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#### INFORMATION NOTE

From:	General Secretariat of the Council
To:	Delegations
Subject:	Multiannual Financial Framework (MFF) 2021-2027 revision: draft Negotiating Box

1. The purpose of presenting the draft Negotiating Box is to identify and confirm the issues which will need to be addressed in the course of the negotiation on the revision of the Multiannual Financial Framework 2021-27, and where appropriate, facilitate the discussion on options and solutions on individual issues. The presentation of the draft Negotiating Box does not aim at any concluding debates or compromises at this stage.
2. The draft Negotiating Box is drawn up and developed under the responsibility of the Presidency, it is therefore not binding on any delegation. The Presidency continues to be guided by the principle that nothing is agreed until everything is agreed.
3. Delegations will find in Annex the revised draft Negotiating Box elaborated by the Presidency.

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

**FINANCIAL SUPPORT FOR UKRAINE**

**Ukraine facility**

1. The European Council underlines the need to ensure, together with partners, stable, predictable and sustainable financial support for Ukraine for the years to come. For this reason, a Ukraine Facility will be set up for the period from 2024 to 2027.
2. The Facility will be organised around three pillars:
  - Pillar I will cover financial support in the form of both non-repayable and loan support linked to the delivery of reforms and investments that will be defined in a Plan aimed at the recovery, reconstruction and modernisation of Ukraine, to support its EU accession process, and to maintain its macro-financial stability;
  - Pillar II will be a specific Ukraine Investment Framework to attract investments and provide access to finance;
  - Pillar III will provide technical assistance and related support to Ukraine to design and implement EU accession-related reforms and to foster Ukraine's administrative capacity, as well as other relevant activities. This pillar will also cover interest rate subsidies.
3. The European Council recalls its conclusions of June 2023, welcomes Ukraine's commitment and reform efforts, and underlines the importance of Ukraine's EU accession process.
4. The European Council stresses the need to foster Ukraine's ownership of its recovery and reconstruction efforts by means of a Plan to be prepared by the Ukrainian Government. The widest possible participation to the overall Ukraine recovery and reconstruction effort from donors outside the European Union will be strongly encouraged.

## **Ukraine Plan**

5. To receive support under the Facility, Ukraine will submit a Ukraine Plan to the Commission. The Plan will set out the reform and investment agenda of Ukraine.
6. The Commission will assess the Ukraine Plan and make a proposal for a Council Implementing Decision. In the event that the Commission gives a positive assessment, the Commission proposal for a Council Implementing Decision will set out the amounts of non-repayable and loan support and the qualitative and quantitative steps to be satisfactorily fulfilled before the payment in instalments of the support, including the indicative timetable and payment schedule. This proposal will also include the percentage of loan support to be paid in the form of a pre-financing no later than [XXX].
7. The Ukraine Plan and the payment schedule will be approved by the Council through a Council Implementing Decision by qualified majority. The Council, acting by qualified majority, may amend the Commission proposal and adopt the amended text through a Council Implementing Decision.
8. Payments will occur according to the approved schedule, based on payment requests submitted by Ukraine and the positive assessment by the Commission.
9. The positive assessment of payment requests will be subject to the satisfactory fulfilment of the relevant conditions set out in the Ukraine Plan.
10. The Commission will adopt a decision on the assessment of the satisfactory fulfilment of the relevant conditions and on the approval of payments in accordance with the examination procedure.
11. Where the Commission considers that Ukraine is not satisfactorily delivering on the objectives of the Facility and the conditions for the support, it will propose to the Council the suspension of the payment of the non-repayable financial support and of the loans. Based on this proposal, the Council may decide the suspension of the payment of the non-repayable financial support and of the loans by qualified majority through a Council Implementing Decision.

## Budgetary implications

12. For the period 2024 to 2027, the sum of the overall resources made available from the Facility will not exceed:
  - (i) EUR [XXX ] in the form of loans. As with the instrument for providing support to Ukraine for 2023 (Macro-Financial Assistance +) such loans will be guaranteed by extending the existing Union budget guarantee and by making possible to mobilise the necessary appropriations in the Union budget over and above the ceilings of the MFF for financial assistance to Ukraine available until the end of 2027.
  - (ii) EUR [XXX ] in the form of non-repayable support.
13. [For the non-repayable support, Member States will contribute to a new temporary thematic special instrument over and above the ceilings of the MFF 2021-27, the Ukraine Reserve.]
14. Additional amounts received as external assigned revenue within the meaning of Article 21 (5) of Regulation (EU, Euratom) 2018/1046 under the relevant Union legal acts in relation to restrictive measures in view of Russia's actions destabilising the situation in Ukraine will be contributions to the Ukraine Reserve.
15. The Ukraine Reserve will be mobilised, in light of the Ukraine Plan as approved by the Council, by the European Parliament and the Council in the framework of the budgetary procedure, provided for in Article 314 TFEU.

## Ukraine reserve

16. The Ukraine Reserve may cover all expenditure not financed through loans, including non-repayable support, grants and provisioning for guarantees. This includes the borrowing costs related to the loans until 2027 and those related to the financial assistance already provided in 2022 and 2023.
17. The Ukraine Reserve can reach up to an amount of EUR [XXX] for the period 2024 to 2027 and may be mobilised for the sole purpose of financing expenditure under the Ukraine Facility Regulation.

18. Payments from the Ukraine Reserve under Pillar I will occur according to the approved schedule, while payments under Pillar II and III will be disbursed during 2024-2027 according to the needs identified.
19. The annual amount mobilised under the Ukraine Reserve in a given year will not exceed EUR [XXX] million.
20. Ukraine Reserve will have the following distribution:
- (a) a maximum amount of [EUR XXX] in the form of non-repayable financial support to be provided to Ukraine for the delivery of reforms and investments to implement the Ukraine Plan as well as to maintain macro-financial stability of the country (Pillar I).
  - (b) a maximum amount of [EUR XXX] for a specific Ukraine Investment Framework to support investments and provide access to finance (Pillar II).
  - (c) a maximum amount of [EUR XXX] for Ukraine's Union accession assistance and support measures to design and implement EU accession-related reforms, to foster Ukraine's administrative capacity, and the provisioning and interest rate subsidies related to the loans and the Macro-Financial Assistance provided in 2022 and 2023, the provisioning of the EIB repurposed loans for 2024-2027, and additional provisioning needs which are directly associated with economic support to Ukraine. (Pillar III).
  - (d) a maximum amount of [EUR XXX] for other technical and administrative assistance for the implementation of the Facility.
21. In order to optimise the use of the available amounts, unused appropriations may be used in the following year. The portion of the annual amount stemming from the previous year will be drawn on first.

22. Under exceptional circumstances, especially related to a significant deterioration of the war which makes it impossible for Ukraine to fulfil the conditions attached to the forms of support under the Facility, the Facility may provide exceptional financing to Ukraine. This exceptional financing will cease as soon as the fulfilment of the conditions for the forms of support under the Facility becomes possible again. The exceptional financing to Ukraine will be approved by Council acting by qualified majority through a Council Implementing Decision, on the basis of a Commission proposal. [The exceptional financing will be subject to the precondition].
23. The principles of the financial cooperation between the Union and Ukraine will be concluded in a Framework Agreement. This Framework Agreement will set out specific arrangements for the management, control, supervision, monitoring, evaluation, reporting and audit of funds under the Facility, as well as to prevent, investigate and correct irregularities, fraud, corruption and conflicts of interest.

#### **Exceptional Bridge Financing**

24. If the Framework Agreement is not signed or the Ukraine Plan is not adopted by [31 December 2023], the Council may approve by qualified majority through a Council Implementing Decision the provision of limited and exceptional support to Ukraine for a period of up to three months after either the entry into force of the Ukraine Facility Regulation, or [1 January 2024], whichever is later, on the basis of a Commission proposal indicating that satisfactory progress on the preparation of the Ukraine Plan has been made in order to support the macro-financial stability of the country.
25. This exceptional support will be in the form of loans and its amount will not exceed EUR [XXX] on a monthly basis.

#### **HEADING 4 AND 6 - MIGRATION AND THE EXTERNAL DIMENSION:**

26. Migration is a European challenge that requires a European response.
27. In order to provide for sufficient funding to support Member States in managing urgent challenges related to migration and borders, as well as for the implementation of the New Pact on Migration and Asylum once adopted, the ceiling of Heading 4 will be increased by EUR [XXX].
28. In order to allow the Union to provide the necessary support in a context of extraordinary geopolitical tension, the ceiling of Heading 6 will be increased by EUR [XXX].
- of which [EUR XXX] correspond to increases of commitment appropriations, for the purpose of maintaining effective migration partnerships with third countries, including the support for Syrian refugees in Türkiye and the broader region.
  - of which [EUR XXX] are increases of commitment appropriations for the reinforcement of the NDICI-cushion. Out of this amount, at least EUR [XXX] will be available to strengthen and develop strategic, comprehensive and mutually beneficial partnerships between the European Union and the Southern Neighbourhood, as well as other priority countries of origin and transit of illegal migration flows in Africa and elsewhere.
  - of which [EUR XXX] correspond to increases of commitment appropriations for support to the Western Balkans.

#### **STRATEGIC TECHNOLOGIES FOR EUROPE PLATFORM (STEP):**

29. The European Union needs to ensure its sovereignty and competitiveness by strengthening its resilience and productivity, mobilising financing, reducing its strategic dependencies, investing in the skills of the future and making its economic, industrial and technological base fit for the green and digital transitions, safeguarding cohesion and the level playing field in the Single Market. For this purpose, a Strategic Technologies for Europe Platform (STEP) will be introduced.

30. To boost the investment capacity of STEP, the European Council proposes to allocate EUR [XXX] to targeted programmes:
- a. Commitment appropriations under Heading 1 will be increased by EUR [XXX] for the purpose of providing additional financing for the European Innovation Council (EIC) strand of Horizon Europe.
  - b. Commitment appropriations under Heading 1 will be increased by EUR [XXX] for the purpose of providing additional financing for InvestEU.
  - c. Commitment appropriations under Heading 5 will be increased by [EUR XXX] for the purpose of providing additional financing for the European Defence Fund (EDF) and/or for military mobility purposes.
  - d. Commitment appropriations under Heading 3 will be increased by EUR [XXX] for the Innovation Fund (IF). Funding from this new compartment of the IF will [only be available for Member States whose average GDP per capita is below the EU average of the EU-27 measured in PPS] OR [will be available to all member states].
31. In addition, also linked to the proposal on strategic technologies:
- [Amounts resulting from total or partial non-implementation of research projects under Horizon Europe and its predecessors are made available again in line with Article 15(3) in the Financial Regulation to the benefit of the EIC strand of Horizon Europe to support the objectives of the platform] OR [Amounts resulting from total or partial non-implementation of research projects under Horizon Europe and its predecessors will not be made available again according to Article 15(3) in the Financial Regulation].

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

32. [The resources of the European administration (Heading 7) are under pressure due to additional tasks given to the Union and higher inflation. New initiatives undertaken and legislative acts adopted over the last two years have given additional tasks to the Union since the start of this Multiannual Financial Framework without a corresponding increase in staff and related resources. In order to accommodate for this increase, commitment appropriations for Heading 7 will be increased by EUR [XXX]]. OR [The European institutions, in order to accommodate for the increased costs originating from higher inflation will identify areas for savings and further efficiencies within the existing ceiling of Heading 7.]



## **INTEREST PAYMENTS**

### **EURI Instrument**

33. [In order to finance the additional costs for interest and coupon payments related to funds borrowed on the capital markets for NextGenerationEU, a new thematic special instrument will be introduced over and above the ceilings. The sole purpose of this new instrument will be to finance EURI interest costs for the years 2024-2027. The maximum total amount for the instrument is EUR [XXX]. The EURI Instrument may be used to finance the additional costs where, in a given year, the costs of the interest and coupon payments due related to funds borrowed on the capital markets in accordance with Article 5(2) of Decision (EU, Euratom) No 2020/2053 exceed the following amounts (2018 prices):

- 2024: EUR 1 840 million
- 2025: EUR 2 332 million
- 2026: EUR 3 196 million
- 2027: EUR 4 168 million]

OR

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

- 2024: EUR XXX
- 2025: EUR XXX
- 2026: EUR XXX
- 2027: EUR XXX]

OR

[In order to finance the costs for interest and coupon payments related to the funds borrowed on the capital markets, a new thematic special instrument will be introduced over and above the ceilings solely for the purpose of financing EURI interest costs for the years 2024-2027. This instrument will be exceptional and limited to address the situation of uncertainty as to the amount of EURI interest costs in a situation where the borrowing operations for NextGenerationEU are still ongoing in unexpected market circumstances. This instrument will have a maximum of EUR [XXX]. Savings in Heading 2b) will be used to cover partially the increases identified in Migration and external action and Strategic Technologies for Europe Platform.]

OR

[In order to finance the costs for interest and coupon payments related to the funds borrowed on the capital markets, a new thematic special instrument will be introduced over and above the ceilings solely for the purpose of financing EURI interest costs for the years 2024-2027. This instrument will be exceptional and limited to address the situation of uncertainty as to the amount of EURI interest costs in a situation where the borrowing operations for NextGenerationEU are still ongoing in unexpected market circumstances. It will cover the additional costs where, in a given year, the costs of the interest and coupon payments due in respect of the funds borrowed on the capital markets in accordance with Article 5(2) of Decision (EU, Euratom) No 2020/2053 exceed the following amounts (2018 prices):

- 2024: EUR 1 840 million
- 2025: EUR 2 332 million
- 2026: EUR 3 196 million
- 2027: EUR 4 168 million]

#### **SPECIAL INSTRUMENTS:**

##### **Flexibility instrument**

34. In the light of the more frequent use of the Flexibility Instrument in the years 2021-2023, the ceiling for the annual amount will be increased from EUR 915 million to EUR [XXX] (in 2018 prices).

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

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

OR

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

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

### **Impact on payments**

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