if the amounts available pursuant to the first indent, if any, and as a last resort, are insufficient, an additional amount which shall be fully offset against the margins for current or future financial years. The amounts thus offset shall not be further mobilised in the context of the MFF.

With the exception of payment margins referred to in the first indent, amounts may be mobilised over and above the respective annual ceilings in relation to an amending or annual budget to allow the financing of specific unforeseen expenditure which could not be financed within the limits of the ceilings available. For the payment margins referred to in the first indent the Commission shall adjust the payment ceiling for the years 2022-2027 upwards by amounts equivalent to the difference between the executed payments and the MFF payment ceiling of the year n-1 as part of the annual technical adjustment of the financial framework.

The total annual amount mobilised for this instrument in relation to an amending or annual budget shall not exceed 0.04% of EU GNI in commitments and 0.03% of EU GNI in payments, and shall be consistent with the own resources ceiling.

In addition, the annual upwards adjustment of the payment ceiling shall not exceed the following amounts (in 2018 prices) for the years 2025-2027 as compared to the original payment ceiling of the relevant years:

2025 – EUR 8 000 million

2026 – EUR 13 000 million

2027 – EUR 15 000 million.

138. The Flexibility instrument will be a non-thematic instrument to allow the financing of specific unforeseen expenditure in commitments and corresponding payments that could not be financed otherwise. The Flexibility instrument annual ceiling will be set at EUR 772 million (2018 prices). The annual amount may be used up to year n+2. The amount stemming from the previous years shall be drawn on first, in order of age.

    The amounts will be mobilised over and above the MFF ceilings for commitments and payments.

139. There shall be no financing for special instruments from de-commitments.

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III. PART II : REVENUE

140. The own resources arrangements should be guided by the overall objectives of simplicity, transparency and equity, including fair burden sharing. The total amount of own resources allocated to the Union budget to cover annual appropriations for payments shall not exceed 1.40% of the sum of all the Member States' GNIs. The total amount of annual appropriations for commitments shall not exceed 1.46% of the sum of all the Member States' GNIs. An orderly ratio between appropriations for commitments and payments shall be maintained.

141. 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 the completion of the procedures for its adoption by the last Member State. All its elements will apply retroactively from 1 January 2021. Member States will proceed with the approval of the new Own Resources Decision as soon as possible, in accordance with their national constitutional requirements.

142. Regarding the Council Regulation on the methods and procedure for making available own resources and on the measures to meet cash requirements, the Commission is invited to assess presenting a proposal for its revision in order to tackle challenges with respect to making available own resources.

Traditional own resources

143. From 1 January 2021, Member States shall retain, by way of collection costs, 25% of the amounts collected by them.

VAT-based own resource

144. The current VAT-based own resource will be replaced by the Commission's simplified and refined alternative method from January 2019 with a uniform rate of 0.3% which will apply to the VAT bases of all Member States determined in accordance with the refined methodology proposed by the Commission. For each Member State, the VAT base to be taken into account for this purpose shall not exceed 50% of Gross National Income.

New Own Resources

145. The Union will over the coming years work towards reforming the own resources system and introduce new own resources.

146. As a first step, a new own resource will be introduced and apply as of 1 January 2021 composed of a share of revenues from a national contribution calculated on the weight of non-recycled plastic packaging waste with a call rate of EUR 0.80 per kilogram with a mechanism to avoid excessively regressive impact on national contributions.

147. As additional own resources, the Commission will put forward in the first semester of 2021 proposals on a carbon border adjustment mechanism and on a digital levy with a view to their introduction at the latest by 1 January 2023.

148. The Commission is invited to put forward a revised proposal on ETS, possibly extending it to aviation and maritime.

149. Finally, the Union will, in the course of the next MFF, work towards the introduction of other own resources, which may include a Financial Transaction Tax.

150. The proceeds of the new own resources introduced after 2021 will be used for early repayment of Next Generation EU borrowing. The Commission is invited to propose a revision of the MFF to this effect in due course.

GNI-based own resource

151. The method of applying a uniform call rate for determining Member States' contributions to the existing own resource based on Gross National Income (GNI) will remain unchanged, without prejudice to paragraph 152.

Corrections

152. For the period 2021-2027, lump-sum corrections will reduce the annual GNI-based contribution of Denmark, the Netherlands, Austria and Sweden, and in the context of the support for the recovery and resilience, as well as of Germany. The Member States concerned shall benefit from a gross reduction in their annual Gross National Income-based contribution in 2020 prices of:

- Denmark: EUR 377 million;
- Germany: EUR 3 671 million;
- The Netherlands: EUR 1 921 million;
- Austria: EUR 565 million;
- Sweden: EUR 1 069 million.

153. These gross reductions shall be financed by all Member States according to their GNI.

ANNEX TO THE ANNEX

MULTIANNUAL FINANCIAL FRAMEWORK (EU-27)

(EUR million - current prices)

Commitment appropriations	2021	2022	2023	2024	2025	2026	2027	Total 2021-2027
1. Single Market, Innovation and Digital	**20.919**	**21.288**	**21.125**	**20.984**	**21.272**	**21.847**	**22.077**	**149.512**
2. Cohesion, Resilience and Values	**52.786**	**55.314**	**57.627**	**60.761**	**63.387**	**66.536**	**70.283**	**426.694**
2a. Economic, social and territorial cohesion	48.191	49.739	51.333	53.077	54.873	56.725	58.639	372.577
2b. Resilience and Values	4.595	5.575	6.294	7.684	8.514	9.811	11.644	54.117
3. Natural Resources and Environment	**58.624**	**56.519**	**56.849**	**57.003**	**57.112**	**57.332**	**57.557**	**400.996**
Of which: Market related expenditure and direct payments	40.925	41.257	41.518	41.649	41.782	41.913	42.047	291.091
4. Migration and Border Management	**2.467**	**3.043**	**3.494**	**3.697**	**4.218**	**4.315**	**4.465**	**25.699**
5. Security and Defence	**1.805**	**1.868**	**1.918**	**1.976**	**2.215**	**2.435**	**2.705**	**14.922**
6. Neighbourhood and the World	**16.247**	**16.802**	**16.329**	**15.830**	**15.304**	**14.754**	**15.331**	**110.597**
7. European Public Administration	**10.635**	**11.058**	**11.419**	**11.773**	**12.124**	**12.506**	**12.959**	**82.474**
Of which: Administrative expenditure of the institutions	8.216	8.528	8.772	9.006	9.219	9.464	9.786	62.991
TOTAL COMMITMENT APPROPRIATIONS	**163.483**	**165.892**	**168.761**	**172.024**	**175.632**	**179.725**	**185.377**	**1.210.894**

TOTAL PAYMENT APPROPRIATIONS	**166.140**	**167.585**	**165.542**	**168.853**	**172.230**	**175.674**	**179.187**	**1.195.211**

OUTSIDE THE MFF	2021	2022	2023	2024	2025	2026	2027	Total 2021-2027
Solidarity and Emergency Aid Reserve	1.273	1.299	1.325	1.351	1.378	1.406	1.434	9.467
European Globalisation Adjustment Fund (EGF)	197	201	205	209	214	218	222	1.467
Brexit Adjustment Reserve	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	5.306
Flexibility instrument	819	836	852	869	887	905	923	6.091
TOTAL OUTSIDE THE MFF	**2.290**	**2.336**	**2.383**	**2.430**	**2.479**	**2.528**	**2.579**	**22.331**

TOTAL MFF + OUTSIDE THE MFF	**165.773**	**168.228**	**171.144**	**174.454**	**178.111**	**182.253**	**187.956**	**1.233.225**

**The total for the Brexit Adjustment Reserve in current prices is based on 2% deflator and assuming the entire envelope is available in 2021. This is without prejudice to the future legal proposal.*

MULTIANNUAL FINANCIAL FRAMEWORK (EU-27)

(EUR million - 2018 prices)

Commitment appropriations	2021	2022	2023	2024	2025	2026	2027	Total 2021-2027
1. Single Market, Innovation and Digital	**19.712**	**19.666**	**19.133**	**18.633**	**18.518**	**18.646**	**18.473**	**132.781**
2. Cohesion, Resilience and Values	**49.741**	**51.101**	**52.194**	**53.954**	**55.182**	**56.787**	**58.809**	**377.768**
2a. Economic, social and territorial cohesion	45.411	45.951	46.493	47.130	47.770	48.414	49.066	330.235
2b. Resilience and Values	4.330	5.150	5.701	6.824	7.412	8.373	9.743	47.533
3. Natural Resources and Environment	**55.242**	**52.214**	**51.489**	**50.617**	**49.719**	**48.932**	**48.161**	**356.374**
Of which: Market related expenditure and direct payments	38.564	38.115	37.604	36.983	36.373	35.772	35.183	258.594
4. Migration and Border Management	**2.324**	**2.811**	**3.164**	**3.282**	**3.672**	**3.682**	**3.736**	**22.671**
5. Security and Defence	**1.700**	**1.725**	**1.737**	**1.754**	**1.928**	**2.078**	**2.263**	**13.185**
6. Neighbourhood and the World	**15.309**	**15.522**	**14.789**	**14.056**	**13.323**	**12.592**	**12.828**	**98.419**
7. European Public Administration	**10.021**	**10.215**	**10.342**	**10.454**	**10.554**	**10.673**	**10.843**	**73.102**
Of which: Administrative expenditure of the institutions	7.742	7.878	7.945	7.997	8.025	8.077	8.188	55.852
TOTAL COMMITMENT APPROPRIATIONS	**154.049**	**153.254**	**152.848**	**152.750**	**152.896**	**153.390**	**155.113**	**1.074.300**

TOTAL PAYMENT APPROPRIATIONS	**156.557**	**154.822**	**149.936**	**149.936**	**149.936**	**149.936**	**149.936**	**1.061.058**

OUTSIDE THE MFF	2021	2022	2023	2024	2025	2026	2027	Total 2021-2027
Solidarity and Emergency Aid Reserve	1.200	1.200	1.200	1.200	1.200	1.200	1.200	8.400
European Globalisation Adjustment Fund (EGF)	186	186	186	186	186	186	186	1.302
Brexit Adjustment Reserve	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	5.000
Flexibility instrument	772	772	772	772	772	772	772	5.404
TOTAL OUTSIDE THE MFF	**2.158**	**2.158**	**2.158**	**2.158**	**2.158**	**2.158**	**2.158**	**20.106**

TOTAL MFF + OUTSIDE THE MFF	**156.207**	**155.412**	**155.006**	**154.908**	**155.054**	**155.548**	**157.271**	**1.094.406**