European Commission

EU BUDGET FOR THE FUTURE

#EUBudget

Volume 1

Proposal of the Commission for the Multiannual Financial Framework 2021-2027

Proposal of the Commission for 2021-2027 multiannual financial framework

"A modern budget for a Union that protects, empowers and defends"

Volume 1

Communication from the Commission

“A modern budget for a Union that protects, empowers and defends”

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COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE EUROPEAN COUNCIL, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS

A Modern Budget for a Union that Protects, Empowers and Defends

The Multiannual Financial Framework for 2021-2027

{SWD(2018) 171 final}

1. A NEW, MODERN BUDGET FOR THE UNION OF 27

Once every seven years, the European Union decides on its future long-term budget – the Multiannual Financial Framework. The next such budget, starting on 1 January 2021, will be the first for the European Union of 27.

This is a pivotal moment for our Union. It is an opportunity for Member States and the European institutions to unite around a clear vision for the future of Europe. A time to show unequivocally that the Union is ready to back up its words with the actions needed to deliver on our common vision. A modern, focused EU budget will help to continue bringing to life the positive agenda proposed by President Jean-Claude Juncker in his State of the Union address before the European Parliament on 14 September 2016[1] and agreed by the Leaders of the 27 Member States in Bratislava on 16 September 2016, as well as in the Rome Declaration of 25 March 2017. A modern, focused EU budget will help to make the Union big on big and small on small things, as agreed in Rome.

Negotiations on the next Multiannual Financial Framework come at a time of new dynamism for the Union, but also of great challenges. The Union acted decisively in the wake of the financial and economic crisis to lay solid foundations for a sustainable recovery. The economy is now growing and creating jobs. The focus of the Union is increasingly on delivering efficiently and fairly on the things that really matter in the daily lives of citizens. And to do this for the citizens in all Member States of the Union. President Juncker's call to overcome divisions and make the Union more united, stronger and more democratic[2] should therefore also be reflected in the design of the new budget.

Choices taken in the coming months will shape the Union for decades to come. The stakes are high. Technological and demographic change is transforming our economies and society. Climate change and scarce resources are forcing us to look hard at how we can ensure that our way of living is sustainable. Unemployment, notably amongst young people, remains high in many parts of Europe. New security threats require new responses. The refugee crisis, caused by war and terror in Europe's neighbourhood, has shown the need to reinforce our capacity to manage migratory pressures and to address their root causes. Geopolitical instability is increasing and the values and democratic principles on which our Union is founded are being tested.

The proposals the Commission is presenting today for the 2021-2027 Multiannual Financial Framework will help responding to these opportunities and challenges. They are the product of an open and inclusive debate. The Commission has set out options for the future EU budget in its Communication of 14 February 2018.[3] The Commission has listened carefully to the European Parliament[4], to Member States, to national Parliaments, to the beneficiaries of EU funding and to other stakeholders. Open public consultations held earlier this year generated more than 11,000 responses.

The Commission is proposing a new, modern long-term budget, tightly geared to the political priorities of the Union at 27. The proposed budget combines new instruments with

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[1] State of the Union Address 2016: "Towards a better Europe – a Europe that protects, empowers and defends".

[2] State of the Union Address 2017: "Catching the wind in our sails".

[3] COM(2018) 98.

[4] European Parliament Resolutions of 14 March 2018 on "The next Multiannual Financial Framework: Preparing the Parliament's position on the Multiannual Financial Framework post-2020 (2017/2052(INI))" and on the "Reform of the European Union's system of own resources (2017/2053(INI))".

modernised programmes to deliver efficiently on the Union's priorities and to rise to new challenges. The proposals also show how the financing of the budget could be simplified and reformed to forge a stronger link with the political priorities. These proposals are designed to make a unique impact in building a prosperous, secure and cohesive Europe. They do so by focusing on the areas where the Union is best placed to deliver.

In each area, the Commission proposes the level of funding that will be needed to live up to our collective ambitions. The legal proposals for the individual future financial programmes will follow in the coming weeks.

The proposals also respond in a realistic and balanced way to the budgetary consequences of the withdrawal of the United Kingdom. The departure of an important contributor to the EU budget will have a financial impact and the future Financial Framework must take account of that. Maintaining a level of support that matches our ambitions across the priority areas will require additional contributions from all Member States in a fair and balanced way. In parallel, no effort must be spared to make the EU budget more efficient. The Commission is proposing savings in some of the main spending areas and reforms across the budget to make it more streamlined and to get the most from every euro.

Europe is in the midst of the biggest debate on its future for a generation. It was kickstarted by the Commission's White Paper on the Future of Europe, published on 1 March 2017[5], and will culminate at the Informal Leaders' Meeting in Sibiu, Romania on 9 May 2019. Weeks before Europeans take to the polls, this will be a time for the Leaders of the 27 Member States and for the European Parliament to stand up for the Europe they want and to equip the Union with the means to deliver. Decisive progress on the future long-term budget by this time will send out a strong message of resolve and determination to move forward together.

2019 will be a new start for our Union of 27. We must be ready for it. Time is short to put the new framework into place and make sure that the new programmes are ready to deliver for the EU's citizens and businesses from day one. The new EU budget will be a simpler, more flexible and more focused budget. A budget guided by the principles of prosperity, sustainability[6], solidarity and security. A budget for a European Union that protects, empowers and defends. A budget that unites and does not divide. A budget that is fair for all Member States. A budget for Europe's future. The work on this needs to start now.

2. MODERNISING THE EU BUDGET

The EU budget has long been a vital source of growth-enhancing investment for the whole of Europe. Even in times of crisis, it has allowed the Union to support growth and job creation and to drive long-term innovation and economic reform. The creation of the European Fund for Strategic Investments (the "Juncker Fund") illustrates well how the EU budget was able to provide a much-needed boost to Europe's economic recovery at a critical moment. The EU budget has also been a decisive part of the response to our many serious challenges, from large-scale migratory flows, to security threats and climate change.

Recent experience has laid bare some weaknesses in the current framework. Despite some improvements, the EU budget is still too rigid. A lack of flexibility has prevented Europe

[5] COM(2017) 2025.

[6] The Commission will adopt at the end of the year a Reflection Paper "Towards a Sustainable Europe by 2030, on the follow-up to the UN Sustainable Development Goals, including on the Paris Agreement on Climate Change" to address possible ways on how to integrate the Sustainable Development Goals further in EU policy making.

from reacting quickly and effectively enough in a fast-changing world. Complex and divergent funding rules make it harder to access EU funding and divert attention from what really counts: achieving results on the ground. Funds are spread over too many programmes and instruments, both within and outside the budget. More can be done to modernise and simplify the two biggest spending blocks in the budget, the Common Agricultural Policy and Cohesion Policy. Many of the new priorities for a Union that protects, empowers and defends need new, tailored instruments to turn ambitions into reality.

The main message from the Commission's extensive consultations has been received loud and clear. A more united, stronger and more democratic Europe needs a new, modern budget. And it needs fresh thinking on how that budget can deliver for people across the Union. The Commission's thorough **spending review**[7] has helped to pinpoint what has worked well in the past and what should be preserved in the next budget. But it also revealed where reform is needed to unlock the full potential of the EU budget. Based on this assessment, the Commission is proposing a modern framework and a set of new and reformed programmes shaped by the following principles:

- **A stronger focus on European added value**. The EU budget is modest in comparison with the size of the European economy and national budgets. This makes it vital that it invests in areas where the Union can offer real European added value to public spending at national level. Pooling resources can achieve results that Member States acting alone cannot.[8] Examples include cutting-edge research projects that bring together the best researchers from across Europe, or empowering young people and small businesses to take full advantage of the opportunities the Single Market and the digital economy offer. Other instances when pooling resources helps us do more include catalysing key strategic investments. These investments hold the key to Europe's future prosperity and its leadership on the global Sustainable Development Goals. The same is true when it comes to equipping the Union to defend and protect its citizens in a fast-changing world where many of the most pressing issues transcend national borders.
- **A more streamlined and transparent budget**. The Commission is proposing a more coherent, focused and transparent framework. The structure of the budget will be clearer and more closely aligned with priorities. The Commission proposes to reduce the number of programmes by more than a third, for example by bringing fragmented funding sources together into new integrated programmes and radically streamlining the use of financial instruments.
- **Less red tape for beneficiaries**. The Commission proposes to make rules more coherent on the basis of a single rulebook.[9] This will drastically reduce the administrative burden for beneficiaries and managing authorities. It will facilitate participation in EU programmes and accelerate implementation. It will make it easier for different programmes and instruments to work together to boost the impact of the EU budget. In addition, the Commission will propose to simplify and streamline State aid rules to make it easier to link up instruments from the EU budget with national funding.
- **A more flexible, agile budget**. In an unstable geopolitical environment, Europe must be able to respond quickly and effectively to unforeseen demands. The Commission is

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[7] See the accompanying Staff Working Document SWD (2018) 171.
[8] See also SWD (2018) 171, page 7.
[9] In line with the recommendations of the High Level Group of Independent Experts on Monitoring Simplification for Beneficiaries of the European Structural and Investment Funds, the recommendations of the European Court of Auditors and the Committee of the Regions, as well as of the European Parliament.

proposing to build on existing mechanisms to make the budget more agile. This includes increasing flexibility within and between programmes, strengthening crisis management tools and creating a new "Union Reserve" to tackle unforeseen events and to respond to emergencies in areas such as security and migration.

- **A budget that performs**. The EU budget can only be judged a success if it delivers tangible results on the ground. The Commission is proposing to strengthen the focus on performance across all programmes, including by setting clearer objectives and focusing on a smaller number of higher quality performance indicators. This will make it easier to monitor and measure results – and to take make changes when necessary.

The design of future programmes is only the first step. The real test is whether the programmes deliver on the ground. The **efficient and effective implementation** of the next generation of programmes is therefore a high priority. This is a shared responsibility between the Commission, Member States, regional authorities and everyone involved in managing the EU budget.

It is also essential to strengthen the link between EU funding and the **respect for the rule of law**. The EU is a Community based on the rule of law, which also means that independent courts at national and EU level are entrusted with watching over the respect of our jointly agreed rules and regulations, and of their implementation in all Member States. Respect for the rule of law is an essential precondition for sound financial management and effective EU funding. The Commission is therefore proposing a new mechanism to protect the EU budget from financial risks linked to generalised deficiencies as regards the rule of law.

THE EU BUDGET AND THE RULE OF LAW

Under current rules, all Member States and beneficiaries are required to show that the regulatory framework for financial management is robust, that relevant EU rules are being complied with and that the necessary administrative and institutional capacity is in place. The current Multiannual Financial Framework also contains provisions to ensure that the effectiveness of EU funding is not undermined by unsound economic and fiscal policies.

The Commission is now proposing to **strengthen the protection of the EU budget from financial risks linked to generalised deficiencies as regards the rule of law in the Member States**. If such deficiencies impair or threaten to impair sound financial management or the protection of the financial interests of the Union, it must be possible to draw consequences for EU funding. Any measure taken under this new procedure will need to be proportionate to the nature, gravity and scope of the generalised deficiencies in the rule of law. It would not affect the obligations of the Member States concerned with regard to beneficiaries.

The decision as to whether a generalised deficiency in the rule of law risks affecting the financial interests of the EU will be proposed by the Commission and adopted by the Council through reversed qualified majority voting[10]. It will take into account relevant information such as decisions by the Court of Justice of the European Union, reports from the European Court of Auditors, as well as conclusions of relevant international organisations. The Member State concerned will be given the opportunity to set out its reasoning before any decision is taken.

[10] Under reverse qualified majority voting, the Commission's proposal is deemed to be adopted by the Council unless it decides by qualified majority to reject the Commission's proposal.

3. A BUDGET FOR EUROPE'S PRIORITIES

The future long-term budget will be a budget for the Union's priorities. The Commission's proposals will bring the structure and the programmes of the EU budget fully into line with the positive agenda of the Union post-2020 as agreed in Bratislava and Rome. The new architecture of the future Multiannual Financial Framework will provide greater transparency on what the EU budget is for and how the different parts of the budget will contribute. It will also provide the flexibility necessary to respond to evolving needs.

Programmes will be arranged around the main thematic spending priorities. These will correspond to the headings in the formal budget structure. Within each priority, programmes will be grouped in policy clusters, which will be reflected in the titles of the annual budget. This will provide greater clarity on how they will contribute to policy goals.

In practice, the formal structure of the budget only tells part of the story. Many of the Union's priorities are complex and multi-faceted. It would not be possible to tackle every aspect with a single programme. Under the Commission's proposals, investment from multiple programmes will combine to address key crosscutting priorities such the digital economy, sustainability, security, migration, human capital and skills, as well as support for small businesses and innovation. The Commission proposes to simplify these interactions under the future framework, providing a much more coherent response to Europe's challenges. The following sections set out the main reforms and programmes under each of the spending priorities.

More detailed information on the objectives, design and European added value of the individual programmes is contained in the Annex to this Communication.

The new Multiannual Financial Framework 2021-2027:
A Modern Budget for a Union that Protects, Empowers and Defends

I. SINGLE MARKET, INNOVATION & DIGITAL

1 Research & Innovation
- Horizon Europe
- Euratom Research & Training Programme
- International Thermonuclear Experimental Reactor (ITER)

2 European Strategic Investments
- InvestEU Fund
- Connecting Europe Facility
- Digital Europe Programme (including Cybersecurity)

3 Single Market
- Single Market Programme (including Competitiveness and Small and Medium-Sized Enterprises - COSME, Food Safety, Statistics, Competition and Administrative Cooperation)
- EU Anti-Fraud Programme
- Cooperation in the Field of Taxation (FISCALIS)
- Cooperation in the Field of Customs (CUSTOMS)

4 Space
- European Space Programme

II. COHESION & VALUES

5 Regional Development & Cohesion
- European Regional Development Fund
- Cohesion Fund
- Support to the Turkish-Cypriot Community

6 Economic & Monetary Union
- Reform Support Programme including the Reform Delivery Tool and the Convergence Facility
- Protection of the Euro Against Counterfeiting

7 Investing in People, Social Cohesion & Values
- European Social Fund + (including Integration of Migrants and Health)
- Erasmus+
- European Solidarity Corps
- Justice, Rights & Values
- Creative Europe (including MEDIA)

III. NATURAL RESOURCES & ENVIRONMENT

8 Agriculture & Maritime Policy
- European Agricultural Guarantee Fund
- European Agricultural Fund for Rural Development
- European Maritime & Fisheries Fund

9 Environment & Climate Action
- Programme for Environment & Climate Action (LIFE)

IV. MIGRATION & BORDER MANAGEMENT

10 Migration
- Asylum & Migration Fund

11 Border Management
- Integrated Border Management Fund

V. SECURITY & DEFENCE

12 Security
- Internal Security Fund
- Nuclear Decommissioning (Lithuania)
- Nuclear Safety and Decommissioning (including for Bulgaria and Slovakia)

13 Defence
- European Defence Fund
- Connecting Europe Facility – Military Mobility

14 Crisis Response
- Union Civil Protection Mechanism (rescEU)

VI. NEIGHBOURHOOD & THE WORLD

15 External Action*
- Neighbourhood, Development and International Cooperation Instrument (including external aspects of migration)
- Humanitarian Aid
- Common Foreign & Security Policy
- Overseas Countries & Territories (including Greenland)

16 Pre-Accession Assistance
- Pre-Accession Assistance

VII. EUROPEAN PUBLIC ADMINISTRATION

17 European Public Administration
- Administrative Expenditure, Pensions and European Schools

INSTRUMENTS OUTSIDE THE MFF CEILINGS

- Emergency Aid Reserve
- EU Solidarity Fund
- European Globalisation Adjustment Fund
- Flexibility Instrument
- European Investment Stabilisation Function

*The European Peace Facility is an off-budget fund outside the Financial Framework

I. SINGLE MARKET, INNOVATION & DIGITAL

Investing in:

- Research and Innovation
- Key strategic infrastructure
- Strengthening the Single Market
- Strategic space projects

Europe's future prosperity depends on the investment decisions we take today. The EU budget has long been a vital source of investment across Europe. Stepping up investment now in areas such as research, strategic infrastructure, digital transformation and the Single Market will be key to unlocking future growth and tackling common challenges such as decarbonisation and demographic change.

The new European research programme, **Horizon Europe**, will help Europe remain at the forefront of global research and innovation. As highlighted in the report of the High Level Group chaired by Pascal Lamy[11], investment in research will allow the Union to compete with other developed and emerging economies, ensure a prosperous future for its citizens, and preserve its unique social model. Building on the success of Horizon 2020, the new programme will continue to promote research excellence and strengthen the focus on innovation, for instance through the development of prototypes, intangible assets, knowledge and technology transfer. A new **European Innovation Council** will provide a one-stop shop for high potential and disruptive innovators, aiming to make Europe a front runner in market-creating innovation.

Building on the success of the European Fund for Strategic Investments in catalysing private investments throughout Europe, the Commission proposes to set up a new, fully integrated investment fund, **InvestEU**. In this way, a relatively limited amount of public resources can be used to mobilise significant private resources for much needed investments. With the European Investment Bank Group as the main implementing partner and other partners such as National Promotional Banks contributing to the delivery, InvestEU will anchor all centrally managed financial instruments inside the EU in a single, streamlined structure. This new approach will reduce overlaps, simplify access to funding and reduce administrative burden. With a contribution from the EU budget of EUR 15.2 billion[12], InvestEU is expected to mobilise more than EUR 650 billion of additional investment across Europe.

Cross-border infrastructure is the backbone of the Single Market, helping goods, services, businesses and citizens to move freely across borders. Through the reformed **Connecting Europe Facility**, the Union will continue to invest in trans-European transport, digital and energy networks. The future programme will better exploit the synergies between transport, digital and energy infrastructure, for example through developing alternative fuels infrastructure or sustainable and smart grids underpinning the Digital Single Market and the Energy Union. Building on the successful approach of the current programming period, part

[11] See the report on "Investing in the European Future we want – Report of the independent High Level Group on maximising the impact of EU Research and Innovation Programmes".

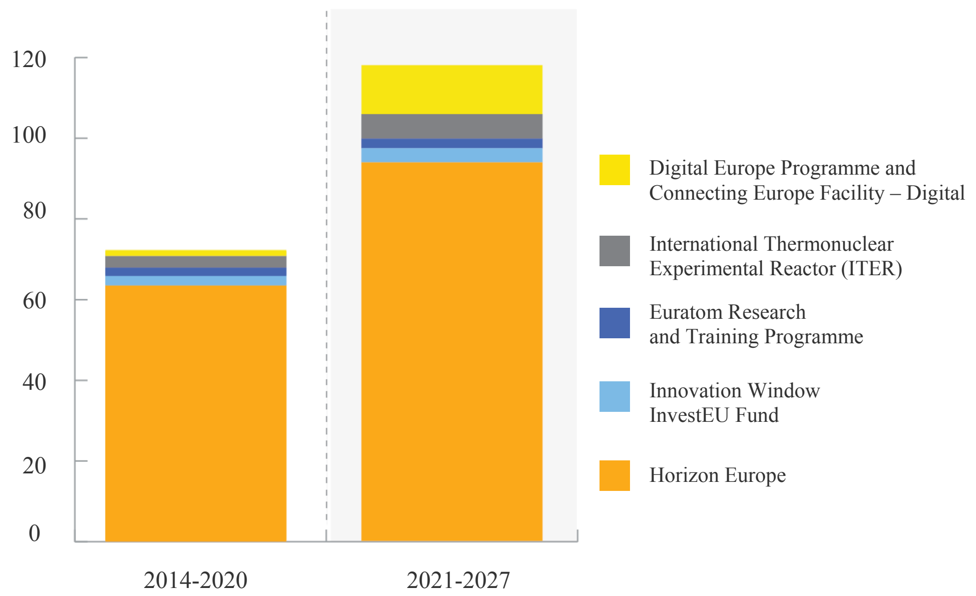
[12] Unless indicated otherwise, amounts presented in this Communication are in current prices. Figures expressed in current prices include the effect of inflation. They are calculated using a 2% annual inflation adjustment.

of the Cohesion Fund allocation (EUR 11.3 billion) will be transferred to the Connecting Europe Facility for transport projects offering high European added value.

In order to bridge the current digital investment gap, the Commission proposes to establish a new **Digital Europe Programme** to shape and support the digital transformation of Europe's society and economy. Technological change and digitisation are changing our industries, societies, jobs and careers, as well as our education and welfare systems. By supporting strategic projects in frontline areas such as artificial intelligence, supercomputers, cybersecurity or industrial digitisation, and investing in digital skills, the new programme will help to complete the Digital Single Market, a key priority of the Union. The Commission proposes a combined increase of 64% in research, innovation and digital investment under direct management in the next Financial Framework. These investments will be complemented by research, innovation and digital projects supported by the European Structural and Investment Funds.

Investing in the future

In billion euro, current prices



Note: Compared to the Multiannual Financial Framework 2014-2020 at EU-27 (estimate)

Source: European Commission

A fully integrated **space programme** will bring together all of our activities in this highly strategic field. This will provide a coherent framework for future investment, offering increased visibility and more flexibility. By improving efficiency, it will ultimately help roll out new space-driven services that will benefit all EU citizens. The EU budget will also continue to fund Europe's contribution to the development of the **International Thermonuclear Experimental Reactor (ITER)** project to develop a viable source of safe and environmentally friendly energy for the future.

The Commission is also proposing a new, dedicated programme to support the smooth running of the **Single Market**, Europe's best asset to generate growth in globalised markets, and contribute to the development of a **Capital Markets Union**. Building on the success of the current programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises (COSME), the Commission proposes to strengthen the support given to small business – the engine of our economy – to scale up and expand across borders. The new programme will help companies and consumers to better exploit the potential of the Single Market by putting in place information tools, developing standards, and supporting cooperation between administrations.

The Commission proposes to renew and reinforce the **Customs** programme, so as to support the further digitisation and modernisation of the customs union, which celebrates its 50th anniversary this year. In parallel, the **Fiscalis** programme will underpin deepened cooperation between tax administrations, including shared efforts to combat tax fraud and tax avoidance.

II. COHESION & VALUES

Investing in:

- Regional development and cohesion
- Completing the Economic and Monetary Union
- People, social cohesion and values

Economic and social conditions across Europe are improving and employment is strong in many parts of the Union. However, the effects of the economic crisis are still being felt in some parts of Europe. Some regions have fallen further behind, partly due to the effects of globalisation and the digital transformation. Significant disparities persist in the Union and societies face a range of new challenges. The EU budget plays a crucial role in contributing to sustainable growth and social cohesion, and in promoting common values and a sense of belonging to the EU.

The Commission is proposing to modernise and strengthen **Cohesion Policy**[13]. Working together with other programmes, the funds will continue to offer essential support to Europe's Member States and regions. The aim is to drive up convergence, to help reduce economic, social and territorial disparities within Member States and across Europe, as well to support delivering on the political priorities agreed in Bratislava and Rome.

Cohesion Policy will play an increasingly important role in supporting the ongoing economic reform process in the Member States. The Commission proposes to **strengthen the link between the EU budget and the European Semester** of economic policy coordination, which takes regional specificities into account. The Commission will propose dedicated investment-related guidance alongside the annual Country-Specific Recommendations, both ahead of the programming process and at mid-term to provide a clear roadmap for investment in reforms that hold the key to a prosperous future.

Economic and social conditions differ significantly between regions. Whereas there has been important upward convergence in many areas, some regions have actually diverged in recent years, even in relatively richer countries. This evolution should be reflected in Cohesion Policy, so that no region is left behind. The **relative per capita gross domestic product will**

[13] Cohesion Policy is delivered through three main funds, the European Fund for Regional Development, the European Social Fund and the Cohesion Fund.

remain the predominant criterion for the allocation of funds – as the main objective of Cohesion Policy is and will remain to help Member States and regions lagging economically or structurally behind to catch up with the rest of the EU – while other factors such as unemployment (notably youth unemployment), climate change and the reception/integration of migrants will also be taken into account. The Commission also proposes to increase national co-financing rates to better reflect today's economic realities. This will have the benefit of increasing ownership at national level, sustaining larger investment volumes and improving their quality. Due consideration will be given to the specificities of the outermost regions and sparsely populated areas.

The new legal framework will also allow for more efficient links with other EU programmes. For example, Member States will be able to transfer some of their allocated funds to the **InvestEU** fund, in order to have access to the guarantee provided by the EU budget. They will also be able to fund "Seal of Excellence" projects identified by the **Horizon Europe** programme as internationally excellent projects in their regions. This will help ensure that investment in infrastructure is well-coordinated with other EU investment in crucial areas such as research and innovation, digital networks, decarbonisation, social infrastructures and skills.

As announced by the Commission in December 2017[14], the future of the EU budget cannot be separated from the goal to bring about a more stable and efficient **Economic and Monetary Union**, to the benefit of the Union as a whole. Under the Treaties, all Member States of the EU are part of the Economic and Monetary Union, also the Member States with a derogation or an opt out, which all participate therefore in the European Semester process. Under the Treaties, the euro is the currency of the EU, and economic convergence and stability are objectives of the Union as a whole. This is why the tools to strengthen the Economic and Monetary Union must not be separate but part and parcel of the overall financial architecture of the Union.

THE EU BUDGET AND THE ECONOMIC AND MONETARY UNION

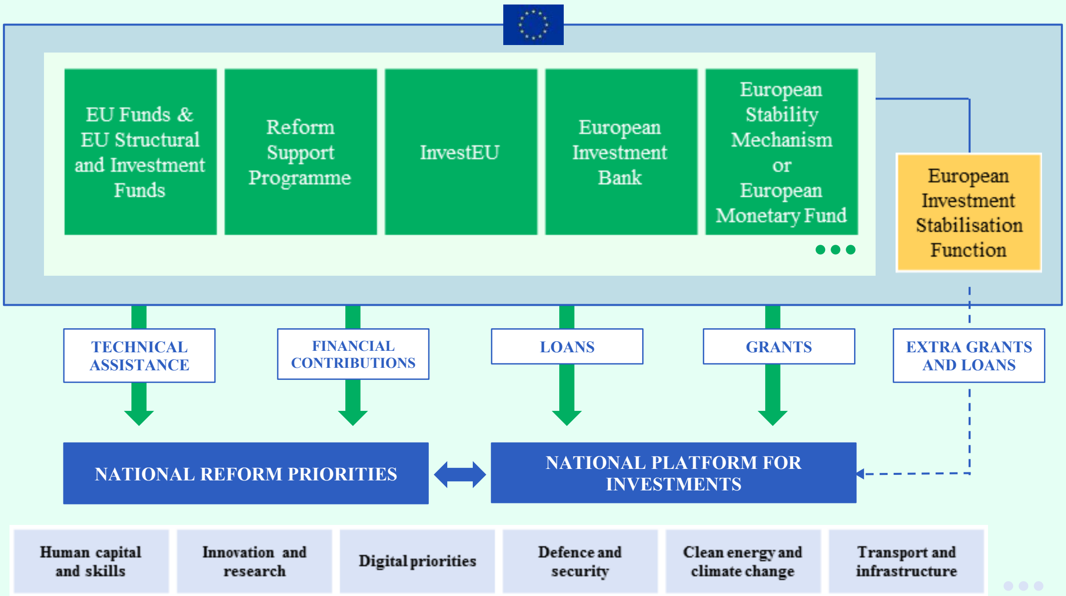
A stable euro area is a precondition for the financial stability and prosperity of the entire Union. As announced in the package on **Deepening Europe's Economic and Monetary Union** of 6 December 2017, the Commission is proposing new budgetary instruments for a stable euro area and for convergence towards the euro area within the Union framework. These new instruments will complement other EU funds, including the European Structural and Investment Funds and InvestEU, in supporting economic convergence, financial stability, job creation and investment.

A new, strong **Reform Support Programme** will offer technical and financial support for reforms at national level with an overall budget of EUR 25 billion. This new programme will be separate but complementary to the future European Structural and Investment Funds. It will include a **Reform Delivery Tool** providing financial incentives across *all* Member States for key reforms identified as part of the European Semester. It will focus on those reforms that can contribute most to making domestic economies more robust and that have positive spill over effects on other Member States. These include reforms in product and labour markets, education, tax reforms, the development of capital markets, reforms to improve the business environment as well as investment in human capital and public administration reforms. This new programme will also include a dedicated **Convergence Facility** to support non-euro area Member States seeking to adopt the single currency during the period of the next Multiannual Financial Framework. Allocations foreseen for the Convergence Facility will be transferred to the Reform Delivery Tool if by the end of 2023 an eligible Member State has not taken the necessary steps to claim support from the Convergence Facility. Participation in all three legs of the Reform Support Programme will be voluntary and Member States will keep full ownership of the reforms carried out.

[14] COM(2017) 822.

A new **European Investment Stabilisation Function** will complement existing instruments at national and European level to absorb large asymmetric macroeconomic shocks in the euro area. As shown in the recent crisis, national automatic stabilisers alone may not be sufficient to cope with large asymmetric shocks and the cuts in investment that often result. In addition to the existing mechanisms, it is proposed that the EU budget will guarantee back-to-back loans of up to EUR 30 billion. The loans will be available to Member States complying with strict eligibility criteria for sound fiscal and economic policies. The European Investment Stabilisation Function will also provide an interest rate subsidy in order to provide the necessary funding for national budgets to maintain investment levels. This subsidy will be financed from contributions from euro area Member States equivalent to a share of monetary income (*seigniorage*). The European Investment Stabilisation Function could be complemented over time by additional sources of financing outside the EU budget, such as an insurance mechanism financed from voluntary contributions by Member States as well as a possible role for the European Stability Mechanism and for the future European Monetary Fund. The European Investment Stabilisation Function will be open to non-euro area Member States if they contribute to its financing according to the European Central Bank capital subscription key.

New budgetary instruments for a stable euro area within the Union



Source: European Commission. Update of COM(2017) 822

The EU budget also has a vital role to play in delivering on the promises made by Leaders at the Gothenburg Social Summit in November 2017. This means strengthening the social dimension of the Union, including through the full implementation of the **European Pillar of Social Rights**. Within Cohesion Policy, a strengthened and restructured **European Social Fund** will amount to around EUR 100 billion over the period, representing a share of about 27% of cohesion expenditure. It will provide targeted support to youth employment, up- and re-skilling of workers, social inclusion and poverty reduction. To maximise the impact of funding in this area, the Commission proposes to pool the resources of the European Social Fund, the Youth Employment Initiative, the Fund for European Aid to the Most Deprived, the Employment and Social Innovation programme and the Health programme into one comprehensive instrument.

The Commission proposes a **stronger "youth" focus** in the next Financial Framework. This will be achieved by **more than doubling the size of Erasmus+** and the European Solidarity Corps. The Erasmus+ programme, one of the Union's most visible success stories, will continue to create opportunities for the education and mobility of young people. The focus will be on inclusiveness, and to reach more young people from disadvantaged backgrounds. This will allow more young people to move to another country to learn or work. A more powerful Erasmus+ programme will reach a size of EUR 30 billion over the period and also include an amount of EUR 700 million for Interrail passes for young people. The Commission also proposes to establish a single **European Solidarity Corps**, integrating the existing EU Aid Volunteers programme. This will offer European citizens a unique opportunity to engage in humanitarian activities with people in need within and outside Europe.

The Commission proposes a new **Justice, Rights and Values Fund**, comprising the **Rights and Values** and **Justice** programmes. At a time where European societies are confronted with extremism, radicalism and divisions, it is more important than ever to promote, strengthen and defend justice, rights, and EU values, which have profound and direct implications for political, social, cultural and economic life in Europe: respect for human dignity, freedom, democracy, equality, the rule of law and human rights. Creating opportunities for engagement and democratic participation in political and civil society are essential tasks for the future EU budget. As part of the new Fund, the Justice Programme will continue to support the development of an integrated European justice area and cross-border cooperation.

Culture is and must be at the heart of the European project. Cultural and linguistic diversity as well as our cultural heritage are the defining characteristics of our continent and our European identity. Through the **Creative Europe** programme, the Commission wants to place a strong emphasis in the next budget on support for culture and the audiovisual sector, including with a strong MEDIA strand with reinforced funding to support the European creative and audiovisual industry.

The EU's crisis management instruments have proven their worth in recent years. Outside the EU budget, the Commission proposes to maintain and reinforce the **European Union Solidarity Fund**, which supports Member States in recovering after severe natural disasters, and the **European Globalisation Adjustment Fund**, which offers one-off assistance to workers who have lost their jobs in the context of a significant number of unexpected dismissals caused by the adverse effects of developments in global trade and economic disruption.

III. NATURAL RESOURCES & ENVIRONMENT

Investing in:

- Sustainable agriculture and maritime sectors and a safe, high-quality food supply
- Climate action and environmental protection

Sustainability is a common thread through the work of the Union in many different areas. This is both by necessity and by choice. Through modernised agricultural and maritime policies, dedicated funding for climate action and environmental protection, the mainstreaming of climate across the budget and enhanced integration of environmental objectives, the EU budget is a driver of sustainability.

The Commission is proposing a reformed, modernised **Common Agricultural Policy**. This will allow a fully integrated Single Market for agricultural goods in the EU to be maintained. It will also ensure access to safe, high quality, affordable, nutritious and diverse food. The reformed policy will place greater emphasis on the environment and climate. It will support the transition towards a fully sustainable agricultural sector and the development of vibrant rural areas.

The reformed policy will, with EUR 365 billion[15], continue to be built around two pillars: direct payments to farmers and rural development funding. For the latter, the Commission proposes to increase national co-financing rates. Management will be shared between the EU and the Member States. The Commission proposes to introduce a **new delivery model**, shifting from today's compliance-based policy to a result-oriented policy to deliver on common objectives set at EU level but more flexibly implemented at national level.

Direct payments to farmers will remain an essential part of the policy, but will be streamlined and better targeted. A **more balanced distribution** will be promoted and a compulsory cap on amounts received or degressive payments will be introduced at farm level. This will mean that support is redistributed towards medium-sized and smaller farms, and possibly to rural development. Direct payment levels per hectare between Member States will continue to **converge** towards the EU average.

The new policy will require a **higher level of environmental and climate ambition** by strengthening conditionality for direct payments, consistent with environmental policies, ring-fencing a significant part of rural development funding for actions beneficial to the climate and the environment and introducing voluntary eco-schemes in the budget for direct payments within a performance-based and strategic framework.

In order to address crises generated by unforeseeable developments in international markets, or by a specific shock to the agricultural sector due to actions undertaken by third countries, a **new crisis reserve** will be established.

Through the **European Maritime and Fisheries Fund**, the EU budget will continue to support a sustainable **EU fisheries sector** and the coastal communities dependent on it. Promoting the **blue economy** in fisheries and aquaculture, tourism, clean ocean energy or blue biotechnology, provides real European added value by encouraging governments, industry and stakeholders to develop joint approaches to drive growth, while safeguarding the marine environment.

The Commission proposes to continue and strengthen the well-established programme for the environment and climate action, **LIFE**, which will also support measures promoting energy efficiency and clean energy. To supplement targeted nature preservation efforts, the Commission is also reinforcing the synergies with Cohesion Policy and the Common Agricultural Policy to finance investment in nature and biodiversity.

More broadly, in line with the Paris Agreement and the commitment to the United Nations Sustainable Development Goals, the Commission proposes to set a more ambitious goal for **climate mainstreaming** across all EU programmes, with a target of 25% of EU expenditure contributing to climate objectives.

[15] In addition, an amount of EUR 10 billion will be foreseen in Horizon Europe to support research and innovation in food, agriculture, rural development and the bioeconomy.

IV. MIGRATION & BORDER MANAGEMENT

Investing in:

- A comprehensive approach to managing migration
- Strengthening the management of external borders

The challenges of managing refugee flows and migration confirm the need for action at European level. The EU budget played a key role in funding a common response to the various dimensions of the migration crisis. The Commission proposes to increase support to strengthen our external borders, to improve the asylum system within the Union, and to step up the management and long-term integration of migrants.

The **effective protection of our external borders** is a prerequisite for ensuring a safe area for the free movement of persons and goods within the Union. This includes the proper management of flows of persons and goods and safeguarding the integrity of the customs union. A new integrated **Border Management Fund** will provide vital and reinforced support to Member States in the shared responsibility of securing the common external borders of the Union. The Fund will cover border management, visas and customs control equipment. It will help ensure equivalence in the performance of customs controls at the external borders. This will be achieved by addressing the current imbalances between Member States due to geographical, capacity and resource differences. This will not only strengthen customs controls but also facilitate legitimate trade, contributing to a secure and efficient customs union.

In an increasingly interconnected world and given the demographic dynamics and instability in Europe's neighbourhood, migration will continue to remain a long-term challenge for the Union. It is clear that this can be better managed by Member States, with the financial and technical support of the EU. The role of the Union budget is therefore pivotal in supporting the management of asylum seekers and migrants, in developing search and rescue capacities to save the lives of those attempting to reach Europe, in managing effective returns and in other actions that need a coordinated response beyond the capacity of individual Member States.

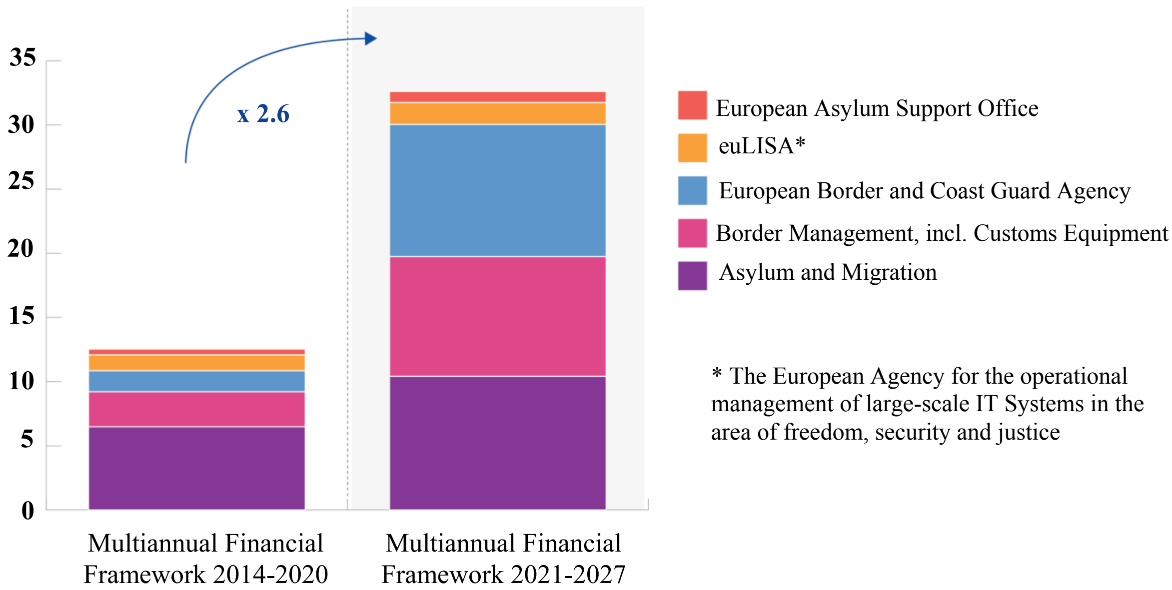
The Commission proposes to reinforce the **Asylum and Migration Fund** to support the work of national authorities to provide reception to asylum seekers and migrants in the period immediately after arrival on EU territory, as well as developing a common asylum and migration policy and ensuring effective returns. Cohesion Policy will provide support to facilitate the long-term integration after the initial phase of reception. The instruments under the external policy will address the root causes of migration and support cooperation with third countries on migration management and security, thus contributing to the implementation of the Partnership Framework on migration.

These efforts need to be complemented by a strong and fully operational **European Border and Coast Guard (FRONTEX)** at the core of a fully integrated EU border management system. The Commission proposes to create a standing corps of around 10,000 border guards by the end of the financial period. It will also provide financial support and training for the increase of the national border guard component in Member States. This will also allow for the stepping up of operational capacity, the reinforcement of existing tools and the development of EU wide information systems for borders, migration management and security.

Overall, the EU budget for the management of external borders, migration and refugee flows will be significantly reinforced, totalling nearly EUR 33 billion, compared to EUR 12.4 billion for the period 2014-2020.

A strong focus on migration and protecting our external border

In billion euro, current prices



Note: Compared to the Multiannual Financial Framework 2014-2020 at EU-27 (estimate)

Source: European Commission

V. SECURITY & DEFENCE

Investing in:

- The security and safety of Europe's citizens
- Improving Europe's defence capacities
- Response to crisis

Over recent years, security threats have intensified and diversified in Europe. They have come in the form of terrorist attacks, new types of organised crime, as well as cybercrime. Security has an inherently cross-border dimension and therefore a strong, coordinated EU response is required. Beyond internal security challenges, Europe faces complex external threats that no Member State can meet on its own. To be ready to protect its citizens, Europe also needs a step change to enhance its strategic autonomy and to build well-designed and streamlined instruments in relation to defence.

The Commission proposes to reinforce the **Internal Security Fund** in order to develop networks and common systems for efficient cooperation between national authorities and to improve the capacity of the Union to face these security threats. This will be complemented by efforts to strengthen **cybersecurity** in all relevant programmes focused on digital technologies, infrastructures and networks, research and innovation as well as targeted defence against cybercrime, notably through the Digital Europe Programme and Horizon Europe.

The Commission also proposes to reinforce the **European Union Agency for Law Enforcement Cooperation (Europol)**. This will increase its ability to support the work of national authorities and provide a European response to security threats.

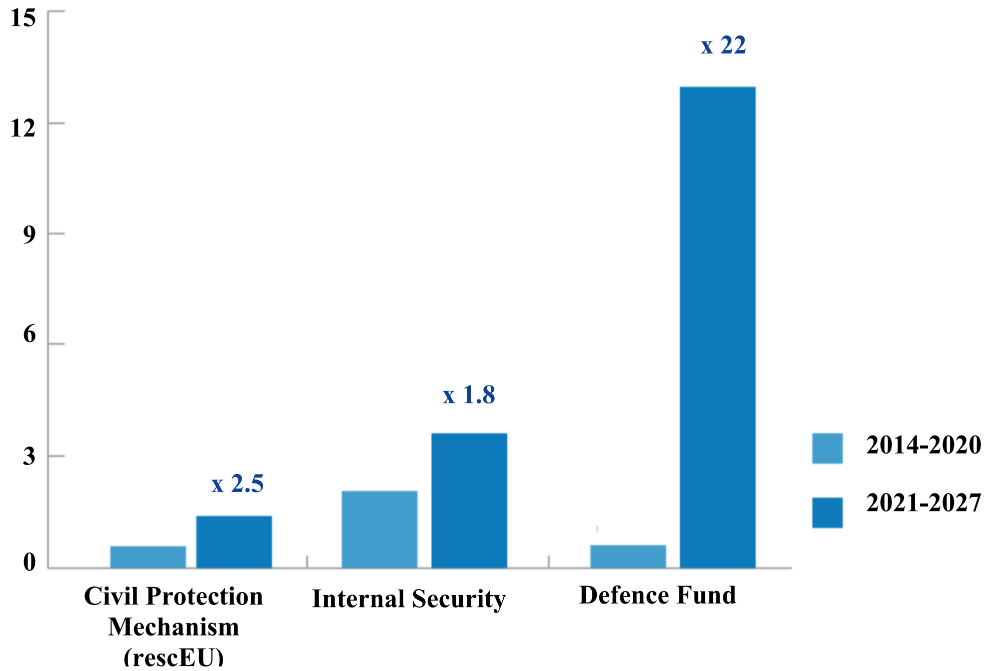
The Union will continue to provide strictly targeted financial support for the **decommissioning and safety of nuclear activities** in some Member States (Lithuania, Bulgaria and Slovakia), as well as its own nuclear installations. The EU budget will also provide lasting support for the health of workers and the general public, preventing environmental degradation and contributing to nuclear safety and security.

In the area of **defence**, the Union will need to take greater responsibility for protecting its interests, values and the European way of life, complementing the work of the North Atlantic Treaty Organisation. While Europe cannot substitute Member States' efforts in defence, it can encourage and leverage their collaboration in developing the defence capabilities needed to address common security challenges. The Commission proposes a strengthened **European Defence Fund** that will aim to foster the competitiveness and innovative capacity of the defence industry throughout the Union by supporting collaborative actions at each stage of the industrial cycle, starting with research. This will avoid duplication, allow for economies of scale and ultimately result in a more efficient use of taxpayers' money. In addition, the Commission proposes that the Union enhances its strategic transport infrastructures so as to make them fit for **military mobility**, through the Connecting Europe Facility.

Developments in recent years have shown that the Union must be able to deploy operational assistance rapidly to deal with unexpected developments, natural and man-made disasters. This is why the Commission is proposing to increase the resources available for **crisis response**. This will be achieved through a reinforced **Civil Protection Mechanism** (***rescEU***) and an enlarged **Emergency Aid Reserve**, to provide financial means above the ceilings set in the Financial Framework in case of emergencies inside and outside the Union. The Commission also proposes maintaining **unallocated reserves** in certain programmes, such as the Asylum and Migration Fund and the Internal Security Fund, to be used in the event of crisis and emergency situations.

A step change for security and defence

In billion euro, current prices



Note: Compared to the Multiannual Financial Framework 2014-2020 at EU-27 (estimate)

Source: European Commission

VI. NEIGHBOURHOOD & THE WORLD

Investing in:

- The Union's external action in its neighbourhood, in developing countries and the rest of the world
- Assistance for countries preparing for accession to the Union

The challenges for the EU's external action, including those defined in the Global Strategy for the EU Foreign and Security Policy, the reviewed European Neighbourhood Policy, and the new European Consensus on Development, require a significant modernisation of the external dimension of the budget to increase its effectiveness and visibility. Stronger co-ordination between external and internal policies is also needed with a view to implementing the Sustainable Development Goals and the Paris Climate Agreement, as well as the Partnership Framework with third countries on migration.

The Commission is therefore proposing a **major restructuring** of the Union's external action instruments to provide more coherence between instruments, to exploit economies of scale and synergies between programmes and to simplify processes. This will make the Union better equipped to pursue its goals and project its interests, policies and values globally.

The proposed new architecture for the Union's external action instruments reflects the need to focus on strategic priorities both geographically – the European **Neighbourhood, Africa and the Western Balkans**, as well as countries that are fragile and most in need, but also thematically – security, migration, climate change and human rights.

The Commission proposes to bring together most of its existing instruments into a broad **Neighbourhood, Development and International Cooperation Instrument** with worldwide coverage. The financial architecture will be further simplified via the **integration of the European Development Fund**, to date the EU's main instrument for providing assistance to African, Caribbean and Pacific countries and to overseas countries and territories[16].

The broad instrument will have ring-fenced budget allocations per geographical region, including the Neighbourhood and Africa. At the same time it will offer more flexibility in responsiveness and a wider range of options for actions to better serve the Union's priorities. This will also include a "**emerging challenges and priorities cushion**" to allow for flexibility in response to existing or emerging urgent priorities, notably in the areas of stability and migration.

Building on the European External Investment Plan and its European Fund for Sustainable Development, a new **external investment architecture** will allow for the "crowding-in" of additional resources from other donors and from the private sector. This will help to address development challenges, by complementing grants with budget guarantees, other market-based instruments, technical assistance, "blending", and possible participation in the capital of development financial institutions, allowing to further advance the Union's objectives and policies. In addition, **macrofinancial assistance** will contribute to addressing economic crises.

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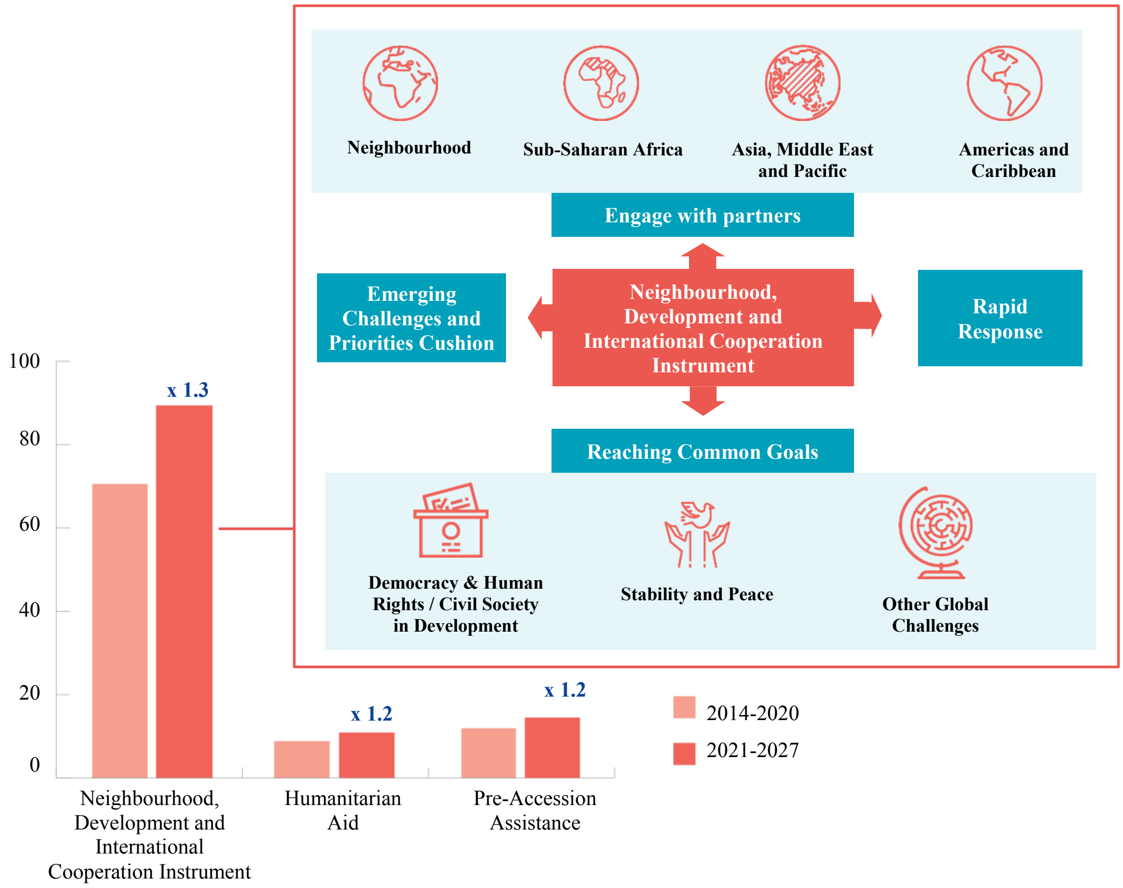
[16] The Commission proposal for the integration of the European Development Fund is among the elements requiring an increase of the Own Resources ceiling. It will in addition be essential that the rules governing the Neighbourhood, Development and International Cooperation Instrument include similar flexibility provisions to those in place for the current European Development Fund.

The **Instrument for Pre-Accession Assistance** will support candidate countries and potential candidates on their path to fulfilling the accession criteria. It will moreover contribute to the achievement of broader European objectives of ensuring stability, security and prosperity in the immediate neighbourhood of the Union. It will also be positioned in the context of the Western Balkans Strategy and will reflect the developments in relations with Turkey.

Together with its international partners and action by Member States, the Union will continue to play a leading role in humanitarian assistance. The Commission proposes a strengthened **Humanitarian Aid instrument** to provide needs-based delivery of EU assistance to save and preserve lives, prevent and alleviate human suffering, and safeguard the integrity and dignity of populations affected by natural disasters or man-made crises.

Europe as a strong global player

In billion euro, current prices



Note: Compared to the Multiannual Financial Framework 2014-2020 at EU-27, including the European Development Fund (estimate)

Source: European Commission

The Union must also contribute to the prevention of crises, restoration of peace, public order, or stabilisation of all countries or regions in the world faced with conflict or disorder. Under the Treaties, the EU budget is not able to cover all EU areas of action in the field of external security and defence. This has hampered the impact, effectiveness and sustainability of the overall EU action. To address this, the High Representative of the Union for Foreign Affairs and Security Policy, with the support of the Commission, will propose a separate extra-budgetary funding mechanism, the **European Peace Facility**. This Facility aims to close the current gap in the EU's ability to conduct Common Security and Defence Policy missions and to provide military and defence assistance to relevant third countries, international and regional organisations. The Facility will allow the Union to do more and to act more swiftly to prevent conflicts, promote human security, address instability and work towards a safer world.

VII. EUROPEAN PUBLIC ADMINISTRATION

Investing in:

- An efficient and modern public administration at the service of all Europeans

The European public administration is small in comparison with national and even many regional and local administrations. However, it plays a crucial role in helping the Union to deliver on its priorities and to implement policies and programmes in the common European interest.

In recent years, the European administration has undergone **deep reform**. As part of the agreement on the current Multiannual Financial Framework in December 2013, the reform of the staff regulations introduced **significant efficiency measures**[17]. In addition, institutions undertook to **reduce staffing levels by 5%**. The Commission has implemented this commitment in full and other institutions, bodies, and agencies are also implementing this reduction, leading to a decrease of the relative share of the Commission's staff in all European bodies. The Court of Auditors has recently concluded that the reduction has broadly been achieved by all institutions and bodies.

It should be noted that these reforms were made at a time when the Union's staff needed to intensify work, take on new tasks in new priority areas, and address unforeseen challenges such as the migration and refugee crises.

The European public administration should seek to operate as efficiently as possible. The Commission is continually seeking to make the most of synergies and efficiencies. However, the administration must be adequately resourced to deliver on its essential functions. The need to invest in information technologies and the upgrading of buildings will not disappear in the future. The withdrawal of the United Kingdom will result in a limited reorientation of some functions within the administration but the scope of activities will not change – and in some new priority areas will be intensified. Translation and interpretation services in the English language will also remain unaffected.

The ceiling set for the Union's administrative expenditure in 2020 represents 6.7% of the overall Multiannual Financial Framework. This covers the administrative expenditure of all EU institutions, pensions and the costs of the European Schools. Following the significant efforts made notably by the Commission in the current period, a further reduction would call into question the functioning of the EU institutions and efficient policy delivery and implementation. A strong European Union with many additional tasks entrusted to it by the Member States needs an efficient and agile civil service, **capable of attracting talented**

[17] These reforms included a two-year salary freeze accompanied by an increase of working time to 40 hours a week without compensation, the creation of a more moderate salary scale for secretarial and clerical jobs, and the reduction of annual leave. The reform also substantially affected pension entitlements by means of a reduction in end-of-career salaries, a higher retirement age and reduction of the pension accrual rate.

people from *all* Member States to work for the benefit of all Europeans. The Commission therefore proposes to maintain the situation of administrative spending at its current level[18].

4. MATCHING PRIORITIES WITH RESOURCES

To turn the political priorities agreed at EU level into results on the ground, well-designed programmes must be equipped with sufficient resources to make a difference. As explained in the Commission's contribution to the Informal Leaders' Meeting in February[19], decisions taken on levels of financing for the future long-term budget cannot be separated from the Union's ambitions in each of the priority areas.

The Commission's proposals are based on a rigorous assessment of the resources needed to deliver efficiently on the Union's goals, and of the efficiency and added value of spending in each area. Through well-designed programmes, efficient implementation and intelligent combination with other sources of financing, even a modest EU budget can have a significant impact. However, there are limits to what this can achieve and, if Europe wants to move forward together on its positive agenda, it will require a budget to match.

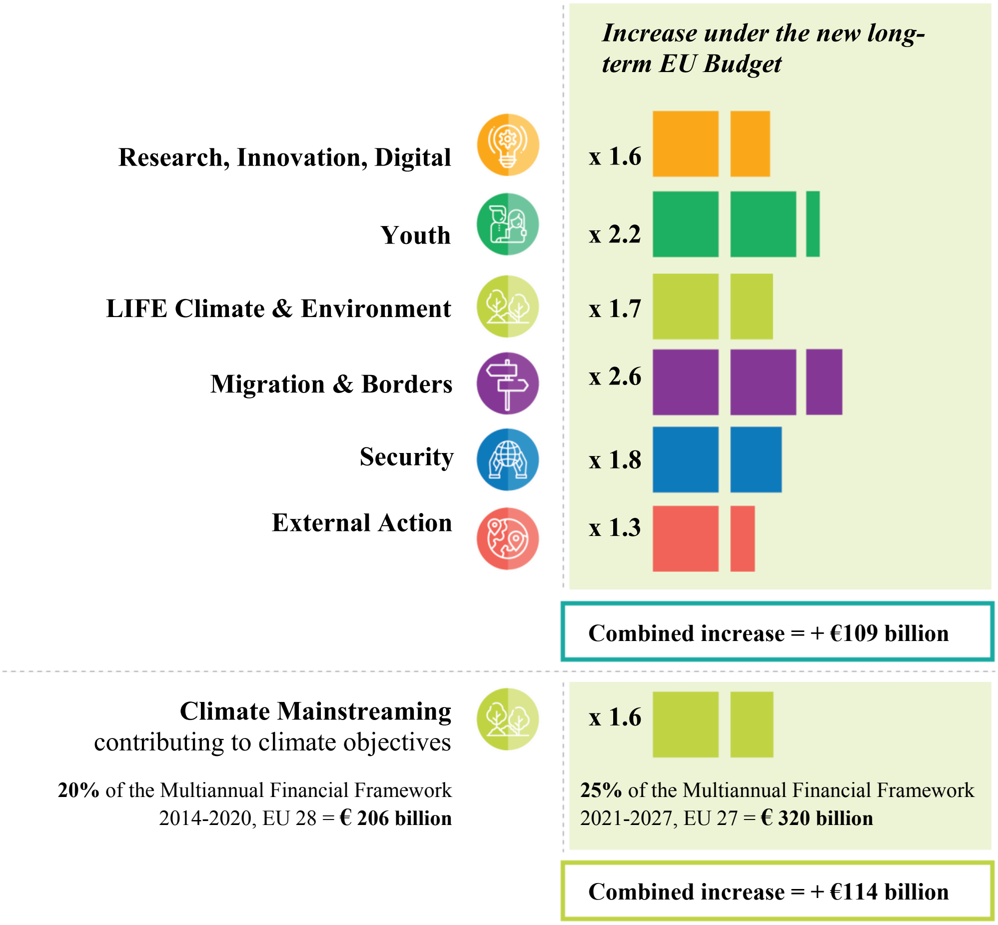
The key challenge for the future EU budget is to provide adequate support for new and existing priorities while also addressing the shortfall in national contributions resulting from the United Kingdom's withdrawal. The Commission proposes a **balanced approach**. New priorities should be financed predominantly by new resources. The shortfall arising from the United Kingdom's departure should be partly matched by new resources and partly by savings and redeployments from existing programmes.

In order for the EU budget to make a meaningful contribution in many of the new priority areas, in particular where new instruments are being created, current levels of funding will need to be increased. Investing now in areas such as research and innovation, young people and the digital economy will pay rich dividends for future generations. This is why the Commission proposes significant increases in priority areas.

[18] In the framework of the mid-term review of the Multiannual Financial Framework in 2023, the Commission will reflect on the feasibility of the creation of a capital-based pension fund for EU staff.

[19] COM(2018) 98.

New and reinforced priorities for the Union at 27



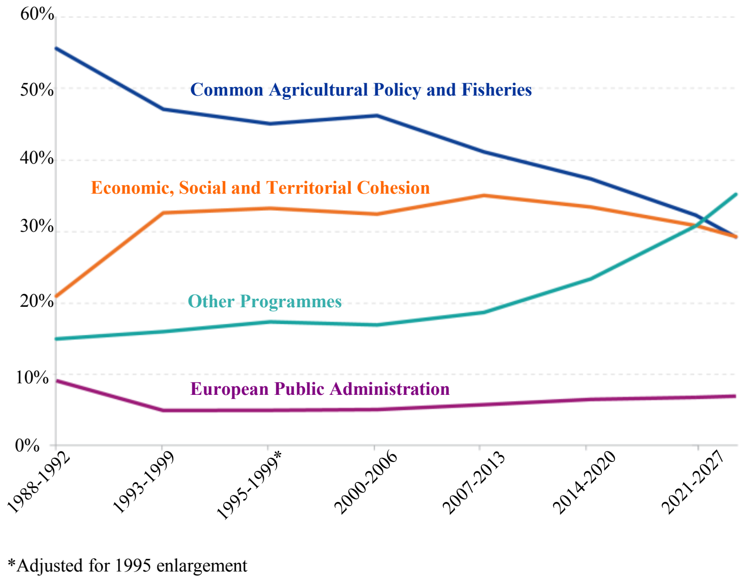
Note: Compared to the Multiannual Financial Framework 2014-2020 at EU-27, including the European Development Fund (estimate)

Source: European Commission

At the same time, the Commission has critically examined where savings can be made without undermining the added value of EU programmes. As part of this effort, the Commission proposes that the budget allocation to the Common Agricultural Policy and Cohesion Policy be moderately reduced to reflect the new context and to free up resources for other activities. The modernisation of these policies will allow them to continue to deliver on their core objectives while also contributing to new priorities. For example, Cohesion Policy will have an increasingly important role to play in supporting structural reform and the integration of migrants.

The result of these changes will be a rebalancing of the budget and an increasing focus on the areas where the European added value is highest.

Evolution of main policy areas in the EU budget

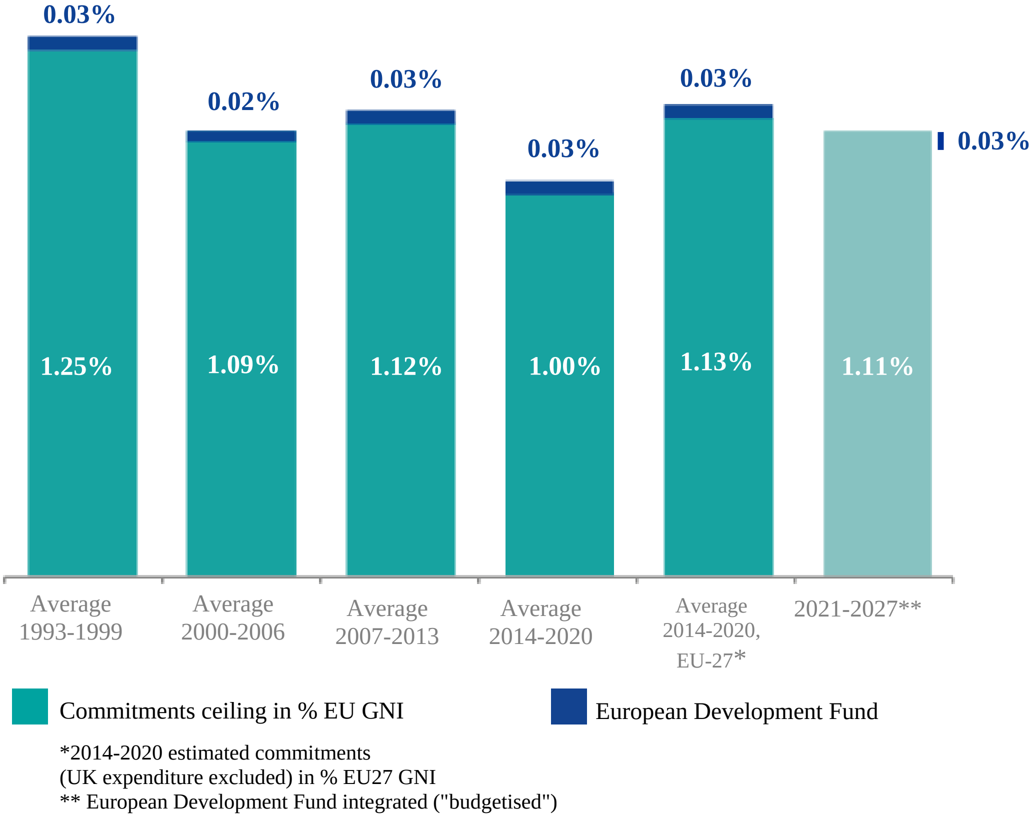


Source: European Commission

Overall, through a combination of additional contributions and savings, the Commission proposes a Multiannual Financial Framework of EUR 1,279 billion in commitments over the period 2021-2027, equivalent to 1.114% of the EU-27 gross national income. This is comparable to the size of the current Financial Framework in real terms including the European Development Fund[20].

[20] The European Development Fund corresponds to around 0.03% of the EU-27 gross national income.

The size of the EU budget as a percentage of gross national income (GNI)



This level of commitments translates into EUR 1,246 billion in payments, corresponding to 1.08% of the EU-27 gross national income, to implement the current and future spending programmes until 2027. In order to ensure compliance with the own resources ceiling in force, in particular in the first two years of the next Multiannual Financial Framework, the Commission proposes a reduction of the pre-financing rate for Cohesion Policy and rural development programmes.

The proposed Financial Framework will run for seven years, from 2021 to 2027, with a **mid-term review** in 2023. The Commission recognises the merit of progressively synchronising the duration of the Financial Framework with the five-year political cycle of the European institutions. However, moving to a five-year cycle in 2021 would not offer an optimal alignment[21]. The proposed seven-year cycle will give the Commission taking office following the European elections of 2024 the opportunity to present, if it so chooses, a new framework with a duration of five years, starting in 2028.

[21] European Parliament Resolution of 14 March 2018 on "The next Multiannual Financial Framework: Preparing the Parliament's position on the Multiannual Financial Framework post-2020", point 23.

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	**25.421**	**25.890**	**26.722**	**26.604**	**27.000**	**27.703**	**28.030**	**187.370**
2. Cohesion and Values	**54.593**	**58.636**	**61.897**	**63.741**	**65.645**	**69.362**	**68.537**	**442.412**
Of which: Economic, social and territorial cohesion	48.388	49.890	51.505	53.168	54.880	56.647	58.521	373.000
3. Natural Resources and Environment	**53.403**	**53.667**	**53.974**	**54.165**	**54.363**	**54.570**	**54.778**	**378.920**
Of which: Market related expenditure and direct payments	40.300	40.527	40.791	40.931	41.072	41.214	41.357	286.195
4. Migration and Border Management	**3.264**	**4.567**	**4.873**	**5.233**	**5.421**	**5.678**	**5.866**	**34.902**
5. Security and Defence	**3.347**	**3.495**	**3.514**	**3.695**	**4.040**	**4.386**	**5.039**	**27.515**
6. Neighbourhood and the World	**15.669**	**16.054**	**16.563**	**17.219**	**18.047**	**19.096**	**20.355**	**123.002**
7. European Public Administration	**11.024**	**11.385**	**11.819**	**12.235**	**12.532**	**12.949**	**13.343**	**85.287**
Of which: Administrative expenditure of the institutions	8.625	8.877	9.197	9.496	9.663	9.951	10.219	66.028
TOTAL COMMITMENT APPROPRIATIONS	**166.721**	**173.694**	**179.363**	**182.892**	**187.047**	**193.743**	**195.947**	**1.279.408**
as a percentage of GNI	1,12%	1,13%	1,13%	1,12%	1,11%	1,11%	1,09%	1,11%
TOTAL PAYMENT APPROPRIATIONS	**159.359**	**163.969**	**177.350**	**180.897**	**184.515**	**188.205**	**191.969**	**1.246.263**
as a percentage of GNI	1,07%	1,07%	1,12%	1,10%	1,09%	1,08%	1,07%	1,08%
Margin available	0,22%	0,22%	0,17%	0,19%	0,20%	0,21%	0,22%	0,21%
Own Resources ceiling as a percentage of GNI*	1,29%	1,29%	1,29%	1,29%	1,29%	1,29%	1,29%	1,29%
* The percentages are without prejudice to the ceiling set out in the Own Resources Decision in force								
OUTSIDE THE MFF CEILINGS								
Special Instruments:								
Emergency aid reserve	637	649	662	676	689	703	717	4.734
European Globalisation Adjustment Fund (EGF)	212	216	221	225	230	234	239	1.578
European Union Solidarity Fund (EUSF)	637	649	662	676	689	703	717	4.734
Flexibility instrument	1.061	1.082	1.104	1.126	1.149	1.172	1.195	7.889
European Investment Stabilisation Function*	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.
European Peace Facility	800	1.050	1.300	1.550	1.800	2.000	2.000	10.500
TOTAL OUTSIDE THE MFF CEILINGS	**3.347**	**3.648**	**3.950**	**4.253**	**4.557**	**4.812**	**4.868**	**29.434**
TOTAL MFF + OUTSIDE THE MFF CEILINGS	**170.068**	**177.341**	**183.313**	**187.145**	**191.604**	**198.555**	**200.816**	**1.308.843**
as a percentage of GNI	1,14%	1,15%	1,16%	1,14%	1,13%	1,14%	1,11%	1,14%

** For the European Investment Stabilisation Function an interest rate subsidy will be provided through external assigned revenues equivalent to a share of monetary income.*
Current prices are calculated by applying annually a fixed deflator of 2% to the amounts in 2018 prices.

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	**23.955**	**23.918**	**24.203**	**23.624**	**23.505**	**23.644**	**23.454**	**166.303**
2. Cohesion and Values	**51.444**	**54.171**	**56.062**	**56.600**	**57.148**	**59.200**	**57.349**	**391.974**
Of which: Economic, social and territorial cohesion	45.597	46.091	46.650	47.212	47.776	48.348	48.968	330.642
3. Natural Resources and Environment	**50.323**	**49.580**	**48.886**	**48.097**	**47.326**	**46.575**	**45.836**	**336.623**
Of which: Market related expenditure and direct payments	37.976	37.441	36.946	36.346	35.756	35.176	34.606	254.247
4. Migration and Border Management	**3.076**	**4.219**	**4.414**	**4.647**	**4.719**	**4.846**	**4.908**	**30.829**
5. Security and Defence	**3.154**	**3.229**	**3.183**	**3.281**	**3.517**	**3.743**	**4.216**	**24.323**
6. Neighbourhood and the World	**14.765**	**14.831**	**15.002**	**15.290**	**15.711**	**16.298**	**17.032**	**108.929**
7. European Public Administration	**10.388**	**10.518**	**10.705**	**10.864**	**10.910**	**11.052**	**11.165**	**75.602**
Of which: Administrative expenditure of the institutions	8.128	8.201	8.330	8.432	8.412	8.493	8.551	58.547
TOTAL COMMITMENT APPROPRIATIONS	**157.105**	**160.466**	**162.455**	**162.403**	**162.836**	**165.358**	**163.960**	**1.134.583**
as a percentage of GNI	1,12%	1,13%	1,13%	1,12%	1,11%	1,11%	1,09%	1,11%
TOTAL PAYMENT APPROPRIATIONS	**150.168**	**151.482**	**160.631**	**160.631**	**160.631**	**160.631**	**160.631**	**1.104.805**
as a percentage of GNI	1,07%	1,07%	1,12%	1,10%	1,09%	1,08%	1,07%	1,08%
Margin available	0,22%	0,22%	0,17%	0,19%	0,20%	0,21%	0,22%	0,21%
Own Resources ceiling as a percentage of GNI*	1,29%	1,29%	1,29%	1,29%	1,29%	1,29%	1,29%	1,29%
*The percentages are without prejudice to the ceiling set out in the Own Resources Decision in force								
OUTSIDE THE MFF CEILINGS								
Special Instruments:								
Emergency aid reserve	600	600	600	600	600	600	600	4.200
European Globalisation Adjustment Fund (EGF)	200	200	200	200	200	200	200	1.400
European Union Solidarity Fund (EUSF)	600	600	600	600	600	600	600	4.200
Flexibility instrument	1.000	1.000	1.000	1.000	1.000	1.000	1.000	7.000
European Investment Stabilisation Function*	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.
European Peace Facility	753	970	1.177	1.376	1.567	1.707	1.673	9.223
TOTAL OUTSIDE THE MFF	3.153	3.370	3.577	3.776	3.967	4.107	4.073	**26.023**
TOTAL MFF + OUTSIDE THE MFF	**160.258**	**163.836**	**166.032**	**166.179**	**166.803**	**169.465**	**168.033**	**1.160.606**
as a percentage of GNI	1,14%	1,15%	1,16%	1,14%	1,13%	1,14%	1,11%	1,14%

** For the European Investment Stabilisation Function an interest rate subsidy will be provided through external assigned revenues equivalent to a share of monetary income.*

Recent experience has shown that flexibility within the framework is paramount. The numerous challenges that the Union has faced in recent years have **stretched the existing flexibilities to their limits**. The EU budget must be flexible enough to allow the Union to respond quickly and effectively to unforeseen needs. The Commission is therefore proposing to revamp the existing flexibility mechanisms and to introduce a **new "Union Reserve"**.

- **Flexibility within and between programmes**. The Commission will propose built-in reserves to create flexibility within programmes. In addition, it is proposed that the amount that can be transferred from one programme to another within the same heading will be increased from 10% to 15%. The Commission also proposes the possibility of "blending" different forms of financial support, moving between different modes of management, "reprogramming" funding at mid-term as well as specific revisions of national allocations to adjust to developments over the period. This will increase flexibility still further, while preserving the fairness of the system.

- **Flexibility between headings and years**. Beyond ensuring sufficient unallocated margins, the Commission proposes to fully exploit the Global Margin for Payments introduced under the current framework. The Commission proposes to expand the size and scope of the Global Margin for Commitments in order to establish a **"Union Reserve"**. This will be financed from margins left available under the ceilings for commitments of the previous financial year, as well as through funds that have been committed to the EU budget but ultimately not spent in the implementation of programmes. This Reserve is a powerful new tool to tackle unforeseen events and to respond to emergencies in areas such as security and migration. It will also help address the economic and social consequences of trade disruptions once other available instruments have been exploited.

- **"Special instruments"**. The Commission has reviewed the scope of special instruments such as the Emergency Aid Reserve, the European Union Solidarity Fund and the European Globalisation Adjustment Fund. These instruments allow additional financial means to be entered in the EU budget over and above the ceilings set for the Financial Framework. The Commission proposes, where appropriate, to widen the scope of the instruments, for instance by allowing the activation of the Emergency Aid Reserve for emergencies inside the EU. The Commission also proposes to streamline the procedures for mobilising these instruments, and to increase the size of the flexibility instrument to EUR 1 billion (in 2018 prices[22]) per year.

5. A MODERN SYSTEM FOR FINANCING THE EU BUDGET

The spending and revenue sides of the budget are two sides of the same coin. Both require modernisation to maximise the contribution of the EU budget to the Union's political priorities. In line with the recommendations of the High Level Group on the "Future Financing of the EU", chaired by Mario Monti[23], the Commission proposes to modernise and simplify the existing Own Resources system and diversify the sources of revenue.

With the withdrawal of the United Kingdom, the associated budgetary rebate will end. The same is true for the rebates on the United Kingdom rebate that have been granted to some Member States. Rebates related to reduced call rates for the Value Added Tax-based Own Resource and the lump sum reductions for contributions based on gross national income will automatically expire at the end of 2020.

This presents an opportunity to simplify and reform the system, and to strengthen the alignment with Union policies and priorities. The Commission proposes to eliminate all corrections on the revenue side as part of a fair and balanced budget package. The collection costs retained by Member States from the traditional Own Resources will be restored from 20% to the original level of 10% to better align financial support for customs equipment, staff

[22] EUR 1,127 billion in current prices.
[23] See the report on "Future financing of the EU" presented in January 2017 by the High Level Group set up jointly by the European Parliament, the Council and the European Commission and chaired by Mario Monti.

and information with the actual costs and needs. The impact of these measures in relation to the burden of customs control will be closely monitored.[24]

The elimination of all rebates and the reduction of collection costs for custom revenue will increase the fairness of the Multiannual Financial Framework. However, the elimination of rebates will entail significant increases of contributions for certain Member States in the next Multiannual Financial Framework compared to their current situation.

In order to avoid a significant and sudden increase in their contribution as of 2021 of these Member States, it is proposed to phase out the current rebates over time. For this purpose all corrections on the revenue side of the budget will be transformed into transparent lump sum payments per Member State. These lump sums should be gradually decreased over five years until the national contributions (measured in percent of gross national income) reach a fair level comparable to other Member States not benefiting from a rebate.

As part of the modernisation of the Own Resources system and in addition to the traditional customs duties and gross national income-based contributions to the EU budget, the Commission proposes to **simplify the current Value Added Tax** based Own Resource, to base it on standard rated supplies only, while remaining fully compatible with the recent Commission proposal for a definitive Value Added Tax system in the EU. The Commission also proposes to forge a stronger link between the financing of the budget and the Union's policies by introducing a **basket of new Own Resources**. This basket is composed of a share of revenues from:

- **Emissions Trading System**: the European Emissions Trading System is a key tool of EU action to reduce greenhouse gas emissions cost effectively and has a direct link with the functioning of the Single Market. The Commission proposes to allocate a share of 20% of the Emissions Trading System revenues to the EU budget, while protecting the correction mechanisms already embedded in the system.
- The relaunched **Common Consolidated Corporate Tax Base**, to be phased in once the necessary legislation has been adopted. This will link the financing of the EU budget directly to the benefits enjoyed by companies operating in the Single Market.
- **A national contribution calculated on the amount of non-recycled plastic packaging waste**. This will create an incentive for Member States to reduce packaging waste and stimulate Europe's transition towards a circular economy by implementing the European plastics strategy.

On the basis of the Commission's proposals, the new Own Resources could contribute on average EUR 22 billion per year corresponding to about 12% of total EU budget revenue. The new Own Resources will contribute to financing the new priorities in the budget. This will also allow national contributions based on gross national income to be reduced accordingly.

The proposed reforms of the system of Own Resources are about changing the way the budget is funded, not about its overall size. Diversifying the sources of budgetary income will increase the resilience of the EU budget. Coupled with the gradual rebalancing of the budget from nationally allocated programmes towards new priorities, this will help to sharpen the focus on European added value and help ensure that both sides of the budget contribute to the Union's political priorities.

[24] Member States with specific challenges with respect to customs control will be able to benefit from a strengthened CUSTOMS programme. Furthermore, the Integrated Border Management Fund, specifically with the new Customs Control Equipment component, will help national customs to procure equipment. Finally, the Structural Reform Support Programme will provide assistance in the field of improving administrative capacity of customs.

The integration of the European Development Fund into the EU budget will need to be accompanied by an increase in the ceilings established in the Own Resources decision. A sufficient margin between the payments and the own resources ceiling is necessary to ensure that the Union is able - under any circumstances - to fulfil its financial obligations, even in times of economic downturns. The Commission proposes to increase the own resources ceilings for payments and commitments to 1.29% and 1.35% of the EU-27 gross national income, respectively.

6. CONCLUSION – A FRESH START FOR THE UNION AT 27

The Commission's proposals on the future Multiannual Financial Framework are the beginning of a process that will determine whether the Union has the means to deliver on the positive agenda agreed in Bratislava and Rome. The final decision will fall to the Council, acting by unanimity, with the consent of the European Parliament.

A balanced agreement on a modern EU budget will show that the Union is united, reinvigorated and ready to move forward together.

The proposals are based on an honest assessment of the resources the Union will need to deliver on its collective ambitions. They offer a fair and balanced approach to the challenges of supporting political priorities and addressing the financial consequences of the withdrawal of the United Kingdom. They show how a reformed, simpler, and more flexible budget will allow the Union to put every euro to work for all Member States and all Europeans.

Building on these foundations, the Commission will present detailed proposals for the future financial programmes between 29 May and 12 June. It will then be for the European Parliament and the Council to take them further.

Negotiations on the current Multiannual Financial Framework took too long. As a result, the launch of key financial programmes was delayed. This was more than an administrative inconvenience. It meant that projects with real potential to spur the economic recovery were postponed and vital sources of funding took longer to reach those who needed it.

This is why it is our duty to all Europeans to approach the upcoming negotiations on the long-term EU budget with the clear objective of finding an agreement before the European Parliament elections and the Leaders' Summit in Sibiu on 9 May 2019.

The Commission will do everything in its power to make a swift agreement possible. We are proposing today a fair and balanced package that, if agreed, will equip the Union at 27 with a budget that delivers efficiently for all. A positive budget for a positive agenda. A modern budget for a Union that protects, empowers and defends. A budget that will prepare our Union well for the future.

Overall levels of commitments per programme for the whole duration of the Multiannual Financial Framework

MULTIANNUAL FINANCIAL FRAMEWORK 2021-2027 (IN COMMITMENTS)

Current prices	2021	2022	2023	2024	2025	2026	2027	2021-2027
1. Single Market, Innovation and Digital	**25.421**	**25.890**	**26.722**	**26.604**	**27.000**	**27.703**	**28.030**	**187.370**
1. Research and Innovation	13.905	14.001	14.603	14.644	14.801	15.262	15.356	102.573
Horizon Europe	13.119	13.385	13.654	13.931	14.215	14.500	14.796	97.600
Of which under the InvestEU Fund	*470*	*480*	*489*	*500*	*510*	*520*	*531*	*3.500*
Of which research and innovation in food, agriculture, rural development and the bioeconomy	*1.345*	*1.372*	*1.399*	*1.427*	*1.456*	*1.485*	*1.516*	*10.000*
Euratom Research and Training Programme	322	328	335	341	349	356	369	2.400
International Thermonuclear Experimental Reactor (ITER)	934	768	1.103	872	746	926	722	6.070
Other	0,3	0,4	0,4	0,4	0,4	0,4	0,4	3
2. European Strategic Investments	6.825	7.107	7.244	6.988	7.129	7.269	7.411	49.973
InvestEU Fund	1.980	2.020	2.061	2.104	2.146	2.189	2.226	14.725
Connecting Europe Facility - Transport	1.725	1.760	1.795	1.831	1.869	1.906	1.944	12.830
Connecting Europe Facility - Energy	1.163	1.186	1.210	1.235	1.260	1.285	1.311	8.650
Connecting Europe Facility - Digital	403	411	420	428	437	445	456	3.000
Digital Europe Programme	1.338	1.513	1.538	1.167	1.190	1.213	1.237	9.194
Other	27	27	28	29	29	30	30	200
Decentralised agencies	189	190	192	195	198	202	207	1.374
3. Single Market	869	883	897	911	927	944	960	6.391
Single Market Programme (incl. COSME)	827	841	856	870	884	899	912	6.089
Of which under the InvestEU Fund	*268*	*274*	*280*	*286*	*291*	*297*	*304*	*2.000*
EU Anti-Fraud Programme	24	24	25	26	26	27	29	181
Cooperation in the field of taxation (FISCALIS)	34	34	36	37	40	43	46	270
Cooperation in the field of customs (CUSTOMS)	127	130	133	136	138	141	144	950
Other	13	13	14	14	14	15	15	98
Decentralised agencies	112	113	114	115	116	117	118	804
4. Space	2.180	2.224	2.270	2.319	2.366	2.414	2.463	16.235
European Space Programme	2.149	2.192	2.238	2.286	2.331	2.378	2.426	16.000
Decentralised agencies	31	32	32	33	34	36	37	235
Margin	1.642	1.675	1.708	1.743	1.778	1.813	1.839	12.198
2. Cohesion and Values	**54.593**	**58.636**	**61.897**	**63.741**	**65.645**	**69.362**	**68.537**	**442.412**
5. Regional Development and Cohesion	35.436	36.539	37.725	38.946	40.203	41.502	42.888	273.240
European Regional Development Fund	29.440	30.328	31.280	32.260	33.268	34.308	35.426	226.308
Cohesion Fund	5.964	6.178	6.412	6.653	6.901	7.158	7.427	46.692
Of which contribution to the Connecting Europe Facility - Transport	*1.441*	*1.493*	*1.550*	*1.608*	*1.668*	*1.730*	*1.795*	*11.285*
Support to the Turkish-Cypriot Community	32	33	34	34	35	36	36	240
6. Economic and Monetary Union *	1.350	3.653	4.956	4.659	4.162	5.165	1.168	25.113
Reform Support Programme (incl. Reform Delivery Tool and Covergence Facility)	1.335	3.637	4.940	4.643	4.146	5.149	1.151	25.000
Protection of the Euro Against Counterfeiting	1,0	1,1	1,1	1,1	1,1	1,1	1,2	8
Other	14	14	15	15	15	16	16	105
7. Investing in People, Social Cohesion and Values	17.197	17.823	18.582	19.489	20.620	22.022	23.798	139.530
European Social Fund+	13.141	13.545	13.978	14.424	14.882	15.356	15.848	101.174
Of which health, employment and social innovation	*157*	*160*	*164*	*168*	*171*	*174*	*179*	*1.174*
Erasmus+	2.959	3.143	3.441	3.882	4.513	5.408	6.654	30.000
European Solidarity Corps	148	153	161	172	187	207	232	1.260
Creative Europe	249	254	259	264	270	275	279	1.850
Justice, Rights and Values	134	135	135	136	136	136	135	947
Other	186	187	189	191	192	194	195	1.334
Decentralised agencies	379	406	419	420	440	447	454	2.965
Margin	610	621	634	647	660	673	683	4.528
3. Natural Resources and Environment	**53.403**	**53.667**	**53.974**	**54.165**	**54.363**	**54.570**	**54.778**	**378.920**
8. Agriculture and Maritime Policy	52.536	52.782	53.066	53.227	53.389	53.552	53.712	372.264
European Agricultural Guarantee Fund (EAGF)	40.300	40.527	40.791	40.931	41.072	41.214	41.357	286.195
European Agricultural Fund for Rural Development (EAFRD)	11.259	11.259	11.259	11.259	11.259	11.259	11.259	78.811
European Maritime and Fisheries Fund	827	843	860	877	895	913	926	6.140
Other	133	136	139	141	144	147	149	990
Decentralised agencies	17	17	18	18	19	19	20	128
9. Environment and Climate Action	744	759	780	807	840	882	928	5.739
Programme for Environment and Climate Action (LIFE)	703	718	738	765	799	840	887	5.450
Decentralised agencies	41	41	41	41	41	41	41	289
Margin	123	126	128	132	134	136	139	918
4. Migration and Border Management	**3.264**	**4.567**	**4.873**	**5.233**	**5.421**	**5.678**	**5.866**	**34.902**
10. Migration	1.040	1.563	1.585	1.741	1.763	1.785	1.803	11.280
Asylum and Migration Fund	923	1.445	1.464	1.617	1.637	1.657	1.672	10.415
Decentralised agencies	116	119	121	124	126	129	131	865
11. Border Management	1.917	2.689	2.968	3.165	3.324	3.552	3.716	21.331
Integrated Border Management Fund	786	1.337	1.353	1.436	1.453	1.470	1.483	9.318
Decentralised agencies	1.130	1.352	1.615	1.729	1.871	2.082	2.234	12.013
Margin	308	315	320	327	334	340	346	2.291
5. Security and Defence	**3.347**	**3.495**	**3.514**	**3.695**	**4.040**	**4.386**	**5.039**	**27.515**
12. Security	543	664	655	709	725	742	769	4.806
Internal Security Fund	228	344	349	388	393	398	401	2.500
Nuclear Decommissioning (Lithuania)	73	71	78	84	84	80	82	552
Nuclear safety and decommissioning (incl. for Bulgaria and Slovakia)	91	93	70	76	85	97	114	626
Decentralised agencies	152	155	158	161	164	168	171	1.128
13. Defence	2.373	2.391	2.410	2.528	2.847	3.166	3.785	19.500
European Defence Fund	1.500	1.500	1.500	1.600	1.900	2.200	2.800	13.000
Military Mobility	873	891	910	928	947	966	985	6.500
14. Crisis Response	187	192	196	200	204	208	212	1.400
Union Civil Protection Mechanism (rescEU)	187	192	196	200	204	208	212	1.400
Other	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.
Margin	244	248	253	258	264	269	273	1.809
6. Neighbourhood and the World	**15.669**	**16.054**	**16.563**	**17.219**	**18.047**	**19.096**	**20.355**	**123.002**
15. External Action	13.278	13.614	14.074	14.680	15.458	16.454	17.662	105.219
Neighbourhood, Development and International Cooperation Instrument	11.221	11.508	11.914	12.455	13.159	14.069	15.175	89.500
Humanitarian Aid	1.478	1.509	1.539	1.571	1.602	1.634	1.667	11.000
Common Foreign and Security Policy (CFSP)	348	361	380	408	446	496	560	3.000
Overseas Countries and Territories (including Greenland)	67	69	70	71	73	74	75	500
Other	143	146	150	153	156	159	164	1.070
Decentralised agencies	21	21	21	21	21	21	21	149
16. Pre-accession assistance	1.949	1.989	2.029	2.070	2.111	2.154	2.198	14.500
Pre-Accession Assistance	1.949	1.989	2.029	2.070	2.111	2.154	2.198	14.500
Margin	441	451	460	469	478	488	495	3.283
7. European Public Administration	**11.024**	**11.385**	**11.819**	**12.235**	**12.532**	**12.949**	**13.343**	**85.287**
European Schools and Pensions	2.398	2.508	2.622	2.739	2.869	2.998	3.124	19.259
Administrative expenditure of the institutions	8.625	8.877	9.197	9.496	9.663	9.951	10.219	66.028
TOTAL	**166.721**	**173.694**	**179.363**	**182.892**	**187.047**	**193.743**	**195.947**	**1.279.408**
In % GNI (EU-27)	*1,12%*	*1,13%*	*1,13%*	*1,12%*	*1,11%*	*1,11%*	*1,09%*	*1,11%*

** For the European Investment Stabilisation Function an interest rate subsidy will be provided through external assigned revenues equivalent to a share of monetary income.*

Current prices are calculated by applying annually a fixed deflator of 2% to the amounts in 2018 prices.

Overall levels of commitments per programme for the whole duration of the Multiannual Financial Framework

MULTIANNUAL FINANCIAL FRAMEWORK 2021-2027 (IN COMMITMENTS)

2018 prices	2021	2022	2023	2024	2025	2026	2027	2021-2027
1. Single Market, Innovation and Digital	**23.955**	**23.918**	**24.203**	**23.624**	**23.505**	**23.644**	**23.454**	**166.303**
1. Research and Innovation	13.103	12.935	13.226	13.004	12.885	13.026	12.849	91.028
Horizon Europe	12.362	12.365	12.367	12.370	12.375	12.376	12.381	86.596
Of which under the InvestEU Fund	*443*	*443*	*443*	*444*	*444*	*444*	*444*	*3.105*
Of which research and innovation in food, agriculture, rural development and the bioeconomy	*1.267*	*1.268*	*1.267*	*1.267*	*1.268*	*1.267*	*1.269*	*8.873*
Euratom Research and Training Programme	303	303	303	303	304	304	309	2.129
International Thermonuclear Experimental Reactor (ITER)	880	709	999	774	650	790	604	5.406
Other	0,3	0,3	0,3	0,3	0,3	0,3	0,3	2
2. European Strategic Investments	6.431	6.566	6.561	6.205	6.206	6.204	6.201	44.375
InvestEU Fund	1.866	1.866	1.867	1.868	1.868	1.868	1.862	13.065
Connecting Europe Facility - Transport	1.626	1.626	1.626	1.626	1.627	1.627	1.627	11.384
Connecting Europe Facility - Energy	1.096	1.096	1.096	1.097	1.097	1.097	1.097	7.675
Connecting Europe Facility - Digital	380	380	380	380	380	380	382	2.662
Digital Europe Programme	1.260	1.397	1.393	1.036	1.036	1.035	1.035	8.192
Other	25	25	25	25	25	25	25	177
Decentralised agencies	178	176	174	173	172	173	173	1.220
3. Single Market	818	815	812	809	807	806	804	5.672
Single Market Programme (incl. COSME)	779	777	775	772	770	767	763	5.404
Of which under the InvestEU Fund	*253*	*253*	*254*	*254*	*254*	*254*	*254*	*1.774*
EU Anti-Fraud Programme	23	23	23	23	23	23	24	161
Cooperation in the field of taxation (FISCALIS)	32	32	32	33	35	37	39	239
Cooperation in the field of customs (CUSTOMS)	120	121	121	121	121	121	121	843
Other	12	12	12	12	12	12	12	87
Decentralised agencies	106	104	103	102	101	100	98	714
4. Space	2.054	2.054	2.056	2.059	2.059	2.060	2.061	14.404
European Space Programme	2.025	2.025	2.027	2.030	2.030	2.030	2.030	14.196
Decentralised agencies	29	29	29	29	30	30	31	208
Margin	1.548	1.548	1.547	1.547	1.548	1.547	1.539	10.824
2. Cohesion and Values	**51.444**	**54.171**	**56.062**	**56.600**	**57.148**	**59.200**	**57.349**	**391.974**
5. Regional Development and Cohesion	33.392	33.756	34.169	34.583	35.000	35.421	35.887	242.209
European Regional Development Fund	27.742	28.018	28.331	28.646	28.961	29.281	29.643	200.622
Cohesion Fund	5.620	5.708	5.807	5.907	6.008	6.110	6.214	41.374
Of which contribution to the Connecting Europe Facility - Transport	*1.358*	*1.380*	*1.404*	*1.428*	*1.452*	*1.477*	*1.502*	*10.000*
Support to the Turkish-Cypriot Community	30	30	30	30	30	30	30	213
6. Economic and Monetary Union *	1.272	3.375	4.489	4.137	3.623	4.409	977	22.281
Reform Support Programme (incl. Reform Delivery Tool and Covergence Facility)	1.258	3.360	4.474	4.123	3.609	4.394	963	22.181
Protection of the Euro Against Counterfeiting	1,0	1,0	1,0	1,0	1,0	1,0	1,0	7
Other	13	13	13	13	13	13	13	93
7. Investing in People, Social Cohesion and Values	16.205	16.466	16.831	17.305	17.951	18.795	19.913	123.466
European Social Fund+	12.383	12.513	12.661	12.808	12.956	13.106	13.261	89.688
Of which health, employment and social innovation	*148*	*148*	*149*	*149*	*149*	*149*	*150*	*1.042*
Erasmus+	2.789	2.904	3.116	3.447	3.929	4.615	5.568	26.368
European Solidarity Corps	140	141	146	153	163	177	194	1.113
Creative Europe	235	235	235	235	235	235	233	1.642
Justice, Rights and Values	127	125	123	121	118	116	113	841
Other	175	173	171	169	167	166	164	1.185
Decentralised agencies	358	375	379	373	383	381	380	2.629
Margin	574	574	574	574	575	575	572	4.018
3. Natural Resources and Environment	**50.323**	**49.580**	**48.886**	**48.097**	**47.326**	**46.575**	**45.836**	**336.623**
8. Agriculture and Maritime Policy	49.506	48.763	48.064	47.264	46.478	45.706	44.943	330.724
European Agricultural Guarantee Fund (EAGF)	37.976	37.441	36.946	36.346	35.756	35.176	34.606	254.247
European Agricultural Fund for Rural Development (EAFRD)	10.609	10.401	10.197	9.997	9.801	9.609	9.421	70.037
European Maritime and Fisheries Fund	779	779	779	779	779	779	775	5.448
Other	126	126	126	126	126	126	125	878
Decentralised agencies	16	16	16	16	16	17	17	113
9. Environment and Climate Action	701	701	706	716	731	752	777	5.085
Programme for Environment and Climate Action (LIFE)	662	663	669	680	695	717	742	4.828
Decentralised agencies	39	38	37	37	36	35	35	257
Margin	116	116	116	117	117	116	116	814
4. Migration and Border Management	**3.076**	**4.219**	**4.414**	**4.647**	**4.719**	**4.846**	**4.908**	**30.829**
10. Migration	980	1.444	1.435	1.546	1.535	1.524	1.509	9.972
Asylum and Migration Fund	870	1.335	1.326	1.436	1.425	1.414	1.399	9.205
Decentralised agencies	110	110	110	110	110	110	110	768
11. Border Management	1.806	2.484	2.689	2.811	2.893	3.032	3.110	18.824
Integrated Border Management Fund	741	1.235	1.226	1.275	1.265	1.255	1.241	8.237
Decentralised agencies	1.065	1.249	1.463	1.535	1.629	1.777	1.869	10.587
Margin	290	291	290	291	291	290	290	2.033
5. Security and Defence	**3.154**	**3.229**	**3.183**	**3.281**	**3.517**	**3.743**	**4.216**	**24.323**
12. Security	511	613	593	629	631	633	643	4.255
Internal Security Fund	215	318	316	344	342	339	336	2.210
Nuclear Decommissioning (Lithuania)	68	66	71	74	73	68	69	490
Nuclear safety and decommissioning (incl. for Bulgaria and Slovakia)	86	86	63	68	74	83	95	555
Decentralised agencies	143	143	143	143	143	143	143	1.001
13. Defence	2.236	2.209	2.183	2.245	2.478	2.702	3.167	17.220
European Defence Fund	1.413	1.386	1.359	1.421	1.654	1.878	2.343	11.453
Military Mobility	823	823	824	824	824	824	824	5.767
14. Crisis Response	177	178	178	178	178	178	178	1.242
Union Civil Protection Mechanism (rescEU)	177	178	178	178	178	178	178	1.242
Other	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.
Margin	230	229	229	229	229	230	228	1.606
6. Neighbourhood and the World	**14.765**	**14.831**	**15.002**	**15.290**	**15.711**	**16.298**	**17.032**	**108.929**
15. External Action	12.512	12.577	12.747	13.035	13.457	14.043	14.778	93.150
Neighbourhood, Development and International Cooperation Instrument	10.573	10.632	10.791	11.059	11.456	12.008	12.697	79.216
Humanitarian Aid	1.393	1.394	1.394	1.395	1.395	1.395	1.395	9.760
Common Foreign and Security Policy (CFSP)	328	333	345	363	389	424	468	2.649
Overseas Countries and Territories (including Greenland)	63	63	63	63	63	63	63	444
Other	135	135	136	136	136	136	137	949
Decentralised agencies	20	20	19	19	19	18	18	132
16. Pre-accession assistance	1.837	1.838	1.838	1.838	1.838	1.838	1.839	12.865
Pre-Accession Assistance	1.837	1.838	1.838	1.838	1.838	1.838	1.839	12.865
Margin	416	416	417	417	417	416	414	2.913
7. European Public Administration	**10.388**	**10.518**	**10.705**	**10.864**	**10.910**	**11.052**	**11.165**	**75.602**
European Schools and Pensions	2.260	2.317	2.375	2.432	2.498	2.559	2.614	17.055
Administrative expenditure of the institutions	8.128	8.201	8.330	8.432	8.412	8.493	8.551	58.547
TOTAL	**157.105**	**160.466**	**162.455**	**162.403**	**162.836**	**165.358**	**163.960**	**1.134.583**
In % GNI (EU-27)	*1,12%*	*1,13%*	*1,13%*	*1,12%*	*1,11%*	*1,11%*	*1,09%*	*1,11%*

** For the European Investment Stabilisation Function an interest rate subsidy will be provided through external assigned revenues equivalent to a share of monetary income.*

Annex to the communication

programmes

COM(2018) 321 final

EUROPEAN
COMMISSION

Brussels, 2.5.2018
COM(2018) 321 final

ANNEX

ANNEX

to the

COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE EUROPEAN COUNCIL, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS

A Modern Budget for a Union that Protects, Empowers and Defends

The Multiannual Financial Framework for 2021-2027

{SWD(2018) 171 final}

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Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions

RESEARCH & INNOVATION

Horizon Europe

Horizon Europe is the EU's flagship programme to support research and innovation.

1. EUROPEAN ADDED VALUE

Research & Innovation is a crucial part of the knowledge-based society and one where a strong European dimension can leverage additional funds at national level, without evidence of substitution. Typically, Research & Innovation projects selected for EU funding harness a higher level of EU or international cooperation. They tend to have a scale, scope and level of sophistication that would prevent them from going ahead with national funding alone: 83% of EU Research & Innovation projects rated as "excellent" would not have gone ahead without EU support. In a world of heightened technological competition, we are moving swiftly into a low-carbon society in which digital technologies are increasingly converging with the physical and the biological world. Against this background, not investing in Research & Innovation on an EU scale would result in a decline of our global competitiveness. This would have knock-on economic, social and environmental impacts. The specific benefits of EU investments in the area of Research & Innovation are:

- Pooling public and private resources and knowledge to achieve bigger impacts and critical mass for tackling global challenges and taking leadership in EU and global markets;
- Boosting EU competitiveness through the creation of trans-national and multidisciplinary networks, value chains and markets, with positive knowledge dissemination and technology transfers across the Union to prepare and facilitate the deployment of new products and services;
- Strengthening scientific excellence through EU-wide competition and collaboration;
- Strengthening support for breakthrough/market creating innovations while respecting fair competition;
- Increasing the EU's attractiveness as a place for education, research, innovation and business;
- Having a positive structuring effect on national Research & Innovation ecosystems and pan-European research infrastructures;
- Supporting and strengthening Union’s objectives and contributing effectively to deliver on policy priorities.

2. OBJECTIVES

Horizon Europe focuses on science and innovation, aiming to:

- Strengthen the EU's scientific and technological base;
- Foster the EU's competitiveness and its innovation performance;
- Deliver on the EU's strategic priorities and tackle global challenges.

3. IMPLEMENTATION & SIMPLIFICATION

The programme is designed around three pillars:

1) Open Science – Building on the success of the European Research Council, the Marie Skłodowska-Curie Actions and the Research Infrastructures, the pillar adds more resources for projects with higher impacts. The projects are selected through a "bottom-up" approach, are defined and driven by researchers and networks and are evaluated on the sole criterion of excellence. The goal is to nurture innovation and entrepreneurship in education across Europe to provide the skills and competences needed to make Europe more competitive on a global scale.

2) Global Challenges and industrial competitiveness – It is built on clusters that aim at exploiting European strengths and assets by generating new knowledge and translating it into useful innovations, developing and applying digital and key enabling technologies along with a new mission approach. This will further ensure that Research & Innovation activities support EU policy priorities in areas such as the achievement of the Sustainable Development Goals, health, food and natural resources, resilience and security, climate, energy and mobility to secure a low-carbon, circular and climate-resilient society, industrial competitiveness and other societal challenges. **Industrial leadership** will be prominent within the pillar and through the programme as whole.

3) Open Innovation – This new pillar will offer a one-stop shop for high potential innovators, aiming to put Europe at the forefront of market-creating innovation through a "bottom-up" approach. It will develop future breakthrough technologies and attract innovative companies with potential for scaling up at international/European levels. It will offer fast, flexible grants and market-based instruments with private investors while ensuring that support close to the market activities does not unduly distort competition between innovators. These objectives will be pursued through the creation of a European Innovation Council.

Additional measures will boost support to the European innovation ecosystem, notably through co-funding partnership initiatives and increased use of innovation procurement. Targeting governments and public administrations for the take up of innovative technologies and diffusion of European Research & Innovation results will maximise the benefits from innovation for European citizens and business.

As part of the programme, the **Joint Research Centre** will provide EU policy makers with independent scientific evidence and technical support throughout the whole policy cycle. The **European Institute of Innovation and Technology** will support all three pillars and will specifically address global challenges primarily through its Knowledge and Innovation Communities integrating business, research, higher education and entrepreneurship.

The programme will pursue efforts to further simplify the rules for beneficiaries. Key operational features will include:

- **Further simplification** of the current real cost reimbursement system will be pursued, including its simplified funding model and the principle of one funding rate per project. Moreover, to lower administrative burden, an increased use of lump sum project funding against fulfilment of activities will be explored, along with other simplified forms of funding provided by the new Financial Regulation.
- To **increase flexibility**, the future programme will allow allocation of funds between and within the pillars to react swiftly to emerging policy issues or challenges;

- Further **improvements to the proposal submission and evaluation process** will be envisaged. The evaluation criteria, process and involvement of independent experts will underscore the Programme's excellence and impact.
- Instruments and **funding schemes in the EU Research & Innovation landscape will be streamlined and coordinated** for the benefit of improved Research & Innovation activities. Partnerships will be improved building on the success of Joint Undertakings and linked with specific missions. In particular, specific support schemes for innovation will be streamlined under the newly-created European Innovation Council. The combination of Horizon Europe grants and financial instruments under the InvestEU Fund and with other relevant EU funding programmes will also be made easier.
- There is also room to further **expand the use of new management modes**, including through delegation to agencies and a simplified set of partnerships.

4. COMPLEMENTARITIES & SYNERGIES WITH OTHER POLICIES / ALIGNMENT OF EU WITH NATIONAL AND REGIONAL RESOURCES

Complementarities and synergies with other EU funding programmes will be fully exploited. To that end, the **European Structural and Investment Funds** will continue to provide an important part of the EU funds for Research & Innovation through an increased focus on innovation. The "Seal of Excellence" scheme to allow projects successfully evaluated under Horizon Europe criteria to be funded at regional level under the European Structural and Investment Funds will be expanded.

The policy goals pursued by other programmes will in many cases be supported by Research and Innovation actions under Horizon Europe – programmes such as the **Digital Europe Programme** will benefit from Research & Innovation breakthroughs and long-term progress in areas like cybersecurity and artificial intelligence is heavily dependent on breakthrough research. The same is true for agriculture and fisheries, health, transport, energy and many other sectors. Funds such as the **Internal Security Fund** and the **Integrated Border Management Fund** will both benefit from the fruits of Research & Innovation and incentivise the uptake of research products. Through **InvestEU** it will be possible to transfer results from Horizon Europe to the market through specific windows dedicated to research and innovation, and to support innovative SMEs. Complementarity and synergies with research under the **European Defence Fund** and with the **Space Programme** will also be ensured, so that results in any of those programmes promote overall innovation.

5. PROPOSED BUDGET ALLOCATION FOR 2021-2027

Figures in current prices	*EUR million*
Envelope for Horizon Europe	97 600*
Envelope for Euratom Research and Training Programme	2 400
Total envelope for 2021-2027	**100 000***

* This envelope includes EUR 3.5 billion allocated under the InvestEU Fund and EUR 10 billion to support research and innovation in food, agriculture, rural development and the bioeconomy.

RESEARCH & INNOVATION

Euratom Research and Training Programme

The Euratom Research and Training Programme provides funding for **nuclear research and training** in the European Union.

1. EUROPEAN ADDED VALUE

The key European added value of the Euratom Programme is the mobilisation of a wider pool of excellence, expertise and multi-disciplinarity in fission and fusion research than is possible at the level of individual Member States. Nuclear and ionising radiation technologies continue to play an important role in the lives of European citizens, whether this concerns energy and its security of supply, the use of radiation in medical and industrial applications or management of spent fuel and radioactive waste. Safe and secure use of these technologies is of paramount importance and research programmes help maintaining the highest safety, security and safeguards standards in this field. The Euratom Programme focuses also on the development of fusion energy, a potentially inexhaustible and climate-friendly energy source.

An EU-wide approach to nuclear safety is also important since a nuclear accident could have negative consequences for countries across Europe and beyond. The Euratom programme also enables a broader coordination of education and training throughout Europe, the use of research infrastructures and international cooperation. This is of particular benefit to smaller Member States that can take advantage of economies of scale afforded by the Europe-wide pooling effect. The programme provides, through the Joint Research Centre, an important independent scientific advice in support of the implementation of European policies in the field of nuclear safety, spent fuel and radioactive waste management and radiation protection. With its independent infrastructures, the Joint Research Centre also provides unique services in the field of nuclear safety and security and plays a crucial role in the Euratom nuclear safeguards system. The involvement of European industry in fusion research activities fosters innovation e.g. through the development of high-technology spin-off products in other sectors such as medical and aviation.

2. OBJECTIVES

The Euratom Research and Training Programme objectives are to pursue and support research on all aspects **of nuclear safety and security, reducing risks associated with radiation exposures, supporting emergency preparedness and response in relation to accidents involving radiation and managing the spent fuel and radioactive waste**. The Programme also aims to sustain the **development of fusion energy** in view of its potential major impact in contributing to the decarbonisation of the energy mix.

3. IMPLEMENTATION & SIMPLIFICATION

The Euratom Programme provides research grants through competitive calls for proposals (indirect actions), and funds research carried out by the Commission's Joint Research Centre (direct actions). The Programme is implemented using the instruments and rules of the Framework Programme for Research and Innovation. Further simplification of the programme will be achieved by proposing a single list of objectives for direct and indirect actions.

4. COMPLEMENTARITIES & SYNERGIES WITH OTHER POLICIES / ALIGNMENT OF EU WITH NATIONAL AND REGIONAL RESOURCES

The Euratom programme complements and provides synergies with **Horizon Europe** in areas such as health (medical applications of ionising radiation), security, energy and education and training. The Euratom fusion research programme will be carried out in full complementarity and coordination with the **International Thermonuclear Experimental Reactor** activities. The Euratom programme will continue the alignment of national programmes in fusion, radiation protection and management of spent fuel and radioactive waste via the implementation of European Joint Programmes. Moreover, synergies with the **Decommissioning of Nuclear Facilities Programmes** are expected in areas such as technology development and testing, training and exchange of best practices.

5. PROPOSED BUDGET ALLOCATION FOR 2021-2027

Figures in current prices	*EUR million*
Envelope for Horizon Europe	97 600*
Envelope for Euratom Research and Training Programme	2 400
Total envelope for 2021-2027	**100 000***

* This envelope includes EUR 3.5 billion allocated under the InvestEU Fund and EUR 10 billion to support research and innovation in food, agriculture, rural development and the bioeconomy.

RESEARCH & INNOVATION

ITER - International Thermonuclear Experimental Reactor

ITER, the International Thermonuclear Experimental Reactor is a **first-of-a-kind, long-term project to build and operate a reactor in order to test the feasibility of fusion as an energy source**.

1. EUROPEAN ADDED VALUE

Fusion is a potentially inexhaustible, climate-friendly energy source that does not produce greenhouse gases or long-lasting radioactivity. In a context where decarbonising the economy and tackling global climate change are high on the agenda, fusion offers prospects which cannot be ignored.

Neither the industry nor any country individually would be able to execute the project on its own. This is why the European Atomic Energy Community (Euratom) signed an international treaty in 2006 – the "ITER Agreement" – with six partners (the United States, Russia, Japan, China, South Korea and India). It contributes about 45% of the construction costs. France, as the host country, finances 20% of the Euratom contribution, with the remaining 80% being provided from the EU budget. Action at EU level ensures economies of scale, less fragmentation and a critical mass of resources and expertise.

Achieving and exploiting fusion is a long-term objective, but the project is already bringing important benefits to the EU industry and research in the procurement and construction phases. More than three hundreds companies –including small businesses– from 20 Member States and Switzerland, and around sixty research organisations are engaged in cutting-edge research and innovation to provide components, offering them a chance to develop spin-off products in other sectors (energy, medical, aviation, high-tech).

2. OBJECTIVES

In line with the Euratom's international obligations, the programme supports the **construction of the reactor** on its site in Cadarache (France), so that it initiates experiments on hydrogen plasma by 2025, laying grounds for successful progress to full power-generation stage of operation by 2035. Those milestones are necessary steps to make fusion a possible sustainable energy source.

The programme not only contributes to achieving a resilient Energy Union with a forward-looking climate policy. It also fosters job creation and growth by offering European high-tech industries and small companies a valuable opportunity to innovate and develop products outside fusion. Finally, the timely delivery of EU components and active participation in the governance processes secure the continued EU leadership in the project.

3. IMPLEMENTATION & SIMPLIFICATION

The programme will continue to be implemented on the EU's behalf by the Fusion for Energy joint undertaking. The EU will maintain an expenditure ceiling in the Multiannual Financial Framework Regulation and will ensure that the disbursement of funding is based on performance and actual delivery on the ground. In this respect, the radical overhaul of the project management in 2015 and the update of the baseline in 2016 increased the reliability of the schedules and costs of the project until its completion.

4. COMPLEMENTARITIES & SYNERGIES WITH OTHER POLICIES / ALIGNMENT OF EU WITH NATIONAL AND REGIONAL RESOURCES

As one of the largest experimental projects ever constructed, the International Thermonuclear Experimental Reactor contributes to placing the EU at the forefront of research and innovation on the global stage. It mobilises significant resources and know-how, bringing positive impact to the EU industrial base research community. It is in full synergy with the Euratom programme, which supports the development of **ground-breaking research in the field of nuclear fusion**. It is part of the overall Fusion Roadmap developed by the European scientific fusion community. In addition, the programme will further consolidate the EU's place as a credible, international leader which fulfils its international obligations and is committed in its efforts to fight against climate change.

5. PROPOSED BUDGET ALLOCATION FOR 2021-2027

Figures in current prices	*EUR million*
Total envelope for 2021-2027	**6 070**

EUROPEAN STRATEGIC INVESTMENTS

InvestEU

The InvestEU Fund is the **Union's new investment instrument**. It provides an EU guarantee with a view to mobilising public and private financing in the form of loans, guarantees, equity or other **market-based instruments**, for strategic investments in the support of EU internal policies. It builds on the successful implementation under the current period 2014-2020 of the European Fund for Strategic Investments and other financial instruments.

1. EUROPEAN ADDED VALUE

The EU long term goals regarding sustainability, competitiveness and inclusive growth require significant investments in new mobility models, renewable energies, energy efficiency, research and innovation, digitisation, education and skills, social infrastructure, circular economy, natural capital, climate action or small businesses creation and growth. Renewed efforts are needed to tackle persisting market failures caused by private investors' risk aversion, the public sector's limited capacity and structural inefficiencies of the investment environment. Member States cannot always bridge those investment gaps alone.

Grants alone cannot address the significant investment gaps. The use of financial instruments, with a leverage effect and closer to the market, efficiently complements grants in the EU budget toolbox. Intervention at Union level provides economies of scale in the use of innovative financial instruments by catalysing private investment in the whole EU and making best use of the European institutions and their expertise for that purpose.

EU intervention also gives access to a diversified portfolio of European projects and allows for the development of innovative financing solutions which can be scaled up or replicated in all Member States. The multiplying effect and the impact on the ground are thus much higher than what could be achieved by an initiative in a single Member State, in particular for large-scale investment programmes. EU level intervention also provides flexibility to support intermediaries and final beneficiaries in locations where they are most needed, often in urban areas which do not necessarily benefit from the European Structural and Investment Funds. In addition, it allows to effectively address investment needs linked to EU-wide policy objectives, complementing efforts to promote structural reforms and improved regulatory environment to thus address the remaining investment gaps in the post-2020 period.

2. OBJECTIVES

The InvestEU Fund aims at mobilising investment within the EU to support political priorities and to contribute to the integration of European capital markets and the strengthening of the Single Market. It will target investments promoting **sustainable infrastructure, research and innovation, digital transformation, the access to finance for small and medium-sized enterprises, education, skills, social infrastructure** and the development and consolidation of market structures underlying **micro-credits and the social economy**. Digital investment will be a key cross-cutting priority for all InvestEU windows. In addition, the InvestEU Fund provides advisory support and accompanying measures to foster the creation and development of projects.

3. IMPLEMENTATION & SIMPLIFICATION

The InvestEU Programme will comprise the InvestEU Fund, InvestEU Assistance and the InvestEU Portal.

The InvestEU Fund will pool all centrally managed financial instruments in a single, flexible, multi-policy guarantee instrument at the EU level[1], allowing for significant economies of scale – doing more with less – and attracting private investors. Building on the European Fund for Strategic Investments, the InvestEU Fund will address market gaps and sub-optimal investment situations by providing an EU guarantee to the Commission's strategic implementing partner, the EIB Group, as well as to other partners such as National Promotional Banks and Institutions or International Financial Institutions (e.g. the European Bank for Reconstruction and Development). To ensure the best possible financing mix for strategic projects across the EU, the InvestEU Fund will allow for simple combination with grants from the EU budget as well as with European Structural and Investment Funds (on voluntary basis).

Building on the European Investment Advisory Hub, InvestEU Assistance will provide a single entry point for 360-degree project development assistance for project promoters. Building on a powerful partner network, InvestEU Assistance will help projects get off the ground and make them investment-ready. The InvestEU Portal will bring together investors and project promoters, building on the European Investment Project Portal.

4. COMPLEMENTARITIES & SYNERGIES WITH OTHER POLICIES / ALIGNMENT OF EU WITH NATIONAL AND REGIONAL RESOURCES

As a delivery tool for EU policies, the InvestEU Fund will foster investment in full synergy with the corresponding EU policies and programmes, such as the **Connecting Europe Facility, Horizon Europe, the Digital Europe Programme** or **the Single Market Programme**. It will ensure complementarity with investments under the **European Structural and Investment Funds** and with EU support provided by **relevant spending programmes** in the form of grants. Moreover, the programme will allow for the blending of financial instruments with grants from other programmes, in particular for projects that do not generate sufficient revenue.

5. PROPOSED BUDGET ALLOCATION FOR 2021-2027

Figures in current prices		*EUR million*
Window	**Budgetary guarantee**	**Mobilised investment (estimates)**
Sustainable infrastructure	11 500	185 000
Research and innovation	11 250	200 000
Social investment and skills	4 000	50 000
Small and Medium-sized enterprises	11 250	215 000
Total	**38 000**	**650 000**

[1] Without prejudice to the responsibility of relevant Directorates-General.

Figures in current prices	*EUR million*
Total envelope for 2021-2027	**15 725***
of which:	
Provisioning of the Guarantee Fund	15 200*
Project development assistance	525

* This envelope includes EUR 1 billion of expected reflows of the current financial instruments.

EUROPEAN STRATEGIC INVESTMENTS

Connecting Europe Facility

The Connecting Europe Facility supports **investment in cross-border infrastructures in the transport, energy and digital sectors**.

1. EUROPEAN ADDED VALUE

At the core of the Single Market lies the guarantee that goods, capital, services and labour can freely move from one Member State to the other. However, gaps still exist between Member States and regions which fragment the EU and impede the smooth functioning of the Single Market. This can, for instance, be the result of topography or a lack of interoperable standards. To overcome this fragmentation and make sure that the Single Market fully delivers, Article 170 of the Treaty on the Functioning of the European Union provides that the EU shall develop trans-European networks of transport, telecommunications and energy infrastructures. In addition, environmental concerns require that the EU energy policy should promote the interconnection of energy networks and cross-border integration of renewables. This is also consistent with the need to meet the challenges of decarbonisation and digitisation of the European economy.

The Facility is designed to foster investment in the trans-European networks. Those networks and cross-border cooperation are crucial not only to the functioning of the Single Market, but they are also strategic to implement the Energy Union, the Digital Single Market and the development of sustainable transport modes. Interoperable cross-border networks are key to reducing the current fragmentation. Without EU intervention, private operators and national authorities have insufficient incentive to invest in cross-border infrastructure projects. The Facility also provides the opportunity to deploy technologies developed at EU level and in particular through the EU Research and Innovation Framework Programmes, boosting their market uptake and ensuring that the trans-European networks use the most advanced available equipment.

2. OBJECTIVES

The Connecting Europe Facility supports investment and cooperation to develop infrastructure in the transport, energy and digital sectors and connects the EU and its regions. It further aligns with the policy objectives of decarbonisation and digitisation of the European economy, covering three strands:

- For **transport**, it aims at completing both layers of the European network for all transport modes: the strategic backbone (i.e. the core network) by 2030 and its more extensive layer (i.e. the comprehensive network) by 2050. It also supports the deployment of **European traffic management systems** for air transport and railways, and helps the EU transition towards **connected, sustainable, inclusive, safe and secure mobility**. It contributes to the **decarbonisation of transport**, for example by constituting a European network of charging infrastructure and for alternative fuels or prioritisation of environmentally friendly transport modes;
- For **energy**, the focus is on completing priority sections of the energy networks essential for the internal market. It also seeks to deliver **smart and digitised energy grids**, so as to achieve interconnection targets and improve security of supply.

Promoting Member States' cooperation in integrating **cross-border renewable energy projects** will also be key;

- For **digital**, the Facility maximises the benefits that all citizens and businesses can get from the Digital Single Market. The deployment of very **high capacity digital networks** supports all innovative digital services, including connected mobility. In addition, it contributes to ensuring that all main socio-economic drivers such as schools, hospitals, transport hubs, main providers of public services and digitally-intensive enterprises have access to **future-oriented broadband connections** by 2025.

3. IMPLEMENTATION & SIMPLIFICATION

The Connecting Europe Facility will be centrally managed by the Commission, with the support of the Innovation and Networks Executive Agency. The agency has built an excellent track-record in optimising the use of the Facility and has accumulated a wealth of expertise in monitoring projects. Delegating all three sectors of the Facility to a single agency will also generate economies of scale and synergies between transport, energy and digital strands.

Grants will remain the preferred means to address the gaps affecting infrastructure projects. The use of simplified forms of grants will be further promoted.

Grants will also be used for blending with financial instruments, in particular from the InvestEU Fund, or with financing from public or private financial institutions, to leverage investment support. The programme will not be equipped with its own financial instruments as they will be delivered by the InvestEU Fund to avoid overlaps that have happened in the current period, as well as to streamline the landscape of EU financial instruments.

The Facility will fully exploit synergies between the transport, energy and digital sectors. In particular, a specific focus on innovative infrastructure solutions (such as smart grids, energy storage, e-mobility, charging infrastructure, and alternative fuels) is needed to deliver on the 'Clean Energy for All' and 'Clean Mobility' packages. The future programme's rules and implementation will therefore be flexible enough to support actions at the crossroads of the different strands, for example alternative fuels and e-mobility for all transport modes (which affect both energy and transport), automated driving vehicles and vessels (transport/digital), incorporating digital technologies (in particular the Internet of Things) into energy grids, creating the Internet of Energy (which affect energy, transport and digital), and renewables integration supported by a functional cross-border Green infrastructure (energy and digital).

4. COMPLEMENTARITIES & SYNERGIES WITH OTHER POLICIES / ALIGNMENT OF EU WITH NATIONAL AND REGIONAL RESOURCES

In addition to synergies within the programme, the Facility will better interact with other EU programmes. For example, its work on the physical connectivity infrastructure across the EU will complement the development of digital services under the **Digital Europe Programme**.

The programme and the **European Structural and Investment Funds** will also complement each other to deliver on infrastructure investment. For instance in the transport sector, the Facility will concentrate on the trans-European network dimension, notably on the cross-border corridors, while the European Regional Development Fund and Cohesion Fund will prioritise transport projects with a national, regional and urban focus. Similarly, in energy, the Facility will focus on infrastructure including projects relevant for the integration of renewables with cross-border relevance, while European Structural and Investment Funds can address local smart grids and renewable projects. The Digital strand will focus on projects with strong cross border and cross sector impacts, on maximising the footprint of private investments. In addition, the Facility will aim to increase its attractiveness for the pooling of funds from national budgets in projects of common interest in the digital sector.

The programme can support the deployment of innovative technologies developed within **Horizon Europe** whilst the latter support upstream technology development.

Building on the positive experience in the current period, a contribution from the **Cohesion Fund** will be made available to the Transport strand, in direct management. In addition, funding from the **Defence** cluster will be made available to the Transport strand as well to ensure that transport infrastructures of strategic importance are suitable for military mobility needs.

5. PROPOSED BUDGET ALLOCATION FOR 2021-2027

Figures in current prices	*EUR million*
Total envelope for 2021-2027	**42 265**
Digital	**3 000**
Energy	**8 650**
Transport	**30 615**
of which:	
General envelope	12 830
Contribution from Cohesion Fund	11 285
Support for Military Mobility	6 500

EUROPEAN STRATEGIC INVESTMENTS

Digital Europe Programme

Digital Europe is a new programme dedicated to the **digital transformation** of public services and businesses, by boosting frontline investments in **high-performance computing and data, artificial intelligence**, **cybersecurity** and **advanced digital skills,** as well as **large-scale deployment of digital technologies** across European economic sectors. It builds on existing actions such as Interoperability solutions for European public administrations, businesses and citizens and pilots in cybersecurity and high-performance computing.

1. EUROPEAN ADDED VALUE

Digitisation is inherently a cross-border and cross-sectoral phenomenon. Action at EU level can make the Digital Single Market a reality in which digital policies are coordinated across the EU, digital public services and infrastructures deployed by Member States are no longer fragmented, and digital technology is evenly diffused, closing gaps between EU and national digitisation programmes and avoiding a digital divide. EU intervention will also generate co-investment and bring economies of scale from joint procurement of supercomputers and from savings from maintenance cost-sharing.

Digital capacities are essential to face global competition and to analyse the critical mass of big data for Artificial Intelligence innovation. Europe's international competitiveness is constrained by the low digitisation of its small and medium-sized enterprises, a problem that requires improving access to finance, technology and skills. The focus is on the digital capacities and advanced skills that are essential to face global competition, addressing societal challenges and bringing the benefits of digital transformation to every citizen and business.

The programme will support a set of ambitious projects that will make the best use of these digital capacities and of the latest digital technologies in areas of public interest such as health, public administration, judiciary and education, ensuring the availability and interoperability of solutions across the EU.

Cybersecurity is of key importance to ensure trust in digital products and services and needs to be addressed at European level, given the speed and wide propagation of cyber-attacks. Investment at EU level will provide the public and private sectors with more secure infrastructure and with the tools and expertise to address the origins and propagation of attacks, and the means to track and prevent them. Such an investment will be instrumental to be able to protect citizens, governments and businesses across the EU.

2. OBJECTIVES

Europe's digital transformation and international competitiveness must be accelerated by:

- **Reinforcing capacity** in the areas of high-performance computing, cybersecurity, Artificial Intelligence and digital skills;
- Widening the **diffusion and best use of digital technologies** in the public and private sector where there are market failures (e.g. for small and medium-sized enterprises);
- **Aligning EU, Member State and regional policies and pooling** private and industrial resources to increase investment and develop stronger synergies.

3. IMPLEMENTATION & SIMPLIFICATION

The programme will be centrally managed by the Commission around five interdependent and mutually reinforcing pillars.

1) **High performance computing** and data processing infrastructures will be procured jointly to build an integrated European supercomputers ecosystem (including hardware, software, applications), used in particular in areas of public interest;
2) **Cybersecurity** capacities for both public administration and businesses will be enhanced via (i) procurement of advanced solutions, equipment, tools and data; (ii) increasing access to testing and certification facilities; and (iii) provision of technical assistance and expertise;
3) Open platforms and "common data space" for **Artificial Intelligence** will be acquired and made available widely across the EU in Digital Innovation Hubs, providing testing facilities and knowledge to small businesses and local innovators.
4) The **Advanced Digital Skills** pillar will offer students and technology experts the opportunity to pursue training in advanced digital technologies (data analytics, robotics, artificial intelligence, blockchain, cybersecurity, high performance computing, quantum etc.), specialised courses and internships in companies deploying advanced technologies;
5) Large-scale deployment projects will assist the **transition of areas of broad public interest to the digital age**. They will align investments of Member States and the EU to ensure wide availability and interoperability of the resulting solutions, continuing actions and services provided under the predecessor programmes. Support will also go to small and medium-sized enterprises to engage in digital transformation, notably in areas like Artificial Intelligence.

4. COMPLEMENTARITIES & SYNERGIES WITH OTHER POLICIES / ALIGNMENT OF EU WITH NATIONAL AND REGIONAL RESOURCES

As well as supporting the delivery of the Digital Single Market more widely, the Digital Europe Programme will provide the digital capacity-building and large-scale deployment needed by a number of other EU programmes. In many areas such as health, public administration, justice and education, the Programme will contribute to the EU's work to promote effective and modern public services. Support for a dynamic economic sector will also reinforce growth-focused programmes and industrial policy. Building a secure environment for digital services will assist all digital-based action, and in the area of cybersecurity, the Programme will specifically complement action under the **Internal Security Fund**.

The Programme will in turn benefit from research and innovation breakthroughs under the **Horizon Europe Programme**, progressively mainstreaming them in areas of public interest and contributing to their commercial exploitation. The **Connecting Europe Facility** will support the physical connectivity infrastructure needed for the services delivered under the Digital Europe Programme. Digital Innovation Hubs for small and medium-sized enterprises and local innovators and the coordinated digitisation of regional public administrations will improve interoperability and create synergies with national/regional programmes under the **European Structural and Investment Funds**. Open call for grants will be organised to create Digital Innovation Hubs in all European regions to provide testing facilities for Artificial Intelligence and knowledge to ease the digital transformation of small businesses.

Specific synergies with other innovation instruments such as the **European Institute of Innovation and Technology** and support through the **European Regional Development Fund** will also be promoted. The advanced Digital Opportunity Scheme complements the objectives of the **European Social Fund+** and **Erasmus+** by addressing the gap between demand and supply for experts in new digital technologies.

5. PROPOSED BUDGET ALLOCATION FOR 2021-2027

Figures in current prices	*EUR million*
Total envelope for 2021-2027	**9 194**

SINGLE MARKET

Single Market Programme

The new **Single Market Programme** supports the effective functioning of the Single Market by ensuring cooperation between authorities, and the provision of services to citizens and businesses, in particular small and medium-sized enterprises. It also supports EU standard-setting and rule-making in areas like access to markets and finance, consumer protection, food safety, anti-money-laundering, competition, statistics, financial reporting and auditing. The programme brings together successful actions such as COSME, the programme for Small and Medium-sized Enterprises and the Statistics programme. This will be complemented with internal market governance tools and services such as Your Europe portal, Your Europe Advice, the Internal Market Information service and "SOLVIT", the network for effective problem solving in the Single Market.

1. EUROPEAN ADDED VALUE

The Single Market is a cornerstone of the EU. Its benefits continue to feature high in what citizens and businesses most value and expect from the EU. EU level support is indispensable to ensure the **effective operation of the Single Market**. This includes ensuring its good governance and the high quality and relevance of its rules. It also means making sure that citizens and businesses are equipped with the right tools to understand it and to reap its benefits.

A well-functioning Single Market needs informed citizens, empowered consumers, businesses and in particular small businesses, which account for two thirds of the jobs in Europe. Considering the steady increase in cross-border activity, rapid technological development and the emergence of new products/services/practices, increased consumer expectations and public cross-border challenges, continuous and coordinated action at EU level is required to address a **twofold challenge.** The first is to tackle persisting **fragmentation** of the Single Market through enhanced cooperation, preventive mechanisms, enforcement, advice and communication on rights and opportunities. The second is to **adapt** EU rules and standards and their enforcement to rising and complex challenges. These challenges are notably linked to the combined impact of well-established trends: digitisation and globalisation of trade with increased competitive pressure to be expected from third countries.

Protection against cross-border food safety threats can only be effective and efficient if coordinated at EU level. In these areas, EU added value is increased thanks to uniform standardisation and consumer protection across the EU.

Small businesses throughout the EU also share common challenges that do not affect larger firms and prevent them from reaping the benefits of the Single Market. EU support is needed to overcome those obstacles.

2. OBJECTIVES

A well-functioning and future-looking Single Market requires interventions to **empower consumers and enable businesses and public administrations** to take full advantage of the market integration and opening. It will help strengthen their capacities to represent and protect their interests.

It will address the **specific needs of businesses and in particular Small and Medium-sized Enterprises** at different stages of their development to better grasp the opportunities of the Single Market, including through the access to fast growing markets outside the EU and to global value chains.

The programme will strengthen **regulatory and administrative cooperation** between Member States and with the Commission. It will foster Member States' operational enforcement capacity to ensure better convergence/integration, trust, effective prevention of barriers, as well as to protect citizens.

It will ensure high-quality and effective **rules and standard-setting.** It will equip actors responsible for the enforcement of Single Market laws with a solid evidence basis and the right tools to address emerging and increasingly cross-border challenges. The programme will ensure cooperation with international partners for convergence of international standards and promotion of EU policy interests.

It will promote a high level of **animal health and welfare and plant health**, thus protecting consumers and the environment, including through crisis preparedness and response, effective official controls as productive factors for growth, jobs and security, contributing to the good functioning of the Single Market and improving EU competitiveness.

It will produce and disseminate high quality **European statistics,** which are indispensable for decision-making in all policy areas, as well as performance and impact measurement of EU initiatives.

3. IMPLEMENTATION & SIMPLIFICATION

The **integration of different Single Market-related instruments** centrally managed by the Commission into one programme aims to reduce overlaps, increase synergies and facilitate communication and networking with all various stakeholder groups. Such a consolidation of activities provides higher value for money and cost-efficiency.

The loan guarantees for Small and Medium-sized Enterprises will be delivered through the relevant window of the **InvestEU Fund**. Simplified cost options (flat rates, lump sums and unit costs) will be increasingly used to reduce burdens for beneficiaries and administrations. The use of e-procurement and e-grants for direct management will be promoted, as will the possibility to further externalise direct management of funds to executive agencies. The future programme will allow movements of funds between and within its different pillars.

4. COMPLEMENTARITIES & SYNERGIES WITH OTHER POLICIES / ALIGNMENT OF EU WITH NATIONAL AND REGIONAL RESOURCES

Coordination will be ensured with the cooperation activities supported respectively under the **Fiscalis** and **Customs** programmes that represent key elements in efforts to strengthen the EU Single Market. The **Digital Europe** programme will provide the digital interoperability and infrastructures needed by a number of EU programmes, including the Single Market programme. Interventions aiming to foster labour and youth mobility under the **European Social Fund+** and **Erasmus+** will act as catalyst for free movement of persons, one of the core freedoms in the Single Market. In the same vein, cross-border and transnational activities aiming at economic cooperation under **European Structural and Investment Funds** also concretely support the Single Market. Moreover, the programme will encourage small companies to benefit from breakthrough innovation and other solutions developed under other flagship EU programmes like **Horizon Europe** and the **Space Programme**. By supporting activities on company law, contract law, anti-money laundering, and consumer policy, the future Single Market Programme will develop synergies with the **Justice, Rights and Values Fund**, contributing to the creation of an EU justice area through equal access to justice for citizens and businesses and appropriate training of the judiciary to ensure business and consumer laws are respected**.**

5. PROPOSED BUDGET ALLOCATION FOR 2021-2027

Figures in current prices	*EUR million*
Total envelope for 2021-2027	**6 089***
of which:	
Competitiveness and Small and Medium-sized Enterprises (COSME)	3 000*****
Food safety	1 680
Statistics	552
Financial services	528
Consumer	188
Competition	140

* This envelope includes EUR 2 billion allocated under the InvestEU Fund.

Note: the total does not tally due to roundings.

SINGLE MARKET

EU Anti-Fraud Programme

The EU Anti-Fraud programme supports the Member States' efforts **to prevent and combat fraud against the EU's financial interests**.

1. EUROPEAN ADDED VALUE

The protection of the EU financial interests is the responsibility of both the Member States and the EU level. The EU does not tolerate fraud and it must protect its budget, especially in times of scarce resources. On the expenditure side, the budget is exposed to the risk of fraud and irregularities. On the revenue side, two important inputs into the EU budget are also particularly exposed to the risk of fraud: customs duties and the Value-added tax (VAT) collected by the Member States. In a customs union where goods move freely between Member States, national investigative services must also be able to join their efforts and coordinate their investigations and exchange of data.

The pan-European dimension of the Programme facilitates cross-border cooperation and exchanges. It allows for improved planning and monitoring, on top of a more efficient use of resources than national/regional interventions in the same field do.

2. OBJECTIVES

The EU Anti-Fraud Programme supplies the technical equipment and training that enables (joint) anti-fraud operations and investigations. Furthermore, the programme contributes to new electronic structures to enable the Member States to effectively combat fraud, in close cooperation with EU institutions and bodies, such as the European Public Prosecutor's Office.

3. IMPLEMENTATION & SIMPLIFICATION

Mainly through grants and procurements, the EU Anti-Fraud programme will finance a range of activities to support the fight against fraud. In particular, it will focus on the purchase of technical equipment, conferences, training activities and exchange of best practices among its beneficiaries (mostly national authorities). The programme will also provide financing for a common set of information systems and databases to support mutual assistance and customs cooperation in the fight against fraud, in particular by securing the exchange of customs information between the Member States, the EU and third countries. The programme will also provide financing for the reporting of irregularities by the Member States.

The EU Anti-Fraud Programme will combine the financing of two existing initiatives: the Hercule III Programme, designed to support the fight against fraud, corruption and irregularities; and the Anti-Fraud Information System, which supports mutual assistance in customs matters in particular. The programme will continue financing the Irregularity Management System, currently offered within the Anti-Fraud Information System.

4. COMPLEMENTARITIES & SYNERGIES WITH OTHER POLICIES / ALIGNMENT OF EU WITH NATIONAL AND REGIONAL RESOURCES

The EU Anti-Fraud programme will complement existing anti-fraud policy tools and will address upcoming developments and challenges in the area of the protection of the EU financial interests, in particular the Directive on the Protection of Financial Interests, which the Member States must transpose by July 2019. It will also provide strong synergies with the **European Public Prosecutor's Office**, which will start investigating and prosecuting fraud to the EU budget by the end of 2020. The Programme will allow avoiding overlaps, generate efficiency gains and provide more flexibility to respond to new investigative priorities.

5. PROPOSED BUDGET ALLOCATION FOR 2021-2027

Figures in current prices	*EUR million*
Total envelope for 2021-2027	**181**

SINGLE MARKET

FISCALIS – Cooperation in the field of taxation

Fiscalis is the Union cooperation programme enabling national **tax administrations to create and exchange information and expertise**.

1. EUROPEAN ADDED VALUE

Fiscalis contributes to the smooth functioning of the tax systems in the Union by supporting cooperation between Member States' tax administrations and offering cost-effective and interoperable IT solutions which each Member State would otherwise have to develop individually.

The programme provides European added value through its contribution to fight against tax fraud, tax evasion and tax avoidance, improving tax fairness and transparency as well as supporting the functioning of the Single Market and competitiveness. This can only be successfully achieved through joint action at Union and Member States level.

2. OBJECTIVES

Fiscalis concentrates on setting up efficient mechanisms, including Information Technology tools, for improving tax administration and administrative cooperation, aiming in particular at providing more effective means to national tax administrations in their fight against tax fraud and evasion while facilitating tax compliance. Overall, the programme contributes to the adequate functioning of the tax systems of the Union, i.e.:

- Help **prevent and fight against tax fraud, tax evasion, tax avoidance**;
- Help **prevent unnecessary administrative burden** for citizens and businesses (including small and medium-sized enterprises) in cross-border transactions;
- Support achieving the full potential of the **Single Market** and foster Union competitiveness;
- Promote and support a joint Union approach in **international fora**.

3. IMPLEMENTATION & SIMPLIFICATION

Given the nature of its activities and its focus on tax administrations as beneficiaries, Fiscalis will continue to be implemented under direct management. It will allow for a targeted and appropriate allocation of funds, combined with an ability to rapidly adapt to emerging priorities and needs.

Further simplification will be achieved in its implementation, maximising the use of lump sums and unit costs in the context of grants. Public procurement contracts will also be part of the delivery mechanisms of this programme.

4. COMPLEMENTARITIES & SYNERGIES WITH OTHER POLICIES / ALIGNMENT OF EU WITH NATIONAL AND REGIONAL RESOURCES

Fiscalis provides for synergies with other programmes, such as with the **Customs** programme, notably in the field of electronic systems, programme management and joint actions, and with the **Digital Europe Programme**. There are also complementarities with the new programme for Structural Reform that includes assistance to tax administrations.

5. PROPOSED BUDGET ALLOCATION FOR 2021-2027

Figures in current prices	*EUR million*
Total envelope for 2021-2027	**270**

SINGLE MARKET

CUSTOMS – Cooperation in the field of customs

The Customs programme supports the work of and **cooperation between customs authorities** and by doing so protects the financial and economic interests of the Union and its Member States. It strengthens the integrity of the Single Market.

1. EUROPEAN ADDED VALUE

Customs is an exclusive competence of the Union with a high degree of harmonised EU legislation. However, implementation is carried out by Member States. Therefore, strong cooperation is essential for deeper operational integration which will enable customs authorities in the different Member States to act as if they were one. It will also help ensure correct collection of customs duties (15% of the EU budget, i.e. EUR 20 billion in 2016), import Value Added Tax and excise duties. As the activities in the customs area are of a cross-border nature, they cannot be effectively and efficiently delivered by individual Member States alone.

The Customs Programme offers a Union framework for cooperation among national customs administrations, including on Information Technologies matters. Customs cooperation is founded on a highly secured, dedicated communication network and a multitude of interconnected and interoperable Trans-European electronic systems used by national customs authorities, including to exchange with economic operators. The resulting set-up is substantially more cost efficient than if each Member State were to set up its individual cooperation framework on a bilateral or multilateral basis.

2. OBJECTIVES

The programme aims to **support customs authorities** in protecting the financial and economic interests of the Union and of the Member States. The programme **facilitates the administrative environment** for international trade operators, including digitisation of interaction between trade and customs. In addition, the programme **strengthens security and protection of citizens** and pursues customs modernisation. It has a key role in optimising the functioning of the customs union in all its aspects thus increasing the attractiveness and credibility of the EU as a trade partner in a globalised world.

3. IMPLEMENTATION & SIMPLIFICATION

The programme will pursue its objectives via directly managed procurement and grants for the development of interoperable Trans-European electronic systems and joint actions. Further simplification will be sought in its implementation, maximising the use of lump sums and unit costs in the context of grants. Reimbursement of experts will also be part of the delivery mechanisms of the programme.

Data exchanged between customs authorities based on the "once only" principle will further simplify the activities in the customs area. Additionally, new generation secure network infrastructure will offer better data exchange and more secure services.

4. COMPLEMENTARITIES & SYNERGIES WITH OTHER POLICIES / ALIGNMENT OF EU WITH NATIONAL AND REGIONAL RESOURCES

The programme has strong links with **Fiscalis**, **Pericles** and the **EU Anti-Fraud Programme** as regards the activities, delivery mechanism and target beneficiaries. It will also generate synergies with the **Digital Europe Programme** where generic solutions for electronic system architecture and infrastructure are developed, allowing further streamlining and economies of scale between systems. Collaboration between the programmes is already happening, i.e. on development of certain electronic system components. There are also links with the **Integrated Border Management Fund**, specifically with the **Customs Control Equipment** component, which will help national customs to procure equipment, and the Internal Security Fund. Finally, complementarity exists also with the **Technical Support Instrument** for assistance to improving customs administration's capacity.

5. PROPOSED BUDGET ALLOCATION FOR 2021-2027

Figures in current prices	*EUR million*
Total envelope for 2021-2027	**950**

SPACE

European Space Programme

The Space programme finances the deployment and exploitation **of European space infrastructures** and related services.

1. EUROPEAN ADDED VALUE

Space infrastructures support services that have become indispensable in Europeans' daily lives, when using mobile phones, driving or finding places with a navigation system, taking a plane or cruising in the sea. They also help ensure the protection of people (for example by better evaluating the impact and managing responses to natural disasters), the environment and key economic systems (energy power plants, banking transactions, secure communications). As new space technologies and innovative services emerge, the importance of state-of-the-art space infrastructures becomes ever more important.

Financing a network of satellites and operating space programmes exceeds the financial and technical capacity of any single Member State. There would also be a waste of resources and fragmentation if each Member State developed its own launchers, satellites or regulatory standards. Space is a strategic sector and the EU must secure its industrial leadership and autonomy to remain a global actor. The Treaty on the Functioning of the European Union tasks the EU with drawing up a European space policy, supported by a European Space Programme.

2. OBJECTIVES

The Space Programme ensures that the EU fully exploits the economic and societal potential that space can bring:

- Ensure the **continuity of the existing space infrastructures and services, and the development of new ones**. The EU has three flagships: *Copernicus*, a leading provider of Earth observation; *Galileo*, the EU's own global navigation satellite system; and *EGNOS*, a signal augmentation system for navigation services to aviation, maritime and land-based users. To continue providing data and deploy innovative services, new satellites have to be launched and the infrastructures on the ground need maintenance and upgrade;
- Foster an **innovative European space sector that can compete globally**. The programme supports industrial competitiveness, internationalisation and skills development of all the segments of the space industrial value chain, from a strong satellite manufacturing industry to a dynamic downstream service sector as well as ensuring EU strategic autonomy in Space. At the same time, it encourages the transfer and cross-fertilisation of technology with non-space sectors;
- Reinforce the EU's capacity to have a **guaranteed access to space and space services**. Space capacities are so strategic that the EU must mitigate dependence on external actors to build, launch and operate satellites; it must preserve its freedom of action and autonomy of decision. The Space Programme therefore supports innovative EU efforts to remain competitive in the launcher sector and the wider space sector, and it ensures a better protection and tracking of satellites in space (Space Surveillance

Tracking, Space Situational Awareness) and secure satellite communications for the EU and national public authorities.

3. IMPLEMENTATION & SIMPLIFICATION

The Space Programme will be delivered for the most part through procurements. Some specific activities will be delegated to the agencies and international bodies, in particular to the European Global Navigation Satellite Systems Agency (GSA) and the European Space Agency. Additional delivery mechanisms such as public-private and public-public partnerships will also be considered, when appropriate.

The future programme will consolidate all space-related activities into a single Regulation. This will provide greater coherence, visibility and budgetary flexibility. This rationalisation is intended to generate efficiency gains which will ultimately serve the deployment of new space-driven services.

4. COMPLEMENTARITIES & SYNERGIES WITH OTHER POLICIES / ALIGNMENT OF EU WITH NATIONAL AND REGIONAL RESOURCES

The Space Programme will be an enabler for several EU policies. It will improve the monitoring of natural resources, climate change and migration routes. It will support the deployment of smart and sustainable transport solutions and precision agriculture. It will contribute to a more secure Union. The programme will generate business opportunities thereby boosting overall jobs, growth and investments in the EU. In support of the Paris Climate Agreement, an independent capacity for monitoring and verification of global carbon emissions will enable Europe to take global leadership in the fight against climate change and the development of a green and sustainable economy. The synergies and complementarities with **Horizon Europe** will be ensured, in particular for the space-related research and innovation actions. Finally, the Space Programme will contribute to security and defence priorities considering that space capabilities are "dual-use" by nature (i.e. for use by both civilian and military customers).

5. PROPOSED BUDGET ALLOCATION FOR 2021-2027

Figures in current prices	*EUR million*
Total envelope for 2021-2027	**16 000**

REGIONAL DEVELOPMENT & COHESION

European Regional Development Fund and Cohesion Fund

The European Regional Development Fund and the Cohesion Fund support the economic, social and territorial cohesion of the European Union. They contribute to reducing disparities that still exist between European regions and countries. In particular, the European Regional Development Fund contributes to structural adjustment and economic transition, while the Cohesion Fund focuses on investments in environment and transport infrastructure. Together with the European Social Fund, they form the funding sources for the European Union's cohesion policy.

1. EUROPEAN ADDED VALUE

Economic and social disparities vary significantly between EU regions and hamper the harmonious development of the Union. On the basis of Article 174 of the Treaty on the Functioning of the European Union, the Union aims to reduce disparities between the levels of development of its regions and to support the development of the least favoured regions. Cohesion policy is both an expression of solidarity among Europeans, and the **main investment policy** of the EU. Fostering economic convergence for the least developed regions through the European Regional Development Fund and the Cohesion Fund strengthens the Single Market and creates opportunities for workers, consumers and companies across the whole Union. In a Europe where the more and less developed regions are unevenly distributed between countries, policies to reduce such disparities have to be organised at a level higher than the national one.

Cohesion policy supports the economic adjustment of Member States. It also plays an important role in mitigating economic and financial shocks by stabilising public investment in times of fiscal consolidation.

The European Regional Development Fund and the Cohesion Fund support development by co-financing investment in research and innovation; climate change and environment; business support to small businesses; services of general economic interest; telecommunications, energy and transport infrastructure; health, education, culture and social infrastructure; sustainable urban development and smart villages. Evidence exists that only limited parts of these investments would happen without the two Funds, even in more developed Member States and regions. In addition, they would not benefit from the framework that is put in place for the Funds, including **multiannual programming**, the **partnership principle** and the establishment of **smart specialisation strategies**.

The European Regional Development Fund also provides funding for a high profile element of European added value – the **INTERREG** programmes, which support **cross-border, transnational and interregional co-operation** across Europe and enable Member States and regions to work together across borders to address common challenges.

For over 20 years, the European Regional Development Fund has also provided specific funding for cross-border programmes supporting peace and reconciliation in **Northern Ireland and the Border Region of Ireland**. The Commission intends to propose the continuation of these programmes, based on their existing management structures.

2. OBJECTIVES

Over the 2021-2027 period, European Regional Development Fund and Cohesion Fund support will help Member States reduce their economic, social and territorial disparities thanks to interventions focused on five objectives:

- **A smarter Europe**: to promote competitiveness, digital transformation, entrepreneurship and innovation (including inclusive growth and social enterprises), and enhance the business environment as a part of industrial adaptation to the challenges of globalisation, circular economy and climate change;
- **A greener carbon free Europe: clean and fair energy transition**, to enhance energy efficiency; to support transition to low-carbon economy; to stimulate renewable energy; to support innovative use of low-carbon technologies, to support green and blue investment, including in sustainable natural resource management, circular economy, climate adaptation and mitigation;
- **A more connected Europe: mobility, energy and regional ICT connectivity** to develop regional networks and systems to promote sustainable transport, smart energy grids and high-speed digital access in order to enhance regional, local and cross-border connectivity, including security;
- **A more social Europe: implementing the principles of the European Pillar of Social Rights,** in particular life-long learning, education and training infrastructure as well as health, culture and social infrastructure;
- **A Europe closer to citizens: sustainable and integrated development**, through local initiatives to foster growth and socio-economic local development of urban, rural and coastal areas.

3. IMPLEMENTATION & SIMPLIFICATION

The Funds are implemented in partnership with the Member States and their regions through shared management. These partnerships involve a strong mobilisation of national, regional and local stakeholders, as well as civil society. This ensures ownership of objectives and achievements and brings Europe closer to its citizens. They also contribute to the strengthening of national, regional and local administrations.

A simplified and more effective approach to delivery will be a key element of the proposed new Regulations with the following changes as from 2021:

- Reduced administrative burden through synergies and the alignment of implementing rules across funds, increased cross reliance on audits and the possibility to roll-over existing management and control systems;
- Differentiated implementation via lighter management and control systems for programmes with good track records;
- Flexibility in the form of a mid-term review to adjust, if necessary, the priorities of the last programming years to address emerging priorities, take stock of progress in addressing investment-related guidance issued alongside the Country-Specific Recommendations and performance;
- Increased use of financial instruments including through a voluntary participation in the new InvestEU Fund;

- A focus on results rather than costs.

Higher national co-financing will help increase ownership on the ground as well as the impact of the policy.

A more stable and predictable payment profile over the period will be achieved. Taking into account the importance of commitments remaining to be paid out from the 2014-2020 period, the pre-financing rate will be lowered. Reintroducing the n+2 rule will also lead to better financial management and a faster start to the programming period.

In order to maximise the impact of cohesion policy, physical investments need to be accompanied by soft measures, including upskilling of the labour force. To this end, programmes may combine European Social Fund+, European Regional Development Fund and Cohesion Fund support.

The relative per capita gross domestic product will remain the predominant criterion for the allocation of funds, while other factors such as unemployment, climate change and the reception/integration of migrants will also be taken into account.

4. COMPLEMENTARITIES & SYNERGIES WITH OTHER POLICIES / ALIGNMENT OF EU WITH NATIONAL AND REGIONAL RESOURCES

There will be common rules for all shared management funds (the Common Provisions Regulation) which will cover the following funds: the **European Regional Development Fund**, the **Cohesion Fund**; the **European Social Fund**+, the **European Agricultural Fund for Rural Development**, the **European Maritime and Fisheries Fund**, the **Asylum and Migration Fund**, the **Internal Security Fund** and the **Integrated Border Management Fund**. This will create a convergence of rules that will enhance coherence and synergies among these Funds.

The European Fund for Regional Development and the Cohesion Fund will be more closely aligned with the **European Semester of economic policy coordination**, which will also reinforce its regional dimension. The detailed analysis of Member States' challenges in the context of the European Semester will serve as a basis for the programming of the funds at the start and at mid-term of the next period. This will serve as the roadmap for the short, mid- and long-term planning and monitoring of the funds. A system of ex-ante conditionalities and macro-economic conditionality will be maintained. Through the European Semester process the Commission and the Member States (notably through their National Reform Programmes) will ensure coordination and complementarity of financing from cohesion policy funds and the new **Reform Support Programme** with regard to the support to structural reforms.

Cohesion policy will increase its concentration on innovation. Complementarities with **Erasmus+** and **Horizon Europe** will also be reinforced through an alignment of relevant rules, a reinforcement of the “seal of excellence” mechanisms and a dedicated ex-ante conditionality. Further development of the smart specialisation strategy concept will continue.

Trans-European transport networks projects will continue to be financed from the Cohesion Fund via both shared management and the direct implementation mode under the **Connecting Europe Facility**. EUR 11 billion of the Cohesion Fund will be transferred to the Connecting Europe Facility for this purpose.

Synergies will be ensured with the **LIFE programme for Environmental and Climate Action**, in particular through LIFE strategic integrated projects, to optimise the uptake of funds supporting environmental investments.

Regarding migration-related challenges, all Cohesion Policy Funds will address long-term needs linked to integration, while the **Asylum and Migration Fund** will focus on shorter term needs.

5. PROPOSED BUDGET ALLOCATION FOR 2021-2027

Figures in current prices	*EUR million*
Total envelope for 2021-2027	**273 000**
of which:	
European Regional Development Fund	**226 308**
of which:	
Investment for growth and jobs	215 172
European territorial cooperation	9 500
Outermost regions and sparsely populated areas	1 637
Cohesion Fund	**46 692**
of which contribution to CEF Transport	11 285

Note: the totals do not tally due to roundings.

REGIONAL DEVELOPMENT & COHESION

Support to the Turkish Cypriot Community

The programme aims to facilitate the reunification of Cyprus by encouraging the economic development of the Turkish Cypriot community.

1. EUROPEAN ADDED VALUE

The EU is in a unique position to provide political and economic support towards the reunification of the island. At the time of Cyprus' accession to the EU in 2004, the EU stated its determination to "put an end to the isolation of the Turkish Cypriot community and to facilitate the reunification of Cyprus by encouraging the economic development of the Turkish Cypriot community". Therefore, in parallel to supporting negotiations for a comprehensive settlement of the Cyprus issue, it provides support through a single EU Aid Programme for the Turkish Cypriot community.

2. OBJECTIVES

The Programme aims at facilitating the reunification of Cyprus by encouraging the economic development of the Turkish Cypriot community with particular emphasis on the economic integration of the island, improving contacts between the two communities and with the EU, and preparation for the EU acquis. The programme pursues five specific objectives: a) developing and restoring infrastructures; b) promoting social and economic development; c) fostering reconciliation, confidence building measures, and support to civil society; d) bringing the Turkish Cypriot community closer to the EU; and e) preparing the Turkish Cypriot community to introduce and implement EU acquis following a comprehensive settlement of the Cyprus problem.

3. IMPLEMENTATION & SIMPLIFICATION

The programme is directly implemented by the European Commission. Some projects are implemented under indirect management by International Organisations or Member States' agencies.

4. COMPLEMENTARITIES & SYNERGIES WITH OTHER POLICIES / ALIGNMENT OF EU WITH NATIONAL AND REGIONAL RESOURCES

Given the specific situation of the Turkish Cypriot community, this is a stand-alone EU programme without links to other instruments, though it seeks to coordinate with other donors where possible.

5. PROPOSED BUDGET ALLOCATION FOR 2021-2027

Figures in current prices	*EUR million*
Total envelope for 2021-2027	**240**

ECONOMIC & MONETARY UNION

Reform Support Programme

The Reform Support Programme aims to support the implementation of **structural reforms in Member States.** The pursuit of structural reforms is crucial to modernise European economies, enhance resilience and foster greater convergence within Europe's Economic and Monetary Union.

1. EUROPEAN ADDED VALUE

The **Reform Support Programme** contributes to enhancing cohesion and strengthening resilience, raising competitiveness and productivity and supporting job creation, investment and growth. By doing so, it strengthens social economic structures in the EU and accelerates economic and social convergence among Member States. To this effect, the programme will provide both technical and financial support to Member States for the implementation of these reforms.

While the implementation of structural reforms in Member States remains a national competence, the crisis years showed that due to the strong links between the economies of the Member States, notably those sharing the same currency, reform efforts in one Member State matter for other Member States and thus cannot be a purely national issue. Economic policy coordination has been strengthened at EU level in the context of the European Semester, also to place a greater focus on euro area priorities, but the implementation of Country-Specific Recommendations has been uneven across Member States. This programme will provide additional support for the implementation of reforms under the European Semester. In doing so, it will contribute to the economic and social performance and resilience of the Member States. Its impact will therefore be felt not only at national level, but will also have positive spill-over effects for the Union as a whole.

The programme will help address national reforms challenges of a structural nature. It will also allow for economies of scale and the sharing of good practice among Member States. Member States often face similar challenges and practical constraints related to the implementation of reforms. The programme will allow an EU-wide network of expertise to be established for all Member States to tap into. It will promote mutual trust and further cooperation between Member States and the Commission. The programme provides for complementarity and synergies with other Union programmes and policies at regional, national, Union and international levels, notably by complementing the policy guidance provided under the European Semester.

2. OBJECTIVES

The programme aims to promote and support the implementation of structural reforms in the Member States. The objective is to modernise European economies, enhance resilience and foster greater convergence within Europe's Economic and Monetary Union, by raising competitiveness and productivity, and support job creation, investment and growth. Ensuring resilient economic and social structures is particularly important for countries sharing the single currency and for those Member States on their way to joining the euro to help ensure their smooth transition to and participation in the euro area.

The programme seeks to support a broad range of reforms, notably those identified in the context of the European Semester of economic policy coordination. It will in particular address challenges raised in Country-Specific Recommendations. It focuses on those reforms that can contribute most to the resilience of Member States' economies and have positive spillover effects on other Member States. These include reforms in product and labour markets, tax reforms, the development of capital markets, reforms to improve the business environment and public administration reforms.

3. IMPLEMENTATION & SIMPLIFICATION

The programme is made up of three separate and complementary instruments:

- The **Reform Delivery Tool** will provide financial support to Member States to implement structural reforms identified in the context of the European Semester of economic policy coordination. It will be administered under direct management. It will provide a financial contribution to a Member State upon implementation of reform commitments agreed with the Commission. The reforms will be voluntarily proposed by the Member States based on the challenges identified in the European Semester process. Such reforms are particularly important for Member States experiencing excessive imbalances. Member States will provide a detailed set of measures, milestones for implementation and a calendar for completion that will be no longer than three years. Following a dialogue between the Commission and the Member State, the Commission will adopt a decision by means of an implementing act setting out the reform commitments (including the milestones, targets and timeline) to be implemented by the Member State and the financial contribution allocated. Member States will report on progress through their National Reform Programme as part of the European Semester.
- The **Convergence Facility** will provide dedicated financial and technical support to Member States wishing to join the euro and which have taken demonstrable steps towards adopting the single currency within a given time-frame. The tool aims to support the implementation of reforms targeted to help prepare for successful participation in the euro area. Requests for technical support under this instrument will follow the same rules as for the technical support instrument. Proposals for reform commitments made by Member States in order to receive financial support under the Convergence Facility will follow the same rules set out for the Reform Delivery Tool. Allocations foreseen for the Convergence Facility will be transferred to the Reform Delivery Tool if by the end of 2023 an eligible Member State has not taken the necessary steps to claim support from the Convergence Facility.
- The **Technical Support Instrument** will succeed the existing Structural Reform Support Programme, in order to provide, upon request from Member States, tailor-made technical support for the implementation of institutional, administrative and growth-sustaining structural reforms. The instrument is aimed to provide hands-on support on the ground and accompany the entire reform process and/or stages or phases of the reform process. Support is provided directly through the Commission's in-house expertise or together with other providers of technical support. Depending on the project, these could include experts from national administrations, international organisations, private firms and consultancies, as well as experts from the private sector. Support for Member States is provided in a coordinated manner across policy

areas and an integrated approach is pursued across sectors, while retaining a Member State perspective.

4. COMPLEMENTARITIES & SYNERGIES WITH OTHER POLICIES / ALIGNMENT OF EU WITH NATIONAL AND REGIONAL RESOURCES

The programme will effectively complement the stronger link between **Cohesion Policy** and the European Semester. Together with other new instruments, such as the **European Investment Stabilisation Function**, the Programme operates as part of a global approach to a modernised EU framework supporting a stable European Economic and Monetary Union.

5. PROPOSED BUDGET ALLOCATION FOR 2021-2027

Figures in current prices	*EUR million*
Total envelope for 2021-2027	**25 000**
of which:	
Reform Delivery Tool	22 000
Convergence Facility	2 160
Technical Support Instrument	840

ECONOMIC & MONETARY UNION

European Investment Stabilisation Function for the Economic and Monetary Union

The European Investment Stabilisation Function will help soften the effects of asymmetric shocks and prevent the risk of negative spillovers to other Member States.

1. EUROPEAN ADDED VALUE

The deepening of the Economic and Monetary Union is a common priority. It requires determined actions from Member States but it can be supported as well by adequate support from the EU budgetary and policy coordination instruments.

The EU budget has always promoted upward social and economic convergence. In recent years, the lending firepower available at EU level was also increased to respond to extreme circumstances. However, to date macroeconomic crisis support has been a limited but useful competence of the EU budget, including for instance the European Financial Stability Mechanism and the Balance of Payments instrument, while the practice of the European Structural and Investment Funds for Member States with difficulties in itself has offered a stabilising effect.

Each country differs and the size and structure of the economy matter are important factors in the likelihood of being exposed to shocks. However, the crisis highlighted the limitations of means available to individual Member States to absorb the impact of large asymmetric shocks, with some eventually losing access to the markets to finance themselves. In several instances, this resulted in protracted recessions and negative spillovers to other Member States. This is due to the strong interdependence of the economies in the euro area and – to a lesser degree – in the EU. Preventing these negative spillovers with a new tool at euro area level would therefore have a clear benefit and added value for the EU as a whole.

The specificities for this new European Investment Stabilisation Function call for a clear focus on euro area Member States, but there should be ways for other countries to participate. The new instrument complements the stabilisation role played by national budgets in the event of large asymmetric shocks. Given their central role in the economy, national budgets will continue to be the main fiscal policy instrument for Member States to adjust to changing economic circumstances. This is why Member States need to continue to build up and sustain adequate fiscal buffers, notably in good times, as provided for by the Stability and Growth Pact, and to gear economic policies to prevent the emergence of macroeconomic imbalances. In case of a downturn, Member States will first use their automatic stabilisers and discretionary fiscal policy in line with the Pact. Only if these buffers and stabilisers are not sufficient, in case of large asymmetric shocks, should the European Investment Stabilisation Function at European level be triggered.

2. OBJECTIVES

The European Investment Stabilisation Function aims to provide resources to a Member State hit by a shock. This would have a possible impact on the deficit/debt position of the Member State concerned.

The European Investment Stabilisation Function will be distinct but complementary to existing instruments in the EU public finances toolbox. Access to the European Investment

Stabilisation Function will be subject to strict eligibility criteria, which should contribute to sound fiscal and economic policy and minimise moral hazard.

3. IMPLEMENTATION & SIMPLIFICATION

The European Investment Stabilisation Function helps to support and maintain national investment levels. Investment is often first cut from national budgets in times of strain, with detrimental effects on longer-term productivity and growth.

The European Investment Stabilisation Function will combine concessional back-to-back loans of up to EUR 30 billion under the EU budget, coupled with a grant component to cover interest costs. Two additional strands are to be developed over time in the form of a possible role for the European Stability Mechanism or a future European Monetary Fund and a voluntary insurance mechanism to be set up by Member States. The grant component of the European Investment Stabilisation Function will be financed through contributions from euro area Member States equivalent to a share of monetary income (seigniorage). Non-euro area Member States wishing to participate in the European Investment Stabilisation Function would contribute to the financing according to the European Central Bank capital subscription key.

Access to the European Investment Stabilisation Function is subject to eligibility criteria and an agreed mechanism to trigger its use. Only Member States complying with the EU economic and fiscal surveillance framework during the period preceding the large asymmetric shock are eligible for access. This will avoid moral hazard and create an additional incentive for compliance with sound fiscal and structural policies. Triggering will be automatic and rapid on the basis of pre-defined parameters.

4. COMPLEMENTARITIES & SYNERGIES WITH OTHER POLICIES / ALIGNMENT OF EU WITH NATIONAL AND REGIONAL RESOURCES

The European Investment Stabilisation Function is distinct from and complementary to existing instruments in the EU public finances toolbox. It fills the gap between, on the one hand, existing instruments financed from the EU budget for jobs, growth and investment and, on the other hand, financial assistance under European Stability Mechanism or the future European Monetary Fund in extreme cases.

Together with other new instruments as the **Reform Support Programme**, the Stabilisation Function operates as part of a global approach to a modernised EU framework supporting a stable Economic and Monetary Union.

5. INDICATIVE ANNUAL AMOUNT

Figures in current prices	***EUR million***
Interest rate subsidy	**600***

* The interest rate subsidy will be financed by external assigned revenues from contributions from euro area Member States equivalent to a share of monetary income (*seigniorage*).

ECONOMIC & MONETARY UNION

PERICLES - Protection of the euro against counterfeiting

Pericles is the EU programme dedicated to the **protection of the euro against counterfeiting and related fraud** in the EU and outside the EU.

1. EUROPEAN ADDED VALUE

The protection of the euro is crucial for the functioning of the Economic and Monetary Union and must, by definition, be ensured at EU-level. The protection of the European single currency as a public good has a clear **transnational dimension** and therefore goes beyond the interest and the responsibility of individual Member States. Considering the cross-border circulation of the euro and international organised crime in euro counterfeiting, national protection frameworks need to be complemented in order to ensure homogeneous international cooperation and to address emerging transnational risks. The Programme promotes **transnational and cross-border cooperation** within the EU as well as **internationally** ensuring global protection of the euro against counterfeiting. It is focused in particular on countering specific emerging threats such as the deep/dark web and on the relationship with certain **external partners** such as dialogue with anti-counterfeiting authorities or support to euro protection activities in countries with hotspots of euro counterfeiting. Research on innovative security features of second generation euro coins also falls into this category of transnational themes.

2. OBJECTIVES

Building on the pillars of prevention, repression and cooperation, Pericles aims at strengthening **capacity-building** and supporting **exchange**, **assistance** and **training** for the protection of euro banknotes and coins against counterfeiting in the EU and abroad.

3. IMPLEMENTATION & SIMPLIFICATION

Online submission of applications and provision of relevant documentation will help simplify implementation. Delivery mechanisms will remain stable as funds are used for the provision of grants to Competent National Authorities (police, central banks, judiciary and mints) interested in implementing actions and for the financing of actions implemented directly by the Commission.

4. COMPLEMENTARITIES & SYNERGIES WITH OTHER POLICIES / ALIGNMENT OF EU WITH NATIONAL AND REGIONAL RESOURCES

Pericles' distinct transnational and multi-disciplinary approach and focus on capacity-building is complemented by the **Internal Security Fund** dedicated to prevention of and fight against crime, and particularly efforts to prevent or combat counterfeiting linked to terrorism, organised crime, cybercrime, and environmental crime. There are also synergies with the **Technical Assistance and Information Exchange** supporting activities related to euro counterfeiting for candidate countries. Finally, the programme also complements other actions in the field of the Economic and Monetary Union, notably the **Convergence Facility** for new members of the euro area.

5. PROPOSED BUDGET ALLOCATION FOR 2021-2027

Figures in current prices	*EUR million*
Total envelope for 2021-2027	**8**

INVESTING IN PEOPLE, SOCIAL COHESION & EUROPEAN VALUES

European Social Fund+

The European Social Fund+ is the EU’s main instrument to **invest in human capital** for sustainable economic development. It **helps people to get better jobs** through upskilling and reskilling, ensures fairer job opportunities for all EU citizens and enhances **social inclusion.** In doing do, it contributes to the 2030 Sustainable Development Goals.

1. EUROPEAN ADDED VALUE

Building on the Treaty-based objectives of access to employment, quality education and social cohesion, EU funding for human capital development is one of the tangible illustrations of EU added-value. Since its creation in 1957, the European Social Fund invests in people promoting better qualifications for more citizens, equality, social fairness and social progress through concrete actions showing to citizens that the EU can empower and protect them. The European Pillar of Social Rights, as proclaimed at the Social Summit in Gothenburg in November 2017 recalled this need to put people first and to further develop the social dimension of the Union. It highlighted common principles in the areas of equal opportunities and access to the labour market, fair working conditions and social protection and inclusion.

EU funding has a catalyst effect on national interventions to address such crucial employment and social challenges. The European Social Fund also adds value through a broadened support to specific groups (such as youth and the most deprived) while supporting innovation, experimentation, joint transnational cooperation, capacity building and exchanges of good practices. Evidence has shown that for each euro spent at the EU level in employment and social investments, more than three euro are delivered in terms of outcome (increased employment rate, prevention of school drop-outs and poverty reduction). In particular, during the crisis the Fund helped maintain public investment during budgetary consolidation efforts of the Member States.

The latest economic and social crisis emphasized the need to further enhance economic and social resilience and upward social convergence since globalisation, demographic change, new technology and productivity paradigms are changing the way we live and work. The Fund can provide important support addressing these challenges, including through increasing the impact of reforms implemented under the European Semester by providing accompanying funding. Important measures to mitigate the effects of the crisis and increased resilience of the economy and market institutions would not have been developed without its support.

2. OBJECTIVES

The European Social Fund+ supports the implementation of the principles of the European Pillar of Social Rights. It overcomes the current fragmentation of funding instruments in the social policy area and pool the scope and resources of the European Social Fund+ in its present form, the Youth Employment Initiative, the Fund for European Aid to the Most Deprived, the Employment and Social Innovation Programme and the Health Programme under a single, streamlined comprehensive and more flexible instrument aiming at the following EU priorities:

- Promoting reforms to **improve economic and social resilience and upward social convergence,** the accessibility, resilience and effectiveness of **healthcare systems**

and public health policies, notably through streamlined and better alignment of the programming with country specific recommendations within the European Semester process;

- Investing in **education and skills** (notably basic digital skills) to adapt to the current and future needs of the economy, promoting **employment** through active interventions enabling (re)integration into labour markets, notably for youth and long-term unemployed and addressing new health risks related to changing forms of work;
- Specific attention will also be given to the position of **migrants** and their integration into labour markets;
- Promoting **social inclusion**, ensuring a high level of health protection, preventing and combating **poverty and inequality**;
- **Supporting labour mobility and social innovation** through EU wide partnerships;
- Reducing inequalities in **access to public health and quality health care** among Member States, **protecting people from serious cross-border health threats** by avoiding and countering health crises, empowering health systems with emphasis on their digital transformation, supporting EU health legislation.

3. IMPLEMENTATION & SIMPLIFICATION

Simplified and more effective delivery will be one of the key elements of the European Social Fund+ with three objectives: reducing of administrative burden, ensuring the necessary flexibility to respond to unexpected social challenges and focussing on results rather than costs. Delivery will take place mainly under shared management, but also, to a more limited extent, under direct management. The measures will translate into faster start-up of the new programmes, leading to a more stable and predictable payment profile throughout the period.

The **reduction of administrative burden** will result from sharing a single rule book aligning implementing rules across European Structural and Investment Funds, reduction of overlaps in target groups and actions, increased cross reliance on audits and a simplified programming framework together with the incentive to roll-over the existing management and control systems.

The European Social Fund+ will improve its flexibility to be more responsive to **unexpected social challenges and unforeseen opportunities**. Funding will have simplified procedures for amending programming choices, introducing financial management rules for the Fund which will allow for standardising costs and thus contribute even more accessibility and flexibility with regard to beneficiaries on the ground.

EU funding will also further shift the focus towards results. The default use of "standard simplified cost options" will facilitate access to EU funding, reducing the costs of controls and focusing programme management on the achievement of outputs and results. New provisions to disburse payments on the basis of results and meeting conditions will help to further improve the delivery of the Fund. Higher national co-financing will also help increase ownership on the ground as well as the impact of the policy.

4. COMPLEMENTARITIES & SYNERGIES WITH OTHER POLICIES / ALIGNMENT OF EU WITH NATIONAL AND REGIONAL RESOURCES

There will be common rules for all shared management funds (the Common Provisions Regulation) which will cover the following funds: the **European Regional Development Fund**, the **Cohesion Fund**; the **European Social Fund+**, the **European Agricultural Fund for Rural Development**, the **European Maritime and Fisheries Fund**, the **Asylum and Migration Fund**, the **Internal Security Fund** and the **Integrated Border Management Fund**. This will create a convergence of rules that will enhance coherence and synergies among these Funds.

The European Social Fund+ will be more closely aligned with the **European Semester of economic policy coordination**, which takes regional specificities into account. The detailed analysis of Member States' challenges in the context of the European Semester will serve as a basis for the programming of the funds at the start and at mid-term of the next period. This will serve as the roadmap for the short, mid- and long-term planning and monitoring of the funds. A system of ex-ante conditionalities and macro-economic conditionality will be maintained. Through the European Semester process the Commission and the Member States (notably through their National Reform Programmes) will ensure coordination and complementarity of financing from cohesion policy funds and the new Reform Support Programme with regard to the support to structural reforms.

Adding up to mid/long-term structural interventions from the European Social Fund+, the **European Globalisation Adjustment Fund** will support workers in the face of negative impact of developments linked to globalisation including changes in trading patterns due to third country decisions.

As regards other instruments, enhanced complementarity will allow integrated support for the policy value chain, for instance offering greater possibilities to scale up **Erasmus+** transnational projects into a national policy context through support by the European Social Fund+, in particular for the disadvantaged young people, or joint competitive calls aimed at mainstreaming innovative project results from EU programmes into national policies such as skills and competences curricula developed under **Horizon Europe**. Synergies with the **Digital Europe Programme** will be developed in the area of skill development. In addition, in complementarity with the **Asylum and Migration Fund**, the European Social Fund+ will support long-term integration of third-country nationals including needs linked to integration of relocated third-country nationals.

On financial engineering, the **InvestEU Fund** will play a strong complementary role particularly by promoting access to finance through its "social investment and skills" window.

5. PROPOSED BUDGET ALLOCATION FOR 2021-2027

Figures in current prices	*EUR million*
Total envelope for 2021-2027	**101 174**
of which:	
European Social Fund	100 000
Employment and social innovation	761
Health	413

INVESTING IN PEOPLE, SOCIAL COHESION & EUROPEAN VALUES

Erasmus+

Erasmus+ equips people, in particular young people, with new knowledge and skills **through study, traineeships, apprenticeships, youth exchanges, teaching, training, youth work** and **sport activities** all over Europe and beyond. It supports European countries **to modernise and improve their education and training systems** as well as their youth and sport policies.

1. EUROPEAN ADDED VALUE

The programme is built around three key actions: mobility, cooperation and support to policy development. Erasmus+ increases opportunities for people to have a learning experience abroad. It also provides networking and cooperation opportunities as well as capacity building activities within the Union and with third countries. It includes mutual learning and exchange of good practice. It supports innovation in systems and organisations and provides tangible results for participating individuals and institutions.

Action at EU level is essential given the transnational character and scale of these activities. The Erasmus+ Programme guarantees that all Member States benefit from mobility and exchange of good practice while ensuring optimal dissemination of results. EU action on the ground is a way of filling in the missing links, avoiding fragmentation, realising the potential of a Europe without internal borders and improving transparency and comparability of education and training systems throughout the Union. Other schemes funding comparable actions at national level remain significantly smaller both in volume and scope and do not have the capacity to substitute Erasmus+ funding.

The European Pillar of Social Rights, as proclaimed by the three institutions at the Social Summit in Gothenburg in November 2017, recalled the need to put people first and to further develop the social dimension of the Union. It highlighted common principles in the areas of equal opportunities and access to the labour market, fair working conditions and social protection and inclusion. To face the competitive job market, anticipate societal challenges and contribute to resilient economies, people need to be equipped with the right set of knowledge, skills and competences required in a fast changing world.

Therefore, Erasmus+ will support the acquisition of forward-looking knowledge, skills and competence development and build new alliances with relevant stakeholders. Erasmus+ will become a more inclusive programme increasing its accessibility - especially for small scale or grass-root organisations. It will allow more young people, including school pupils, to travel to another country for learning, including reaching out to those from disadvantaged backgrounds. Promoting awareness of EU matters and fostering active participation in society will help to tackle the lack of understanding of the EU and how it works. The levels of mobility and cooperation at European and international level will also be increased and extended in scope.

2. OBJECTIVES

The general objective of the programme is to support the implementation of EU policy objectives in the field of education and training, youth and sport, thereby contributing to sustainable growth and social cohesion and to promoting EU common values and a sense of belonging to the EU.

For education and training, this translates into the establishment of the **European Education Area** by 2025 in which learning, studying and doing research would not be hampered by borders, implementing relevant EU policies in this field, notably the **New Skills Agenda for Europe**, and following up on the Paris Declaration on promoting citizenship and the common values of freedom, tolerance and non-discrimination through education.

The programme will support and implement actions in accordance with the renewed framework for European cooperation in the youth field, addressing **learning mobility**, **capacity-building** of the youth sector, **actions to empower young people** to participate and support Member States in developing their national youth systems.

It will help developing the European dimension in sport and foster a European identity by travel experience with Interrail passes for young people.

3. IMPLEMENTATION & SIMPLIFICATION

Building on the successful implementation of the programme so far, the future Erasmus+ will maintain the current basic architecture as an integrated programme that is based on the principle of lifelong learning. Its actions cover several areas such as higher education, vocational education and training, school education, adult learning, youth and sport.

The budget of Erasmus+ will be implemented mainly via National Agencies established in each of the Erasmus+ Programme countries as well as, to a lesser extent, by the Education Audio-Visual and Culture Executive Agency and by the Commission.

Erasmus+ will decrease the administrative burden for all by simplifying procedures and processes, optimising electronic tools and making them more inter-operable and user-friendly, by reducing reporting and information obligations and better standardise the implementation of the programmes across National Agencies. Simplification and streamlining of the implementation modalities will facilitate access to Erasmus+. The delivery mechanism and rules of the international strand of Erasmus+ will also be considerably simplified and streamlined.

4. COMPLEMENTARITIES & SYNERGIES WITH OTHER POLICIES / ALIGNMENT OF EU WITH NATIONAL AND REGIONAL RESOURCES

The programme complements national and regional actions and allows structured mobility, cooperation and policy support in a truly transnational way.

The significant complementarities between Erasmus+ and other EU instruments, including the **European Social Fund+**, and **Horizon Europe** will be strengthened. In addition, the **European Solidarity Corps** will facilitate the engagement of young people in solidarity activities in full synergy with Erasmus+, as both programmes will be implemented with the support of the Education, Audiovisual and Culture Executive Agency and of national agencies.

5. PROPOSED BUDGET ALLOCATION FOR 2021-2027

Figures in current prices	EUR million
Total envelope for 2021-2027	**30 000**

INVESTING IN PEOPLE, SOCIAL COHESION & EUROPEAN VALUES

European Solidarity Corps

The European Solidarity Corps aims at facilitating the **engagement of young people in solidarity activities** in Europe and abroad, and at using those opportunities to improve their skills, competences and employability with a view to address concrete societal challenges.

1. EUROPEAN ADDED VALUE

Solidarity lies at the heart of the European Union and is one of its core values.

Since December 2016, the European Solidarity Corps has brought together all related activities under existing programmes and enabled young people to engage in solidarity activities. Since 2014, the EU Aid Volunteers initiative gives EU citizens a unique opportunity to contribute to humanitarian action in third countries.

The benefit of fostering solidarity activities at EU level is considerable. This was reaffirmed in the mid-term evaluations of the Erasmus+ programme, the main supplier of volunteering opportunities under the Corps so far, and the EU Aid Volunteers initiative. Given the scarcity of financial resources in this area, EU funded projects, in particular for multi-country activities, would not have gone forward based only on national funding. Willingness to engage exceeds the opportunities on offer: Only 8% of young people have stayed abroad for the purpose of volunteering and of those who have not done so, 76% claim that this is because of lack of opportunities. In general, more than four in ten young Europeans would like to work, study or train in another EU country.

So far over 53,000 young persons have demonstrated their interest in solidarity activities by registering on the European Solidarity Corps portal. In the absence of the European Solidarity Corps and EU Aid Volunteers, an important potential for solidarity activities would be lost, leading to detrimental effects for welfare, vulnerable communities, the development of young people and society as a whole. The European Solidarity Corps will allow the pooling existing resources and knowledge to achieve a critical mass of sustained funding for tackling EU wide challenges through solidarity activities. In-country placements require a sufficient EU dimension, such as fostering an EU policy (e.g. migration, environment) in order to be eligible.

The European Solidarity Corps supplements existing public and private policies and works in complementarity with existing national schemes. This complementary effect is ensured since the programme is aimed at addressing unmet societal needs.

2. OBJECTIVES

The European Solidarity Corps aims to enhance the engagement of young people and organisations in accessible and high quality solidarity activities. This helps to strengthen cohesion and solidarity in Europe and abroad, supporting communities and responding to societal challenges. The European Solidarity Corps builds on the current European Solidarity Corps and the EU Aid Volunteers programme with a view to:

- Addressing important unmet **societal needs** in a broad range of areas such as development and humanitarian aid, education, health, social integration, assistance in the provision of food, shelter construction, reception, support and integration of migrants and refugees, environmental protection or prevention of natural disasters, contributing to the EU goals in these policy domains;

- **Empowering young people** through their involvement in European solidarity activities. This allows the young people to develop their human and social skills that in turn enables them to become independent, active individuals. At the same time, they develop a European identity and intercultural competences, which is essential in times of persistently high youth unemployment in some parts of Europe and growing risk of lasting social exclusion for certain vulnerable groups;
- **Strengthening the foundations for engagement in solidarity activities** and providing an extended basis for supporting organisations around Europe. This also contributes to building inclusive, open communities, helping to make society as a whole more resilient;

The integration of the **EU Aid Volunteers Initiative** provides a unique opportunity for young Europeans to demonstrate solidarity with people in need around the world and contribute to humanitarian/development actions in third countries. It also provides opportunities for organisations to receive technical assistance and capacity building in disaster risk management, preparedness and response.

The European Solidarity Corps will also contribute to inter-generational solidarity, connecting young participants to other generations in projects that allow for positive synergy and mutual learning. It will further develop its platform and network of participants to foster a larger community of people engaged in solidarity activities.

3. IMPLEMENTATION & SIMPLIFICATION

The European Solidarity Corps will support the placement of participants in accredited organisations involved in solidarity projects. It will be implemented on the successful model established for the Erasmus+ programme. It is based on the clear division of programme management tasks between the Commission, the National Agencies established under the Erasmus+ Programme and the Education, Audiovisual and Culture Executive Agency.

The geographical scope of the new European Solidarity Corps covers, in the humanitarian field, all countries worldwide. For all other volunteering opportunities, potentially all countries participating today in Erasmus+ would be included. However, traineeships and jobs opportunities will be on offer only in EU Member States.

The European Solidarity Corps will ensure:

- A **holistic approach to solidarity** under a single EU instrument, covering activities both within and beyond EU borders including the humanitarian dimension;
- A single entry point (**one stop shop**) for young people interested in a solidarity, with a clear and simple access to the scheme;
- An increased number of volunteers, trainees and employees through one **single instrument**;
- The **simplification of rules** of the existing schemes and establishment of a single implementation procedure;
- Cost reductions through **economies of scale and scope** (insurance, training, communication, online platform, etc.).

4. COMPLEMENTARITIES & SYNERGIES WITH OTHER POLICIES / ALIGNMENT OF EU WITH NATIONAL AND REGIONAL RESOURCES

The European Solidarity Corps will allow for a single hub for solidarity activities both within and outside the EU. The European Solidarity Corps will develop close ties and synergies with national frameworks and schemes, such as civic service programmes. Close complementarities and synergies will be ensured with the youth activities under the future **Erasmus+** Programme and the **European Social Fund+** activities aimed at fostering the employment of young people. Synergies with **LIFE**, the EU Programme for Environment and Climate Action, will also be exploited notably as complementary actions for strategic integrated projects.

5. PROPOSED BUDGET ALLOCATION FOR 2021-2027

Figures in current prices	*EUR million*
Total envelope for 2021-2027	**1 260**

INVESTING IN PEOPLE, SOCIAL COHESION & EUROPEAN VALUES

Justice, Rights and Values

The Justice, Rights and Values Fund is a new EU instrument comprising two funding programmes: the **Rights and Values Programme** supporting **equality and rights** and the Justice Programme promoting the development of an **EU area of justice**.

1. EUROPEAN ADDED VALUE

Promoting, strengthening and protecting EU values, rights and justice contributes to making the EU authentic and tangible in people's day-to-day lives. By promoting and protecting equality and rights all across the EU, encouraging citizens' participation in political and civil life and supporting policies to promote equality and anti-discrimination and to combat violence, the Fund contributes to strengthening European democracy, its equal societies and civil institutions.

Promoting EU values also means protecting them and ensuring an environment respectful of the rule of law and the independence of the judiciary, where mutual recognition and mutual trust among Member States are enhanced. This is at the core of the European Area of Justice. It is through EU-funded initiatives that remaining bottlenecks hampering judicial cooperation in civil and criminal matters and the incomplete implementation of EU law can best be tackled.

The two programmes under the Justice, Rights and Values Fund will also enhance and support the key role of Non-Governmental Organisations and Civil Society Organisations in the promotion, safeguarding and awareness-raising for EU common values and in contributing to the effective enjoyment of rights under Union law.

2. OBJECTIVES

The overarching aim of the Justice, Rights and Values Fund is to sustain open, democratic and inclusive societies. It aims to empower citizens through protecting and promoting rights and values through further developing an EU area of justice.

This is pursued through the following objectives:

- Empowering citizens through the promotion and protection of rights, values and equality and through creating opportunities for engagement and participation;
- Contributing to the further development of a European area of justice based on the rule of law, on mutual recognition and trust, in particular by facilitating access to justice, by promoting judicial cooperation in civil and criminal matters and the effectiveness of national justice systems.

3. IMPLEMENTATION & SIMPLIFICATION

The new instrument combines small scale programmes with related objectives and beneficiaries so as to improve both effectiveness and efficiency of EU action. Its architecture develops synergies between current programmes, while allowing for policy specificities. On the basis of the lessons learnt from the previous generation of programmes, implementation will be streamlined to increase cost effectiveness and reduce administrative burden for example by reducing the number of underlying financial transactions.

4. COMPLEMENTARITIES & SYNERGIES WITH OTHER POLICIES / ALIGNMENT OF EU WITH NATIONAL AND REGIONAL RESOURCES

The Justice, Rights and Values Fund has policy synergies with the **Single Market Programme** as it provides support to empower consumers and strengthen the work of enforcement authorities in the consumer area. By financing activities on company law, contract law and anti-money laundering, the future Single Market Programme will contribute directly to the implementation of the EU policy in the field of justice. Synergies will be developed and strengthened within the **European Social Fund+** with its strong and direct impact on people – including the most disadvantaged and discriminated against – and its significance for promoting gender equality and equal opportunities, EU values and the respect of fundamental rights. The **Digital Europe Programme** will enable to ensure the digital transformation of the judicial systems in the Member States, the development of “LegalTech” by EU companies and cross-border interconnection and interoperability. The promotion of values and rights within the EU is mirrored by their promotion at the global level, including through the linkages of the implementation of the Sustainable Development Goals. In this respect, synergies can also be developed with **external action** at multilateral level.

5. PROPOSED BUDGET ALLOCATION FOR 2021-2027

Figures in current prices	*EUR million*
Total envelope for 2021-2027	**947**
of which:	
Rights and Values	642
Justice	305

INVESTING IN PEOPLE, SOCIAL COHESION & EUROPEAN VALUES

Creative Europe

Creative Europe is the EU programme that supports **European culture**, including notably **MEDIA actions**.

1. EUROPEAN ADDED VALUE

Promoting, strengthening and protecting European cultural diversity and cultural heritage and creativity helps to make the EU authentic and tangible in people's day-to-day lives. Culture therefore plays a pivotal role in addressing key societal and economic challenges. Moreover, culture has a strong role in driving innovation, economic growth and job creation.

Support to cultural diversity enables artistic and creative freedom and strengthens awareness of a shared European identity. The promotion of cultural values requires competitive and vibrant cultural and creative sectors, in particular the audiovisual industry, in order to reach citizens across Europe, notably in the context of an increasingly integrated Digital Single Market.

EU level investment in culture plays a crucial role fostering diverse and inclusive societies, and supports other EU policies through crossovers. Substantially increased added value will be ensured by focusing on areas which complement national and regional funding with a strong cross border dimension, by addressing market failures, and contributing to economies of scale and critical mass.

Mobility of professionals in the cultural and creative sectors, support to emerging talent and the promotion of artists and their works at the international level strengthens the European Union's cross-border cultural performance and its relations on the global scene. Actions to promote audience engagement and cultural participation, and supporting artistic expression strengthen Europe's creative and innovative potential that extends beyond national borders. This is particularly true for enhanced creation, circulation and promotion of culturally diverse and competitive European film content for which further scaling up and consolidating Europe's audio-visual industry is essential.

With regard to the audiovisual industry, actions under the MEDIA strand will strengthen the competitiveness of Europe's creative and audiovisual industry, by supporting the development of European works able to compete with major non-European productions, new technologies for innovative story-telling (such as virtual reality), marketing, promotion, and distribution strategies, as well as accompanying the implementation of the Audiovisual Media Services Directive.

2. OBJECTIVES

The overarching aim of Creative Europe is to sustain open, inclusive and creative societies and to strengthen the competitiveness of the cultural and creative sectors, boosting growth and job creation. The programme aims to:

- Safeguard, develop and promote European cultural diversity and Europe's cultural heritage;
- Support the creation and dissemination of quality and diverse European works, accessed by large audiences across borders;

- Support culture-based creativity in education and innovation;
- Strengthen the cross-border dimension of cultural and creative sectors;
- Improve the competitiveness and innovation capacity of the European creative and audiovisual industry.

3. IMPLEMENTATION & SIMPLIFICATION

The programme will continue to be principally implemented by the Education, Audiovisual and Culture Executive Agency. On the basis of the lessons learnt from the previous generation of programmes, implementation will be streamlined to increase cost effectiveness and reduce administrative burden for example by reducing the number of underlying financial transactions. The Creative Europe Desks will be delivering more streamlined and better focussed communication, dissemination and feed-back on results.

4. COMPLEMENTARITIES & SYNERGIES WITH OTHER POLICIES / ALIGNMENT OF EU WITH NATIONAL AND REGIONAL RESOURCES

Creative Europe has strong synergies with the **Single Market Programme** as the promotion of culture and media are directly contributing to the implementation of the Digital Single Market strategy. Synergies with **Erasmus+** will be reinforced by more systematically mainstreaming the needs of cultural education and training institutions into the existing and future actions. The **Digital Europe Programme** will support the digital transformation of the cultural heritage sector (e.g. Europeana), thus contributing to the implementation of the #digital4culture strategy. In order to leverage private investment, equity and debt financing will be made available to cultural and creative small and medium-sized enterprises via the **InvestEU Fund**. Under **Horizon Europe**, the cluster on inclusive, resilient and secure societies will support research and innovation activities in the fields of media convergence and culture.

5. PROPOSED BUDGET ALLOCATION FOR 2021-2027

Figures in current prices	***EUR million***
Total envelope for 2021-2027	**1 850**
of which:	
MEDIA	1 200
Culture	650

AGRICULTURE & MARITIME POLICY

European Agricultural Guarantee Fund & European Agricultural Fund for Rural Development

The Common Agricultural Policy is the core policy of the Union aiming to increase **agricultural productivity**, ensure a **fair standard of living for farmers**, **stabilise markets** and **enhance competitiveness**. A modernised Common Agricultural Policy will need to support the transition towards a fully sustainable agricultural sector and the development of **vibrant rural areas,** providing **secure, safe and high-quality food** for over 500 million consumers.

1. EUROPEAN ADDED VALUE

Europe needs a smart, resilient, sustainable and competitive agricultural sector in order to ensure the production of safe, high-quality, affordable, nutritious and diverse food for its citizens and a strong socio-economic fabric in rural areas. A modernised Common Agricultural Policy must enhance its European added value by reflecting a higher level of environmental and climate ambition and addressing citizens' expectations for their health, the environment and the climate. The global and cross-border nature of the key challenges faced by EU agriculture and rural areas require a common policy at EU level. These challenges are addressed by:

- Securing a single market and level playing field via a common income safety net and avoids potential distortions of competition;
- Shoring up EU farming sector resilience necessary to harness globalisation;
- Delivering on key sustainability challenges like climate change and biodiversity, as well as soil, water and air quality.

A modernised policy will allow maintaining a fully integrated Single Market for agricultural goods in the EU while increasing the emphasis on a sustainable production with increased ambition regards the environment and climate. Disparities in the development of the farming sector will be reduced and crisis preparedness will be increased.

2. OBJECTIVES

The post-2020 Common Agricultural Policy focuses on objectives covering all three dimensions of sustainable farming in the EU:

- To foster a smart and resilient agricultural sector;
- To bolster environmental care and climate action and to contribute to the environmental and climate objectives of the EU;
- To strengthening the socio-economic fabric of rural areas.

It will also need to continue to address societal expectations regarding sustainable food production, in particular concerning food safety, food quality, environmental and animal welfare standards. The policy will reflect a higher emphasis on advice, knowledge transfer and cooperation.

3. IMPLEMENTATION & SIMPLIFICATION

The policy will continue to be implemented primarily under shared management between the EU and the Member States. It will be financed through two funds, the European Agricultural Guarantee Fund and the European Agricultural Fund for Rural Development. A **new delivery model** will be put in place by bringing together the operations under a single programming instrument, the **Common Agricultural Policy Strategic Plan**. Based on a common set of objectives set at EU level and fully respecting the EU's international commitments, Member States will have more room to identify their needs and to define the intervention schemes, provided they are pertinent to achieve the EU specific objectives. Such EU specific objectives shall be aligned with those of other EU policies, such as environment and climate.

The Common Agricultural Policy Strategic Plans will be approved by the Commission if they are consistent and contribute in an adequate manner to the achievement of EU objectives and targets. This new model represents a shift from today's compliance-based policy to a result-oriented policy aimed at delivering on common objectives set at EU level. It will also allow Member States suitable room to cater for specific needs at national or regional level. A set of impact indicators will be used for evaluating the long-term performance of the policy, while common output and result indicators will help to monitor implementation. The new delivery model will entail **a far-reaching simplification of rules for farmers and administrations.**

- Direct payments will remain an essential part of the policy, but they will be moderately reduced and better targeted. Basic income support through direct payments, in particular decoupled payments, will form part of the interventions covered by the Strategic Plan established by Member States.
- Member States will have the option of shifting a part of their allocations of direct payments to rural development and vice versa.
- Currently, 20% of farmers receive 80% of direct payments reflecting a system where payments are linked to land which is concentrated among a minority of farmers.
- A more balanced distribution should be promoted through compulsory capping at farm level (with exemption of cost of labour) or degressive payments decreasing with farm size. The savings will remain in the envelope of the Member State in which they originate for redistributing the support towards rural development or medium and smaller farms.
- Direct payment levels per hectare between Member States will continue to converge (external convergence). For all Member States with direct payments below 90% of the EU-27 average, the gap between their current level and 90% of the EU average direct payments will be closed by 50%. This convergence will be financed by all Member States.
- The "greening" as currently applied will be replaced by integrating current cross compliance, green direct payments and voluntary agro-environmental and climate measures into a more targeted, more ambitious yet flexible approach, in view of a higher level of environmental and climate ambition of the Common Agricultural Policy.
- Support for risk management tools including income stabilisation tools will need to be introduced in the Strategic Plans. A new crisis reserve will be established within the European Agricultural Guarantee Fund. Access will be conditional on the set-up of a strategy at national level of appropriate risk management tools (such as insurance type instruments).

4. COMPLEMENTARITIES & SYNERGIES WITH OTHER POLICIES / ALIGNMENT OF EU WITH NATIONAL AND REGIONAL RESOURCES

Modernising the Common Agricultural Policy will help develop more synergies and make it more coherent with other EU policies, in particular environment, climate action, regional development and research and development. Higher policy coherence will result in simplification for administrations and farmers alike. A higher environmental ambition cannot be reached without strong support for knowledge, innovation and technology. Successful synergies with **Horizon Europe** will continue to be secured and developed in the cluster on “Food and Natural Resources” whose objective is to make agriculture and food systems fully safe, sustainable, resilient, circular, diverse and innovative. A reinforced focus on developing and using scientific knowledge in EU agriculture is essential for its modernisation and transition to a sustainable future. This is why an amount of EUR 10 billion will be foreseen under Horizon Europe to support research and innovation in food, agriculture, rural development and the bioeconomy. Synergies will also be ensured with the **LIFE** Programme, the EU Programme for Environment and Climate Action, to optimise the uptake of funds supporting environmental investments. Equally, operational assessments of the state of the agricultural environment and impact of policies can be secured by fostering close synergies with the **Space Programme**.

A simplified framework of EU objectives and basic rules will be common with the other **European Structural and Investment Funds** to the extent possible.

5. PROPOSED BUDGET ALLOCATION FOR 2021-2027

Figures in current prices	*EUR million*
Total envelope for 2021-2027	**365 005**
of which:	
European Agricultural Guarantee Fund	286 195
European Agricultural Fund for Rural Development	78 811

AGRICULTURE & MARITIME POLICY

European Maritime and Fisheries Fund

The European Maritime and Fisheries Fund is the EU's dedicated programme to support a **sustainable EU fisheries** sector and **the coastal communities** dependent on it.

1. EUROPEAN ADDED VALUE

The global nature of the maritime ecosystem requires the EU to act at international level to protect, conserve and sustainably use the oceans and their resources. EU action is far more efficient and effective than at any individual Member State level. Marine biological resources would soon be depleted without coordinated EU action, having immediate repercussion on the availability of fisheries products and the destruction of the marine ecosystem. The Fund supports the protection of marine biodiversity and ecosystems and helps to boost investments, jobs and growth, foster innovation through research and development and contributes to energy and climate objectives.

Overcapacity of the EU fleet and overfishing is still a problem in many segments and across sea-basins. Structural problems still prevail in the fisheries sector, notably in trans-national sea basins and coastlines covering several Member States, which cannot successfully be addressed acting alone. The Integrated Maritime Policy provides a coherent approach to maritime issues through close coordination and cooperation across sectors.

Promoting the blue economy in fisheries and aquaculture, tourism, ocean energy or blue biotechnology, in coastal communities, at EU level provides real EU added value by encouraging EU governments, industry and stakeholders to develop joint approaches to drive growth, while safeguarding the marine environment.

2. OBJECTIVES

The European Maritime and Fisheries Fund will focus on three objectives:

- **Safeguarding healthy seas and oceans and delivering sustainable fisheries and aquaculture** by reducing the impact of fisheries on the maritime environment while enhancing the competitiveness and the attractiveness of the fisheries sector;
- **Promoting the blue economy**, particularly by fostering sustainable and prosperous coastal communities towards investment, skills, knowledge and market development;
- **Strengthening international ocean governance and the safety and security of maritime space** in areas which are not already covered by the international fisheries agreements.

3. IMPLEMENTATION & SIMPLIFICATION

The programme will be implemented in both shared and direct management. Grants and Financial Instruments will be the main funding tools. In shared management, Member States will be the main actors directly supporting beneficiaries. Direct management will be used to promote innovative policy development with an immediate impact in maritime policy activities and in the field of international ocean governance and maritime security.

The Fund will share a common legal basis with all the **European Structural and Investment Funds.** However, a sector-specific Regulation and a limited set of implementing and delegated acts are foreseen.

Simplified Cost Options (flat rates, lump-sums and unit costs) will be increasingly used to reduce the administrative burden. There will also be a large flexibility for Member States to tailor measure to objectives pre-defined at EU level. In addition, the adoption of e-procurement and e-grant modules in the case of direct management will be promoted, with the possibility to further externalise direct management of funds to executive agencies.

To increase the **flexibility**, the possibility to combine funding between the European Structural and Investment Funds as well as between shared and direct management will be increased. In addition, a larger availability of financial instruments (loans, guarantees) and repayable assistance such as repayable grants at programme level will be the standard for all support towards developing and improving the profitability of enterprises in the fisheries sector. Finally, Member States will have more flexibility in reacting to unforeseen circumstances and addressing changing spending priorities.

The Fund will also move towards a **more results-based support model** based on a pre-defined list of detailed measures Member States can choose from. Better information systems based on integrated data frameworks will strengthen the policy impact.

4. COMPLEMENTARITIES & SYNERGIES WITH OTHER POLICIES / ALIGNMENT OF EU WITH NATIONAL AND REGIONAL RESOURCES

Synergies for the maritime and blue economy will be exploited in particular with the **European Regional Development Fund** for the investment in blue growth sectors and for sea-basin strategy, with the **European Social Fund**+ to re-train fishers in acquiring skills and the **European Agricultural Fund for Rural Development** for support to aquaculture. The collaboration and synergies with **Horizon Europe** for marine research and innovation will be achieved, for instance by supporting small and medium-sized enterprises for the deployment and market replication of innovative solutions for blue growth and by supporting a thematic investment platform for research and innovation in the blue economy. Synergies with LIFE, the EU Programme for Environment and Climate Action, will also be exploited for supporting actions aimed at improving the marine environment, notably as complementary actions for strategic integrated projects. The **InvestEU Fund** will play an important role with financial instruments for market related action, in particular by supporting a thematic investment platform for research and innovation in the Blue Economy.

5. PROPOSED BUDGET ALLOCATION FOR 2021-2027

Figures in current prices	*EUR million*
Total envelope for 2021-2027	**6 140**

AGRICULTURE & MARITIME POLICY

International Fisheries Agreements

International fisheries agreements allow the EU fishing fleets **access to third country waters** and require the financing of compulsory annual contributions deriving from **EU membership in Regional Fisheries Management Organisations**.

1. EUROPEAN ADDED VALUE

The EU is one of the leading maritime and fisheries players in the world. It promotes the sustainable management of international fish stocks and defends EU economic and social interests. Within the EU, the promotion of sustainable fisheries is the exclusive competence of the Union as the cross-boundaries dimension of fisheries requires EU-wide action. This is even more important for international action, whether when negotiating fisheries agreements or when participating to the Regional Fisheries Organisations.

The EU has also committed itself to take a leading role in implementing the UN's Sustainable Development Goal "to conserve and sustainably use the oceans, seas and marine resources" and is thus interested to shape international ocean governance – including resource conservation and stemming illegal fishing – in the frame of its international fisheries agreements.

More than a quarter of the fish caught by European fishing boats are taken outside EU waters. Therefore, the EU benefits from fisheries agreements for sustainable EU food supply, for developing its fisheries sector, the coastal communities depending on it and a sustainable blue economy. In addition, indirect benefits emerge from supporting third countries in the form of addressing migration and local socio-economic development. In the context of the Sustainable Fisheries Partnership Agreements, the EU provides financial and technical support to establish a legal, environmental, economic and social governance framework for fishing activities carried out by Union vessels in third country waters. The EU has a joint management of shared stocks with Norway, Iceland and the Faeroe Islands. Such agreements play an important role in developing stronger relations with third countries and promoting the role of the European Union on the global stage.

The EU is a Contracting Party to the UN Convention on the Law of the Sea and the UN Fish Stocks Agreement. It must cooperate with other fishing nations and be a member of Regional Fisheries Management Organisations for fishing in high seas. As the sole representative for all EU fishing interests, the EU is a leading member in these organisations and has the clout and authority to defend its interests more effectively and forcefully than EU Member States separately.

2. OBJECTIVES

In the mutual interest of the EU and its partners, the International fisheries agreements programme aims to:

- Secure **access of the EU fleet to the waters under jurisdiction of third countries**;
- Provide funding to enhance **capacity building of the coastal States** to establish a sustainable management of fishery resources and strengthening the **monitoring,**

control and surveillance of fishing activities in their waters in particular to tackle **illegal, unregulated and unreported fishing**;

- Develop and support the necessary **scientific and research institutions**;
- Enhance transparency and promote the **level playing field between all the fleets** operating in the waters concerned;
- Strengthen and promote **governance of the oceans** in regional fisheries bodies.

In addition to being a legal requirement when fishing in international waters, the **membership to regional organisations** allow the EU to promote principles of the **Common Fisheries Policy** outside of EU waters as much as possible to create a level playing field for EU operators. As a member of these organisations the EU is bound to participate in financing of the operations of the regional organisations through compulsory contributions.

3. IMPLEMENTATION & SIMPLIFICATION

The programme is directly implemented by the European Commission by way of financial contribution.

4. COMPLEMENTARITIES & SYNERGIES WITH OTHER POLICIES / ALIGNMENT OF EU WITH NATIONAL AND REGIONAL RESOURCES

The synergies with the Common Fisheries Policy are vital to the successful implementation of the fisheries agreements.

5. PROPOSED BUDGET ALLOCATION FOR 2021-2027

Figures in current prices	*EUR million*
Total envelope for 2021-2027	**990**

ENVIRONMENT & CLIMATE ACTION

LIFE - Programme for the Environment and Climate Action

LIFE is the EU Programme for the Environment and Climate Action. It focuses on developing and implementing **innovative ways to respond to environment and climate challenges** thereby catalysing changes in policy development, implementation and enforcement.

1. EUROPEAN ADDED VALUE

By their very nature, environmental problems, including climate change, transcend political, legal and man-made boundaries and cannot be adequately solved by Member States alone. EU intervention in the form of a dedicated instrument for environment and climate, including energy efficiency and small-scale renewables, is required to efficiently address such problems, avoid coordination failures, and complement environment and climate mainstreaming across the EU budget with targeted actions.

Most environmental assets are public goods that are unevenly distributed across the EU. The obligation to preserve them calls for a consistent application of the principles of responsibility sharing and solidarity. Consistency across the EU on the application of EU environmental and climate legislation and policies as well as the provision of an EU-level platform for sharing best practices and know-how is crucial. Facilitating a clean energy transition contributes to both environmental and climate objectives by contributing to better indoor and outdoor air quality, circular economy and efficiency of resources. It has strong added value by stimulating a competitive and sustainable Union economy. Furthermore, supporting energy efficiency is one of the most cost-effective ways of decarbonising our economy.

2. OBJECTIVES

The programme will contribute to:

- The shift towards a **circular, resource- and energy-efficient, low-carbon and climate-resilient economy**;
- The protection and improvement of the **quality of the environment**;
- Conserving nature and halting and reversing **biodiversity loss**.

The programme will also aim to build capacity, stimulate investments and supporting policy implementation in the fields that are most challenging for a **clean energy transition**.

Programme objectives will be pursued either through direct interventions or through the integration of these objectives in other policies and by enabling the coordinated use of funds available in other EU financial programmes.

3. IMPLEMENTATION & SIMPLIFICATION

The programme is structured around two main fields of actions:

- **Environment: Nature and Biodiversity**; and **Circular Economy and Quality of Life**;
- **Climate Action: Mitigation and Adaptation**; and **Clean Energy Transition**.

The grants and public procurement part of the LIFE programme will continue to be directly managed by the Commission with the support of an executive agency.

The programme will be simplified in particular as regards the procedures for the applicants/beneficiaries. Novelties also include a greater strategic flexibility and ways to achieve a more balanced territorial coverage.

Financial Instruments for Environment and Climate Action will be implemented in the **InvestEU Fund**, in particular in its Sustainable Infrastructure window.

4. COMPLEMENTARITIES & SYNERGIES WITH OTHER POLICIES / ALIGNMENT OF EU WITH NATIONAL AND REGIONAL RESOURCES

The LIFE Programme fits into the EU's existing priorities on environment, climate, energy and associated policies. It is complementary to other EU funding programmes. Synergies will be developed in particular with the **InvestEU Fund**, notably its sustainable infrastructure window, **Horizon Europe**, the **European Regional Development Fund**, the **European Social Fund+**, the **European Agricultural Fund for Rural Development** and the **European Maritime and Fisheries Fund**. To maximise results, the "Seal of Excellence" scheme will be expanded to allow projects successfully evaluated under the LIFE Programme to be funded at regional level under the European Structural and Investment Funds.

LIFE is designed to support demonstrating techniques and best practice that can be replicated and upscaled in larger programmes. LIFE Strategic Integrated Projects mobilise other European, national, regional and private funds for the implementation of key environmental and climate plans (e.g. river basin management plans, clean air plans, etc.). The integration of **clean energy transition support** actions will strengthen the overall programme coherence and synergies in the implementation of the EU environmental, climate and clean energy policies supported by the projects.

All actions undertaken under LIFE will be compatible with the EU's long-term climate and environmental objectives

5. PROPOSED BUDGET ALLOCATION FOR 2021-2027

Figures in current prices	*EUR million*
Total envelope for 2021-2027	**5 450**
of which:	
Environment	3 500
Climate	1 950

MIGRATION

Asylum and Migration Fund

The Asylum and Migration Fund contributes to **the effective management of migration flows**. It supports activities and measures related to **asylum, legal migration** and **integration** as well as **irregular migration** and **return**.

1. EUROPEAN ADDED VALUE

The migration crisis of 2015 showed that Member States cannot address the migration related challenge alone. EU action was able to provide a comprehensive and swift reaction in supporting the capacity of Member States and a policy response, framed by the European Agenda for Migration. This set out the action needed to save lives, to secure the external border of the Union, to support a strong common asylum policy, to address incentives for irregular migration and to promote a new policy for legal migration. All these work streams have been taken forward. The steady implementation of the EU-Turkey Statement, the Partnership Framework and the joint actions taken on the Central Mediterranean route have significantly reduced the number of irregular arrivals. At the same time, the management of the EU's external borders has taken a major step forward with the establishment of the hotspots approach and a significantly reinforced FRONTEX, the **European Border and Coast Guard Agency**.

The challenges in the areas of asylum, migration and external borders are transnational in nature and cannot be adequately addressed by Member States acting alone and all Member States benefit from the actions taken in ‘front line’ Member States supported by the EU budget. While the number of third country nationals currently arriving irregularly in the EU is progressively becoming smaller, migration will remain a challenge for the years to come. Furthermore, the abolition of internal border controls requires common measures for the effective control and surveillance of the Union's external borders, as well as a common asylum and migration policy.

Article 80 of the Treaty on the Functioning of the European Union expressly states that the common policies of asylum and migration and external borders are based on the principle of solidarity and fair sharing of responsibilities between Member States. EU funding provides the concrete financial means to translate this principle into practice.

Migration is a structural challenge. The EU needs stable and adequate tools to respond. Promoting solidarity and responsibility-sharing through resettlement and relocation, increasing legal channels for entry into the EU for persons in need of international protection, reception, integration and return of third country nationals and the completion of a Common European Asylum System, will all have financial implications.

The EU's response to the crisis has required a strong mobilisation of the EU budget to ensure that challenges could be addressed swiftly and effectively. It is a tangible manifestation of how the EU support the Member States. The funding initially earmarked for security and migration in the current Multiannual Financial Framework had to be doubled in order to respond to the scale of the needs. Discontinuing or scaling back existing EU financial interventions would have a significant, even critical, impact on the implementation of the European Agenda for Migration.

The EU will continue facing challenges in the field of migration and it is clear that these cannot be managed by Member States alone, nor without the financial and technical support of the EU. The Programme's EU added value is notable in supporting the management of high arrivals of migrants and asylum seekers, search and rescue capacities to save the lives of those attempting to reach Europe, management of returns and other actions that need coordinated Union response and are beyond the capacity of individual Member States.

2. OBJECTIVES

The key objective of the **Asylum and Migration Fund** will be the contribution to the **efficient management of migration flows**. More specifically the Fund shall contribute to:

- Strengthening and developing the **Common European Asylum System,** encompassing measures relating to policy, legislation and capacity building;
- Enhancing **effective and fair return policies** and contribute to **combatting irregular migration**, with an emphasis on effective national procedures and structures, sustainability of return and effective readmission in third countries;
- **Enhancing solidarity and responsibility–sharing** between Member States, in particular towards those most affected by migration and asylum flows, including through practical cooperation;
- Supporting **legal migration** into Europe and contributing, in the early integration phase, to the effective integration of third country nationals;
- Supporting the **external dimension** of the EU migration and asylum policy in full coherence and synergies with the EU's external action.

3. IMPLEMENTATION & SIMPLIFICATION

Shared management should be the prime vehicle for implementation of the Fund, as it will ensure a level playing field, avoid the mismatch between needs and competition for funding. It will allow funding predictability and long-term planning, and guarantee the necessary expenditure for each Member State, while securing the ability to implement the Union priorities across the EU. Shared management will be complemented with direct – and to a limited extent indirect - management and implementation via Union transnational actions and through **Emergency Assistance,** complementing the national programmes of Member States with significant funding needs. The Thematic Facility would channel funds to support pre-established priorities through Union actions, emergency funding and top-ups to national programmes.

Union Agencies, notably the European Border and Coast Guard Agency and the European Asylum Support Office, play a key operational, coordination and advisory role in the implementation of EU priorities in the field of asylum and migration. They have their own budgets to carry out their tasks, separate from the Fund.

Flexibility will be a key element in the new Asylum and Migration instrument, as challenges in the area of migration are not predictable in advance and geopolitical developments can have direct repercussions on migration flows. Flexibility is essential as regards allocation to Member States. A part of funding will be allocated upfront, while a significant envelope would be allocated subsequently to specific priorities, so that funding can be targeted to reflect changed circumstances or urgencies.

The **monitoring and evaluation framework will be improved** to stimulate timely performance of national programmes and to ensure that evaluations can provide effective input for any future revisions of policy interventions. The improvement of indicators and the reinforcement of the partnership principle for the management of the Fund will contribute to solid monitoring and evaluation.

Harmonisation and simplification: The new instrument will benefit from the new shared management Regulation which will make rules more simple and harmonised across the board.

4. COMPLEMENTARITIES & SYNERGIES WITH OTHER POLICIES / ALIGNMENT OF EU WITH NATIONAL AND REGIONAL RESOURCES

Synergies will be established with the Integrated Border Management Fund and the Internal Security Fund as well as: i) with **Cohesion Policy**, as regards the **medium and long term integration of third country nationals**, including the integration related to transfers and ii) with the new **Neighbourhood, Development and International Cooperation Instrument,** which should include a strong emphasis on migration, including for its unallocated share for emerging challenges**.**

5. PROPOSED BUDGET ALLOCATION FOR 2021-2027*

Figures in current prices	*EUR million*
Total envelope for 2021-2027	**10 415**

* See also the envelope for the Integrated Border Management Fund, amounting to EUR 9 318 million.

BORDER MANAGEMENT

Integrated Border Management Fund

The Integrated Border Management Fund aims to guarantee a better and **integrated management of the EU's external borders**, higher level of **border security** in the Union, as well as the **integrity of the supply chain**, while safeguarding the free movement of persons and goods and ensuring that legitimate trade is not impaired.

1. EUROPEAN ADDED VALUE

The Integrated Border Management Fund will play a key role in the management of the external borders, including by providing indispensable support to the Member States in securing the external borders of the Union as a manifestation of the shared responsibility for the protection of our common borders and by supporting Member States to have adequate customs control equipment.

The instrument will contribute to the further development of the common visa policy and the implementation of European Integrated Border Management by Member States, to help combat irregular migration and facilitate legitimate travel. Funding should continue to provide support to Member States to build and enhance their capacities in these areas and to reinforce cooperation, including with the relevant Union Agencies.

Since the establishment of the customs union, the customs authorities have been taking on an increasing number of responsibilities which go far beyond the supervision and facilitation of EU trade and which extend to the field of safety and security. The Fund will play a role in ensuring more uniformity in the performance of customs controls at the external borders, by addressing the current imbalances between the Member States due to geographical differences and differences in capacities and resources available. This would not only strengthen customs controls but also facilitate legitimate trade, contributing to a secured and efficient custom union.

Borders policy is by nature transnational. A threat posed to one Member State affects the EU as a whole, thereby confirming the need for action at EU level. The migration and terrorism challenges of the past years could not have been managed by individual Member States acting alone and without the financial and technical support of the EU. In addition, action at EU level is needed to ensure that all customs authorities have the necessary tools to fulfil their functions at the EU borders thereby reducing the security and financial risks as well as avoiding customs shopping which would have an impact on the entire Union.

2. OBJECTIVES

The Integrated Border Management Fund will have two components which will contribute to:

Border management and visa (persons):

- Promoting the uniform implementation, further development and modernisation of the common policy on **short-stay visas**, including the **digitisation of visa processing**;
- Further developing different **forms of consular cooperation**;
- **Enhancing border control by reinforcing the Member States' capacities,** including by facilitating legitimate border crossings and, where appropriate, preventing and

detecting terrorism and cross-border crime, such as migrant smuggling, trafficking in human beings and supporting the Member States facing existing or potentially disproportionately migratory pressure at the EU external borders;

- Supporting the development, operation and maintenance of **information systems**, including interoperability;
- Enhancing **inter-agency cooperation** at national level among national authorities in Member States, responsible for border control or for other tasks carried out at the border;
- Carrying out **risk analyses and identifying threats** that may affect the functioning or the security of the external borders;
- Ensuring the **uniform application of the Schengen acquis** on external borders;
- Further development of the **European Border and Coast Guard** and contributing to the exchange or secondment of border guards and other relevant experts between Member States or between a Member State and a third country.

Customs control equipment (goods):

- Achieving the full potential of the customs union by safeguarding its financial interests, preventing illicit trade and fraud through equivalent and **adequate customs controls at the EU border**;
- Promoting the **co-sharing of control equipment** (e.g. X-ray scanners, Automatic Number Plate Recognition System, etc.) between all concerned law enforcement authorities.

3. IMPLEMENTATION & SIMPLIFICATION

The border management and visa component will be implemented through shared management via multiannual programmes by Member States, while an envelope will be channelled through direct or - to a limited extent - indirect management and implementation via Union actions. Through **Emergency Assistance,** the Fund will react to unforeseen circumstances and would complement the programmes of Member States with significant funding needs. A Thematic Facility will allocate funding to pre-established strategic priorities through Union actions, emergency funding and top-ups to the Member States' programmes. Shared management will ensure a level playing field and reduce the adverse effects of competition for funding, will allow for funding predictability and long-term planning and will guarantee necessary expenditure in all Member States, while securing the ability to implement the Union priorities across the EU. As regards the customs control equipment component, it will be implemented in direct management.

A number of Agencies support the EU's work in the area of borders and visa, in particular the **European Border and Coast Guard Agency (FRONTEX)**, **Europol** (European Agency for Law Enforcement Cooperation and **eu-LISA** (European Agency for the operational management of large-scale Information Technology systems in the area of freedom, security and justice). They have their own budgets to carry out their tasks, separate from the Fund.

The Fund should also entail **increased flexibility** to respond to unforeseen developments, which are not unusual in the area of border management. In the case of border management and visa, part of the funding will be allocated upfront, while a significant envelope would be allocated subsequently and periodically to specific priorities, to address changing circumstances or urgencies. The Fund will benefit from using the **lighter, more simplified rules** applicable to other shared management Funds. This would also allow moving towards a **single set of rules** that follows the principle of proportionality and that equally fits all EU Funds under shared management.

The monitoring and evaluation framework should be improved to stimulate timely performance on national programmes and ensure that evaluations can provide effective input for any future revisions of policy interventions. Improving the indicators, reinforcing the partnership principle for the management of the Fund and performing a mid-term performance review linked to performance-based rewarding (not applicable to customs control equipment) will contribute to solid monitoring and evaluation.

4. COMPLEMENTARITIES & SYNERGIES WITH OTHER POLICIES / ALIGNMENT OF EU WITH NATIONAL AND REGIONAL RESOURCES

As regards borders and visa, synergies between the new instruments on Integrated Border Management and the **Asylum and Migration Fund** and the **Internal Security Fund** will be established, as well as with other instruments in particular with funds and programmes in the areas of maritime security and surveillance, security research, security of infrastructure, **Cohesion Policy** and the instruments supporting the external dimension of border management. As regards customs control equipment in particular, synergies will be established with the **Customs Programme**. Effective coordination mechanisms are crucial to maximise the effectiveness in the achievement of policy objectives and to exploit economies of scale. This will ensure complementarity and clarity between the scopes of intervention of all instruments, including clarity for beneficiaries.

5. PROPOSED BUDGET ALLOCATION FOR 2021-2027*

Figures in current prices	*EUR million*
Total envelope for 2021-2027	**9 318**
of which:	
Border management and visa	8 018
Customs control equipment	1 300

* See also the envelope for the Asylum and Migration Fund, amounting to EUR 10 415 million.

SECURITY

Internal Security Fund

The Internal Security Fund contributes to ensuring a high level of security in the Union by tackling **terrorism and radicalisation**, **organised crime** and **cybercrime** and by assisting and protecting **victims of crime**.

1. EUROPEAN ADDED VALUE

Over recent years, security threats have intensified and diversified in Europe. Terrorist attacks, new avenues of organised crime, and ever-growing cybercrime have a cross-border dimension which demands a strong EU response. EU action has provided a comprehensive and swift reaction to these challenges and the general policy response was formulated in 2015 by the Agenda on Security. Security will remain a defining issue for the EU for years to come and Europe's citizens expect their Union and national governments to deliver security in a fast-changing and uncertain world.

The challenges the Union is facing, notably from international terrorism, cannot be managed by individual Member States alone and without the financial and technical support of the EU. In an era where terrorism and other serious crime operate across borders, both the European Union and its Member States have a responsibility towards their citizens to deliver an area of security where individuals are protected, in full compliance with EU fundamental rights. In this regard, the Treaties envisage the need to ensure a high level of security, including through preventive measures, and through coordination and cooperation between police, judicial and other competent authorities. This needs to be provided at EU level.

EU support provides significant added value to national funding by stimulating cooperation and exchange of information between Member State law enforcement officials and other relevant authorities, in particular by enabling the interoperability of the different security systems and making EU information systems more effective and efficient, and by facilitating joint operational actions, as well as by providing support for training, for the construction of essential security-relevant facilities and the purchase of necessary technical equipment. For example, in the aftermath of the terrorist attacks in Paris in 2015, Emergency Assistance helped to put in place a digital solution to process large amounts of surveillance data, increasing the preparedness of the Union to possible future threats.

2. OBJECTIVES

The Internal Security Fund specifically aims to:

- Increase the **exchange of information** between law enforcement and other authorities within the EU, including with Europol and other relevant Union bodies, third countries and international organisations in relation to the prevention, detection and investigation of serious and organised crime with a cross-border dimension;
- Intensify **cross-border joint operations** between law enforcement and other competent authorities within the EU, including with security relevant Union agencies and other Union bodies, third countries and international organisations in relation to

the prevention, detection and investigation of serious and organised crime with a cross-border dimension;

- Ensure collective responses to security threats by **increasing capabilities and enhancing EU preparedness and resilience**, including by increasing cooperation among public authorities, civil actors and private partners from across EU Member States and third countries, including Union agencies and international organisations.

3. IMPLEMENTATION & SIMPLIFICATION

The Internal Security Fund is mainly implemented through shared management via multiannual programmes implemented by Member States and as well through direct or - to a limited extent also - indirect management. **Emergency Assistance** can complement the programmes of Member States by swiftly responding to an emergency situation. Shared management allows for funding predictability and long term planning; it guarantees an allocation to all Member States, while securing the ability to implement common priorities across the Union. However, for a better steer of funds towards the EU priorities, shared management is complemented by a Thematic Facility that would be available to channel funds to support action supporting pre-established priorities through direct and indirect management through Union Actions, Emergency Assistance and top ups of Member States' programmes.

Several decentralised agencies such as **Europol** (EU Agency for Law Enforcement Cooperation), and **CEPOL** (Agency for Law Enforcement Training) play key operational, coordination and advisory roles in the implementation of the EU priorities and objectives in the area of security. They have their own budgets to carry out their tasks, separate from the Fund.

Drawing on the experience of the current programme, the future Fund will further simplify the rules for its beneficiaries. The key operational features include:

- An increased **flexibility** to respond to unforeseen developments, a common feature of the area of security. A part of funding will be allocated upfront, while a significant envelope would be allocated subsequently to specific priorities, periodically allowing to react to changed circumstances or urgencies (via the Thematic Facility);
- A further **simplification** as it will benefit from the new shared management regulation which will make rules more simple and harmonious across the board;
- Further **improvements to the monitoring and evaluation** framework to stimulate timely performance of programmes and to ensure that evaluations can provide effective input for any future revisions of policy interventions. The improvement of indicators, the reinforcement of the partnership principle for the management of the Fund and a mid-term performance review will contribute to solid monitoring and evaluation.

4. COMPLEMENTARITIES & SYNERGIES WITH OTHER POLICIES / ALIGNMENT OF EU WITH NATIONAL AND REGIONAL RESOURCES

Security is a cross-cutting issue and the new Internal Security Fund cannot provide an effective EU response without other funding instruments, including the **European Structural and Investment Funds** and external instruments. Synergies of the Internal Security Fund with other related instruments will be established in particular on the following aspects:

border management and customs control equipment, security of infrastructure and public spaces, cybersecurity (cybersecurity is a key theme of the **Digital Europe Programme**, with the Fund focusing on cyber-crime), the prevention of radicalisation, and the external dimension of security. Effective coordination mechanisms are crucial to maximise the effectiveness in the achievement of policy objectives and to exploit economies of scale, as there would be complementarity and clarity between the scopes of intervention of all instruments, including clarity for beneficiaries.

5. PROPOSED BUDGET ALLOCATION FOR 2021-2027

Figures in current prices	*EUR million*
Total envelope for 2021-2027	**2 500**

SECURITY

Nuclear Decommissioning in Lithuania

The programme provides **support to Lithuania to safely decommission first generation nuclear reactors**.

1. EUROPEAN ADDED VALUE

As a condition for its accession to the European Union, Lithuania took the commitment to close and subsequently decommission two Soviet-designed first generation nuclear reactors for which an upgrade to Western safety standards was deemed uneconomical. Correspondingly, the EU committed itself in Article 3 of Protocol No. 4 of the Act of Accession of 2003 to financially support the decommissioning.

To date the decommissioning activity is progressing with an end foreseen in 2038. It is in the interest of the Union to continue providing strictly targeted financial support, contributing to ensuring the highest level of safety of the operation. The programme provides substantial and lasting support for the health of workers and the general public, preventing environmental degradation and ensuring real progress in nuclear safety and security.

The programme has a high potential for becoming a benchmark within the EU for safely managing technological issues in nuclear decommissioning, such as the decommissioning of graphite-moderated reactors.

2. OBJECTIVES

The programme aims to **continue providing targeted assistance Lithuania in managing the radioactive safety challenges of the decommissioning** of the Ignalina nuclear power plant.

The programme aims also at **disseminating knowledge** to all Member States on the decommissioning process.

3. IMPLEMENTATION & SIMPLIFICATION

The programme is indirectly managed through a national agency of the Member State. Keeping the decommissioning of these reactors under a dedicated spending programme implies that implementation continues seamlessly through the established implementing body. **Higher national co-financing** in the programme will be required in the new programming period in line with the Court of Auditor Special Report 22/2016 - *EU nuclear decommissioning assistance programmes in Lithuania, Bulgaria and Slovakia: some progress made since 2011, but critical challenges ahead*.

4. COMPLEMENTARITIES & SYNERGIES WITH OTHER POLICIES / ALIGNMENT OF EU WITH NATIONAL AND REGIONAL RESOURCES

Synergies with **Cohesion Policy** will be strengthened in the next programming period. In particular, the policy will have the possibility to support the development of the concerned region by creating jobs, promoting sustainable growth and innovation. Similarly, synergies will be explored with **Horizon Europe** in areas such as technology development and testing, as well as training and education.

5. PROPOSED BUDGET ALLOCATION FOR 2021-2027

Figures in current prices	*EUR million*
Total envelope for 2021-2027	**552**

SECURITY

Nuclear Safety and Decommissioning

The aim is to **support to Bulgaria and Slovakia to safely decommission first generation nuclear reactors** and, separately, to finance the **decommissioning process and final disposal of waste of the Commission's own nuclear installations**.

1. EUROPEAN ADDED VALUE

As a condition for their accession to the EU, Bulgaria and Slovakia took the commitment to close and to subsequently decommission six Soviet-designed first generation nuclear reactors for which an upgrade to Western safety standards was deemed uneconomical. Correspondingly the EU committed itself in the frame of Article 203 of the Euratom Treaty to financially support the decommissioning. The decommissioning activity is progressing with an end foreseen in 2025 for Bohunice, Slovakia and 2030 for Kozloduy, Bulgaria. It is in the interest of the Union to continue providing financial support for decommissioning, contributing to ensuring the highest level of safety of the operation. Substantial and durable support will be provided for the health of workers and the general public, preventing environmental degradation and ensuring real progress in nuclear safety and security.

Separately, as owner of nuclear facilities, the Commission is obligated to manage its nuclear heritage. The decommissioning process started with the 1999 “Decommissioning and Waste Management Programme”.

These actions have a potential for becoming a benchmark within the EU for safely managing technological issues in nuclear decommissioning and disseminating knowledge to other member states.

2. OBJECTIVES

The aim is to continue **assisting Bulgaria and Slovakia in managing the radioactive safety challenges of the decommissioning process**. Additionally, the **decommissioning of the Commission (Joint Research Centre) sites** will help explore and develop options for anticipated transfer of decommissioning and waste management liabilities to the JRC host Member States. The initiative aims also at **disseminating knowledge** to Member States with decommissioning programmes.

3. IMPLEMENTATION & SIMPLIFICATION

The management of the programme for Bulgaria and Slovakia is entrusted (indirect management mode) to the European Bank for Reconstruction and Development and a national agency in Slovakia. Keeping the decommissioning of these reactors under a dedicated spending programme implies that implementation continues seamlessly through the established implementing bodies.

The decommissioning of the Commission's sites is managed directly by the Joint Research Centre.

4. COMPLEMENTARITIES & SYNERGIES WITH OTHER POLICIES / ALIGNMENT OF EU WITH NATIONAL AND REGIONAL RESOURCES

The integration of the decommissioning activities in Bulgaria and Slovakia, and of the Commission, will build synergies and additional in-house know-how for the Commission to explore and develop options for the intended transfer of decommissioning and waste management liabilities to the Joint Research Centre host Member States. Synergies with **Cohesion Policy** will be strengthened in the next programming period. In particular, the policy will have the possibility to support the development of the concerned region by creating jobs, promoting sustainable growth and innovation. Similarly, synergies should be explored with **Horizon Europe** in areas such as technology development and testing, as well as training and education.

5. PROPOSED BUDGET ALLOCATION FOR 2021-2027

Figures in current prices	*EUR million*
Total envelope for 2021-2027	**626**
of which:	
Assistance to Bulgaria	63
Assistance to Slovakia	55
Decommissioning of Commission sites	348
Nuclear safety and nuclear safeguards	160

DEFENCE

European Defence Fund

The new European Defence Fund will incentivise cooperative defence capability development projects and complement national investments in defence.

1. EUROPEAN ADDED VALUE

In today's world, guaranteeing security means dealing with threats that transcend borders. No single country can address them alone. Europe will need to take greater responsibility for protecting its interests, values and the European way of life, in complementarity and in cooperation with the North Atlantic Treaty Organisation. Efforts to fulfil the EU's level of ambition in security and defence (endorsed by the European Council in 2016) will contribute to this objective. To be ready to face tomorrow's threats and to protect its citizens, Europe needs to enhance its strategic autonomy. This requires the development of key technologies in critical areas and strategic capabilities to ensure technological leadership. Cooperation at all levels is the only way to deliver on the expectations of EU citizens. By encouraging cooperation, the European Union can help maximise the output and quality of Member States' investment in defence. The European Defence Fund will create EU added value by contributing to the development of joint research and capabilities in the area of defence to increase the efficiency of public expenditure and to develop the operational autonomy of the Union.

While the Union cannot substitute Member States' efforts in defence, it can, within the limits of the Treaties, complement and leverage their collaboration in developing the defence products and technologies needed to address common security challenges. This would reduce duplications and allow for a more efficient use of taxpayers' money. The lack of cooperation between Member States in the field of defence and security is estimated to cost annually between EUR 25 billion and EUR 100 billion. More than 80% of public procurement and more than 90% of Research and Technology are run on a national basis. The European levels of investment in the development and the procurement of future capabilities are insufficient and lag behind the investments of other countries. There is also a wide difference between the defence spending levels among the Member States. In addition, the costs of defence equipment are rising faster than defence national budgets. A high degree of fragmentation remains, with, for example, 178 different weapon systems in Europe compared to 30 in the United States. The low level of coordination of the national defence planning leads to inefficient use of taxpayers' money and unnecessary duplication. In addition, weak cooperation, fragmentation and systematic duplication of resources affect the deployability and hamper the EU's ability to act and protect.

Benefits of greater cooperation in defence include:

- Increasing efficiency of national defence spending by achieving more value for money;
- Reducing duplication of defence systems;
- Better interoperability of defence equipment allowing for joint defence operations;
- Minimising fragmentation and boosting competitiveness and innovation of the EU defence industry.

2. OBJECTIVES

The European Defence Fund is a defence capability development instrument to foster EU strategic autonomy. It aims to trigger cooperative programmes that would not happen without a Union contribution and to provide the necessary incentives for boosting cooperation at each stage of the industrial cycle, including research and development activities. The objectives of the European Defence Fund are:

a) fostering the **competitiveness and innovation capacity of the defence industry** throughout the Union by **supporting collaborative actions at each stage of the industrial cycle**, notably from the research phase to the development phase;

b) supporting and leveraging **cross-border cooperation between undertakings** throughout the Union, including small and medium-sized enterprises, in the research and development of technologies or products in line with defence capability priorities commonly agreed by Member States within the EU through the Capability Development Plan, also taking into account the Coordinated Annual Review on Defence;

c) supporting **collaborative projects throughout the entire cycle of research and development** oriented at defence products and technologies.

Particular attention will be given to encouraging collaborative projects with important cross-border participation of small and medium-sized enterprises. This will ensure that the Fund is open to beneficiaries from all Member States, regardless of their size and location in the Union.

3. IMPLEMENTATION & SIMPLIFICATION

The design and the structure of the European Defence Fund takes into account the experience with the Preparatory Action on Defence Research and the proposal for a Regulation establishing a European Defence Industrial Development Programme.

A coherent European Defence Fund covering the research and development activities allows for an integrated, mutually reinforcing support, i.e. avoiding the risk that the results of the research are lost in the absence of continued support for developing and testing the technology further. This will strengthen the uptake of products and technologies which are supported through EU funding. In addition, an integrated Fund will enable new forms of support where relevant, including through pre-commercial public procurement. This will allow identifying the best value for money solutions that the market can deliver to address Europe's defence research and development needs.

Different intensity of support is foreseen depending on the development stage. The funding rates for defence research will be normally higher than the funding rates for the development of prototypes. This will allow for appropriate incentives to support the launch of collaborative projects while taking into account the important role of Member States funding in this area. The rules for participation in the European Defence Fund will take into account the specificity of the defence sector, notably as regards the strict need for security of information, the management of Intellectual Property Rights results, etc.

Particular attention will be placed on ensuring appropriate participation of small businesses, through increased funding rates to encourage cross-border participation of small and medium-sized enterprises in collaborative projects.

The programme will be implemented by the Commission in direct management so as to maximise effectiveness and efficiency in the delivery. Member States will be closely involved in the implementation of the defence programme.

4. COMPLEMENTARITIES & SYNERGIES WITH OTHER POLICIES / ALIGNMENT OF EU WITH NATIONAL AND REGIONAL RESOURCES

Complementarity and synergies with **Horizon Europe** will be ensured, so that results under defence research also benefit civil research and vice-versa. This will help avoiding possible unnecessary duplication.

The European Defence Fund will be coordinated with other activities of the Commission and the High Representative in the area of defence. This will include measures to ensure appropriate synergies with the Commission's work on the Financial Toolbox which aims to further facilitate joint development and acquisition of defence capabilities through the standardisation of EU and national financing mechanisms ranging from pooling to joint ownership. Those synergies will include appropriate assistance to Member States in launching joint research and development projects.

Close links are ensured between the European Defence Fund and the projects implemented within the framework of the Permanent Structured Cooperation in defence (PESCO). Once assessed eligible, a 'PESCO bonus', in the form of an increased financing rate, will be granted to projects development in the framework of the Permanent Structured Cooperation. It will require early pre-consultation with the Commission to help assess possible eligibility of Permanent Structured Cooperation projects under the Fund.

The Fund will take into account the EU Capability Development Plan and the Coordinated Annual Review on Defence of the European Defence Agency, notably as regards the implementation of priorities and the identification of new cooperative opportunities. Implementation will be done considering relevant activities of North Atlantic Treaty Organisation and other partners.

The Fund also complements defence activities implemented through the **European Peace Facility**, an off-budget instrument proposed outside the Multiannual Financial Framework.

5. PROPOSED BUDGET ALLOCATION FOR 2021-2027

Figures in current prices	*EUR million*
Total envelope for 2021-2027	**13 000**
of which:	
Research	4 100
Capability development	8 900

CRISIS RESPONSE

rescEU - Union Civil Protection Mechanism

rescEU, the Union Civil Protection Mechanism, supports EU Member States to **prevent, prepare and to respond to natural and man-made disasters**, in particular through rapid, well-coordinated mutual assistance amongst them.

1. EUROPEAN ADDED VALUE

In recent years, the EU has faced a number of disasters which caused the loss of lives and other damaging consequences for citizens, businesses, communities and the environment. 304 persons were killed by natural disasters in 2017 alone. Close to EUR 10 billion in damages were recorded in Europe in 2016. Such disasters have become so complex that they can overwhelm the response capacities of individual countries and their capacities of mutual assistance.

This is where the European added value of the Union Civil Protection Mechanism, and in particular of the new initiative – rescEU – lies. It allows the EU Member States and the other Participating States (Iceland, Norway, Serbia, Montenegro, the former Yugoslav Republic of Macedonia and Turkey) to pool their civil protection capabilities and expertise so as to react more swiftly and effectively to protect populations in case of disasters.

In addition to the national capacities offered by the Member States, the Union can rely on a dedicated reserve of capacities, such as aerial firefighting means, high capacity pumps for floods, search and rescue capacities and emergency medical teams. These rescEU capacities will be deployed when national capacities are overwhelmed and mutual assistance among Member States is not sufficient to allow for an effective response. Developing last-resort capacities at EU level allows for greater economies of scale. Member States need to be prepared for "normal" disaster risk situations within their respective territory, but can request assistance from other Member States and, ultimately, rescEU capacities for extreme and unforeseeable situations, or for disasters requiring rare and costly capacities.

2. OBJECTIVES

The Union Civil Protection Mechanism is at the disposal of Member States and third countries when a disaster strikes. It offers cooperation and coordination between the EU and the Member States to prepare for and respond to natural and man-made disasters.

To achieve this overall objective, rescEU focuses on three main goals:

- It **enhances the EU's collective capacity to respond to disasters**. rescEU offers a dedicated reserve of civil protection capabilities – partly operated by the EU, partly through the European Civil Protection Pool, a voluntary pool of assets pre- committed by the Member States for use in EU operations;
- It improves **prevention and preparedness to respond to disasters** at both national and EU level, through effective assessment of the risks faced by Member States, feeding into both advice and recommendations for investments when needed;
- It facilitates the rapid, efficient and coordinated response to disasters, with the Commission's **Emergency Response Coordination Centre** at the heart. This 24/7

coordination hub monitors the support requests from participating states and alerts all the others accordingly.

3. IMPLEMENTATION & SIMPLIFICATION

A significant effort was made to keep administrative procedures to the minimum in order to reduce the burden and delays in the deployment of assistance. In the spirit of administrative simplification, the use of unit sums, lump sums and flat rates will be encouraged where possible, and any activation of the Mechanism will be limited in time to speed up the deployment of assistance.

In particular:

- The various **different co-financing rates existing in the current mechanism are streamlined** at 75% for all activities related to the European Civil Protection Pool. These activities include in particular the operations of capacities used within the Participating States, the upgrade of capacities from purely national to international use (as is the case now) and their repair. This goes much beyond transportation costs as in the current Mechanism and significantly increases the support provided to Member States for disaster preparedness and response.
- The new approach proposed by the Commission aims to fully cover the costs related to the availability and deployability of rescEU capacities.
- In addition, the reinforced Union Civil Protection Mechanism will support the activities of the Union Civil Protection Knowledge Network – composed of relevant actors and institutions – in the field of training, exercises and knowledge dissemination.

4. COMPLEMENTARITIES & SYNERGIES WITH OTHER POLICIES / ALIGNMENT OF EU WITH NATIONAL AND REGIONAL RESOURCES

Disaster risk management is increasingly integrated in other EU policies and programmes. For example, disaster prevention and management is an important theme under the European Structural and Investment Funds and the European Union Solidarity Fund (to financially support emergency and recovery measures required after severe natural disasters). With rescEU, further and stronger synergies are created between the area of civil protection and other related areas, such as regional, rural, environmental policies, which also have a great importance for disaster risk management. rescEU will only cover extraordinary situations not tackled by emergency funding within other programmes, which for example excludes market-related crises in the agricultural sector.

5. PROPOSED BUDGET ALLOCATION FOR 2021-2027

Figures in current prices	*EUR million*
Total envelope for 2021-2027	**1 400**

EXTERNAL ACTION

Neighbourhood, Development and International Cooperation Instrument

The Neighbourhood, Development and International Cooperation Instrument is the programme that allows the EU to **project its interests, policies and values beyond its borders**. It supports the EU partners in their political and economic transformations towards sustainable development, stabilisation, consolidation of democracy, overcoming poverty and, as regards the neighbourhood policy, progressive economic integration into the Union's Single Market and alignment to EU rules and standards for the neighbouring countries that have chosen that path.

1. EUROPEAN ADDED VALUE

Today, the growing interconnectedness of countries and regions has created many new opportunities. At the same time, certain parts of the world are facing increasing challenges and fragility, whether in our neighbourhood or beyond, with cross-border effects and a direct impact on the Union. The past years have shown regional conflicts, terrorism, migratory pressure, unsustainable use of resources and increased protectionism. Individually, Member States would be unable to respond effectively to these global dynamics, but the Union and Member States can together address the challenges and opportunities of a rapidly changing world, and play a key role in reaping the benefits of globalisation, spreading EU values and offering citizens both security and stability. The EU external action programmes and other EU tools are an indispensable part of this.

Article 21 of the Treaty on European Union reflects the principles and objectives that guide the Union's external action, including democracy, the rule of law, human rights and fundamental freedoms, respect for human dignity, the principles of equality and solidarity, and respect for the principles of the United Nations Charter and international law.

In addition, Article 8 provides that the Union shall develop a special relationship with neighbouring countries, aiming at establish an area of prosperity and good neighbourliness, founded on the values of the Union and characterised by close and peaceful relations based on cooperation.

The added value of Union intervention in external action stems from:

- Its core competences and areas of expertise (e.g. development cooperation, crisis management, conflict prevention, human rights, democracy, environmental protection, trade, public diplomacy and resilience building);
- Its values and its credibility as a peace actor and defender of democracy and human rights and leader in combatting climate change and protecting the environment;
- Its nature as a supranational entity, its critical mass on the world stage and its influence and reform leverage, stemming from its political and economic weight and experience as a global actor;
- Its geographic/geopolitical spread (relying notably on the network of EU Delegations and humanitarian aid field offices worldwide) and the amounts of cooperation involved;
- The scope, coherence and mix of instruments and wide range of tools at its disposal for implementation on the ground.

With its leadership position in humanitarian and development cooperation, the EU is in a unique position to project its values, promote the Sustainable Development Goals throughout the world and respond to global challenges, including migration, conflict, instability, security, poverty, inequality, climate change, environmental degradation and energy security. The new external financing instrument will provide a coherent framework and the financial means for external action that any Member State alone would not be able to provide.

2. OBJECTIVES

The objectives of the instrument are derived both from EU external policies orientations – as defined for example in the Global Strategy "Shared vision, Common Action: a Stronger Europe", the EU commitment to the 2030 Agenda for Sustainable Development, the New European Consensus on Development "Our World, our Dignity, our Future", and the review of European Neighbourhood Policy – and from the cross-cutting Multiannual Financial Framework objectives of flexibility, coherence and synergies, simplification and focus on performance. EU strategic objectives – both geographic and thematic – are reflected through ring-fencing.

The EU needs to have tools at its disposal capable of delivering actions that respond to the objectives of the external action of the Union, in particular actions with the following general objectives:

- To support **democracy, rule of law, good governance, human rights and the principles of international law**;
- To contribute to **security** and preserve **peace**, supporting the prevention and effective response to **crisis and conflicts**; to support **stabilisation** and **resilience**;
- To foster the **sustainable economic, social and environmental development of developing countries**, with the primary aim of eradicating poverty;
- To support the **special relationship with neighbouring countries**, aiming to establish an area of shared prosperity, socio economic development and good neighbourliness;
- To address **irregular migration** and fight its root causes while creating conditions for the better organisation of legal migration and well-managed mobility;
- To support **EU diplomacy** in all its aspects, **promoting EU internal policies in their international dimension** and supporting **trade policy** and **economic cooperation**;
- To enhance partnerships, promoting policy dialogue and collective responses to challenges of global concern, including environment and climate change.

3. IMPLEMENTATION & SIMPLIFICATION

To provide greater coherence, economies of scale, synergies and simpler processes, the Commission proposes a strategic simplification of the financing instruments in EU external action for the period 2021-2027, including the **integration of the European Development Fund in the EU budget**, in order to further enhance effectiveness and efficiency.

Several instruments and modalities under the Multiannual Financial Framework 2014-2020 will be **streamlined and integrated into the Neighbourhood, Development and International Cooperation Instrument,** with world-wide coverage: the European

Development Fund, the Development Cooperation Instrument, the European Neighbourhood Instrument, the European Instrument for Democracy and Human Rights, the Partnership Instrument, the Instrument contributing to Stability and Peace, the Instrument for Nuclear Safety Cooperation and the Common Implementing Regulation. The Instrument for Pre-Accession Assistance along with Humanitarian Aid, the Common Foreign and Security Policy, and the Cooperation with Overseas Countries and Territories, including Greenland, will remain self-standing instruments due to their specific nature or different legal basis.

The Neighbourhood, Development and International Cooperation Instrument will also streamline the current external action financial guarantees architecture which includes the European Fund for Sustainable Development as an essential pillar of the European External Investment Plan, the provisioning for Macro-Financial Assistance, the External Lending Mandate, the Guarantee Fund for External Action, the Africa, Caribbean and Pacific Investment Facility and will provide for a possible capital contribution to European or international development banks or financial institutions that would deliver on EU objectives in the external action.

The integration of the European Development Fund into the Multiannual Financial Framework will lead to an increase of the overall expenditure ceiling while preserving existing flexibilities. The Common Implementing Regulation, which applied to six financing instruments under the Multiannual Financial Framework 2014-2020 is integrated into the new Neighbourhood, Development and International Cooperation Instrument. These provisions will continue to apply to the Instrument for Pre-Accession Assistance.

The Neighbourhood, Development and International Cooperation Instrument will have four main components and will cover cooperation with third countries through geographic and thematic approaches and preserving flexibility in responsiveness and options to act according to the Union's priorities (in particular the Neighbourhood, Africa, human rights, stability and migration).

The core of the Neighbourhood, Development and International Cooperation Instrument will be its geographic pillar, with identified geographic areas supplemented by a thematic pillar and a rapid-response pillar.

- The **geographic pillar** ("engaging with partners") will be able to cover programmed cooperation with neighbourhood and all other third countries (except those covered by the Pre-Accession Assistance instrument and Overseas Countries and Territories cooperation programme, including Greenland). It will consist of several geographic envelopes with minimum amounts earmarked for each, including a specific prominent window for the Neighbourhood with additional specific features such as support focused on regulatory approximation, incentive-based relation and cross border cooperation. The earmarking of funds to the geographic programmes will reflect the EU’s strategic priorities, recognising the EU's major strategic objectives, notably in the Neighbourhood and Africa. This pillar will also cover **Erasmus+** external dimension.

- The **thematic pillar** (“reaching common goals”) will support actions addressing issues that cannot be included in geographic envelopes because they are global in nature and/or are political flagship initiatives, for example on Human Rights and Democracy, Civil Society Organisations, Peace and Stability, Migration, other themes linked to the implementation of the Sustainable Development Goals at global level, including economic diplomacy and trade.

- The **rapid-response pillar** (with worldwide scope) for quick response capacity for crisis management and conflict prevention, resilience building, including linking relief, rehabilitation and development, and short term foreign policy reaction will have world- and scope-wide coverage (political, security, economic). This pillar will notably succeed the European Development Fund shock absorption mechanism, Article 3 of the Instrument contributing to Stability and Peace, including the Capacity Building for Security and Development part, and elements of the Partnership Instrument. Rules and procedures for this pillar will make sure that they retain their fast, flexible and responsive nature.

In addition, the instrument will include an **emerging challenges and priorities cushion** of unallocated funds, which will allow for flexibility in response to existing or emerging urgent priorities. An important objective of this cushion would be to address migratory pressures, but it would leave flexibility also to address unforeseen events, stability needs and new international initiatives and priorities. This unallocated amount will be mobilised on the basis of criteria defined in the Regulation.

Important cross-cutting priorities such as environment and climate action and gender will be mainstreamed throughout the instrument. **Migration** is a priority which will be identified and addressed across the instrument and in the different pillars, including by drawing on unallocated funds.

The current flexibilities of the European Development Fund are integrated into the Neighbourhood, Development and International Cooperation Instrument, notably the possibility to carry over un-committed amounts and the possibility to re-use de-committed amounts.

In terms of methods of implementation, all forms of support will be included in the Regulation, which will be delivered through direct or indirect management modes - depending on the specific programme that is implemented and the country or region concerned. In line with the principles set out in the European Consensus for Development, the most concessional forms of assistance, notably grants, will be targeted where the need is greatest, especially Least Developed Countries (whatever their geographical location) and countries in situations of fragility and conflict. Cooperation with more advanced developing countries will be based mainly on innovative forms of engagement, given the lesser needs for concessional forms of assistance. The specificities of the European Neighbourhood Instrument notably in terms of the “more for more” approach and differentiation will be maintained. The external strand of Erasmus+ will continue being an important tool for external action and one pillar of a number of priorities pursued with partner countries in strengthening education systems, fighting unemployment and preventing radicalisation. The delivery mechanism and rules of the external strand of Erasmus+ will be considerably simplified.

The Regulation will also support the EU's **new external investment architecture** which will allow for better delivery of EU policy objectives in external action, whilst at the same time allowing the crowding-in of additional resources from the private sector to address development challenges. It will provision for financial guarantees to promote investments in partner countries, with an emphasis on Africa, the Neighbourhood, possibly the Western Balkans. A particular attention will also be given to countries experiencing fragility, conflict, and on other regions with critical infrastructure and connectivity needs. Blending operations and the budgetary guarantees will be financed from the geographic pillar. The proposed toolbox includes the possibility of an EU budgetary guarantee and/or capital contribution to European or international development banks or financial institutions, provided that they meet certain conditions, relating to added-value, risk-taking capacity and are steered by EU policy objectives.

The provisioning for **Macro-Financial Assistance** will also be covered by the Neighbourhood, Development and International Cooperation Instrument, but the specific operations will continue to be activated on the basis of a separate ad-hoc decisions as needed.

4. COMPLEMENTARITIES & SYNERGIES WITH OTHER POLICIES / ALIGNMENT OF EU WITH NATIONAL AND REGIONAL RESOURCES

Under the external action and pre-accession assistance clusters of the Multiannual Financial Framework there will be a strong complementarity between the different instruments as well as synergies with the relevant internal policies and internal policy instruments in areas such as migration, security and climate. Complementarity will also be ensured between the instruments financed by the EU budget and the proposed **European Peace Facility** (to be set outside the Multiannual Financial Framework), to ensure a strong coherent EU action.

Fewer instruments in the external policy heading will reduce the artificial boundaries experienced in the previous set of geographic and thematic instruments. It will allow ensuring that the EU has the right policy mix in each country/region without risking overlaps and/or inconsistent approaches. This will also streamline programme management procedures and in that way increase efficiency and transparency.

Interaction and complementarity with **Humanitarian Aid** will take place through geographic programmes as well as through the pillar dealing with resilience and linking relief, rehabilitation and development, in order to ensure a seamless continuum of activities.

The revised Union Civil Protection Mechanism **rescEU** also covers action outside the EU and will provide for complementarities in the areas of prevention, preparedness and response to natural disasters.

While avoiding gaps and overlaps, synergies and coordination will be ensured between the security activities of the Neighbourhood, Development and International Cooperation instrument with the **Common Foreign and Security Policy** as well as the future **European Peace Facility.**

Despite the **Instrument for Pre-Accession Assistance**'s distinct objectives from the remaining external actions instruments, it pursues complementary objectives in supporting human rights and fundamental values as well as in security support. Synergies will also exist at the level of the thematic windows of the instrument in financing global actions.

Cooperation with Overseas Countries and Territories, including Greenland will show synergies, as they will be in particular associated to the actions carried out under the Neighbourhood, Development and International Cooperation instrument geographic and thematic component where the action to be implemented is of a global, trans-regional or regional nature.

5. PROPOSED BUDGET ALLOCATION FOR 2021-2027

Figures in current prices	*EUR million*
Total envelope for 2021-2027	**89 500**

EXTERNAL ACTION

Humanitarian Aid

The EU Humanitarian aid programme provides **emergency, life-saving assistance to people hit by man-made or natural disasters**, particularly the most vulnerable.

1. EUROPEAN ADDED VALUE

The EU is recognised as a leading player in humanitarian assistance, both in terms of its ability to provide rapid and flexible assistance across a wide range of crises, and in virtue of its influence in shaping the global humanitarian policy agenda. Because of the financial weight (with the EU and the Member States combined being the world's largest humanitarian donor) and world-wide scope of its humanitarian actions, the EU is also able to encourage other humanitarian donors to implement effective and principled humanitarian aid strategies. A key comparative advantage of humanitarian aid stems from the fact that it is often the only EU instrument able to intervene in acute conflict/crisis situations. Thanks to its flexibility, humanitarian aid has also made a significant difference on the ground in many of the countries touched by the global refugee and migration crisis.

In a context of insufficient funding to address ever-growing global needs, the EU is also able to fill gaps in global humanitarian aid by addressing needs in areas which are difficult to access and by providing response not only to the biggest and most visible humanitarian crises, but also to forgotten crises (which receive no or insufficient international aid, political and media attention). Moreover, Member States often consider the EU as a donor to provide assistance in crises where they are not able to intervene in a national capacity.

Member States also benefit from the EU's "humanitarian diplomacy" which results in more effective provision of humanitarian aid. Another key element of EU added value for Member States lies in the strong operational knowledge and technical expertise of the EU's unique network of humanitarian field offices, spread over almost 40 countries.

2. OBJECTIVES

In line with the Humanitarian Aid Regulation, which continues to apply, the EU’s humanitarian assistance goes directly to people affected by disaster or conflict, irrespective of their race, ethnic group, religion, sex, age, nationality or political affiliation, and must not be guided by, or subject to, political considerations. The EU acts on the basis of the international humanitarian principles of humanity, neutrality, impartiality and independence. The main objectives are to:

- Provide **needs-based delivery of EU assistance to save and preserve life, prevent and alleviate human suffering and safeguard the integrity and dignity of populations affected by natural disasters or man-made crises**, also including protracted crises;
- Build the **resilience and capacity to recover of vulnerable or disaster-affected communities**, in complementarity with other EU instruments.

These objectives contribute to the overall objectives, principles and actions of the Union's external action as defined in Article 21 of the Treaty on European Union.

3. IMPLEMENTATION & SIMPLIFICATION

The Commission implements EU humanitarian aid operations through over 200 partner organisations, including United Nations agencies, other International Organisations including the Red Cross and Red Crescent movement, and non-governmental organisations. The Commission has developed a permanent network of international and local humanitarian field experts working in crisis zones around the globe. The EU has been playing a leading role in the development of new policy approaches and innovative funding modalities (e.g. cash-based assistance).

4. COMPLEMENTARITIES & SYNERGIES WITH OTHER POLICIES / ALIGNMENT OF EU WITH NATIONAL AND REGIONAL RESOURCES

Even if the work of the EU on **rescEU** primarily serves action inside the EU, it also complements humanitarian assistance outside the EU by real-time monitoring through the Emergency Response Coordination Centre and by the deployment of immediate support in emergencies in third countries through expert teams and rescue equipment provided by Member States and other participating countries. Furthermore, it benefits from additional flexibility from the **Emergency Aid Reserve**, a special instrument to respond to emergencies and catastrophes inside and outside the Union in cases where funding under dedicated programmes proves insufficient.

In many crisis situations, there is a strong emphasis on complementarity between humanitarian aid and development assistance with a view to ensuring a smooth transition from relief to sustainable development supported by the Neighbourhood, Development and **International Cooperation Instrument**.

The EU Humanitarian Aid Instrument has the potential to leverage Member States' funding through the use of External Assigned Revenues. This can contribute to enhancing complementarity with national resources.

5. PROPOSED BUDGET ALLOCATION FOR 2021-2027

Figures in current prices	*EUR million*
Total envelope for 2021-2027	**11 000**

EXTERNAL ACTION

Common Foreign & Security Policy

The European Union's Common Foreign and Security Policy enables the EU to speak with one voice in Common Foreign and Security Policy issues. It contributes to the preservation of peace, the prevention of conflicts and strengthening international security. It is one of the main instruments used to implement the **Global Strategy for the European Union's Foreign and Security Policy** and underpins the EU's role as a global actor. The external action instruments should serve the EU objectives and project EU values globally.

The Treaty on European Union (Title V: General provisions on the Union's external action and specific provisions on the Common Foreign and Security Policy) strengthened this policy area by creating the post of **EU High Representative for Foreign Affairs & Security Policy**, and the European External Action Service. The Common Foreign and Security Policy helps to safeguard the Union's values and principles, and interests. Article 21 of the Treaty on European Union reflects the principles and objectives that guide the Union's external action, including democracy, the rule of law, human rights and fundamental freedoms, respect for human dignity, the principles of equality and solidarity, and respect for the principles of the United Nations Charter and international law.

1. EUROPEAN ADDED VALUE

The Common Foreign and Security Policy provides the ability to act as an external actor on behalf and alongside the Member States. By providing for joint action, the EU adds value beyond the activities of individual Member States by reaching a critical mass when responding to global challenges. Given the EU's impartial position to deliver external action on behalf of and with Member States, Common Foreign and Security Policy operations enjoy enhanced credibility and trust in the countries they operate. The demographic and economic weight of the European Union and ability to make joint foreign policy decisions strengthens its arm.

While individual activities of Member States clearly contribute to achieving the objectives of the EU's common Foreign and Security Policy, the EU's Common Foreign and Security Policy achieves a critical mass to respond to global challenges. Joint ownership on the EU side combined with influence and reform leverage of a global actor, and a strong political signal of a sound EU mechanism support security and stability needs of partner countries,

With its leadership position in humanitarian and development cooperation, the EU is in a unique position to project its values and respond to global challenges, including conflict, instability, and security threats/threats to global security. In synergy with other external action instruments, the Common Foreign and Security Policy contributes to a coherent framework and the financial means for external action that any Member States alone would not be able to afford.

2. OBJECTIVES

Given the political priorities and global challenges, Common Foreign and Security Policy actions will remain a fundamental pillar of the Global Strategy (or its successor) post-2020, in support of three strategic priorities: 1) responding to external conflicts and crises, 2) building the capacity of partners, and 3)protecting the Union and its citizens. For the Common Foreign and Security Policy to be effective, the EU needs to be ready to react rapidly and with determination in response to emerging threats to its strategic interests.

3. IMPLEMENTATION & SIMPLIFICATION

The overall impact and achievements triggered by the Common Foreign and Security Policy are of much greater value than the sum of its individual actions. In particular in the field of Common Security and Defence Policy missions, the scope and reach of the agreed actions goes beyond what a single Member State can do. Common Security and Defence Policy missions benefit in particular from the multinational EU nature both in terms of image – EU credibility as a peace actor- and of accessing a larger pool of human resources and expertise, including from interested third countries participating in EU-led actions. Common Security and Defence Policy actions have concretely contributed to the policy implementation, by 1) providing capacity building, support and advice through the Common Security and Defence Policy civilian and military training missions, 2) promoting peace and stability as well as promoting and advancing the values of the EU by means of special representatives, and 3) promoting multilateral responses to the security threats, including combating the proliferation of weapons of mass destruction and the illicit spread and trafficking of other conventional weapons. .

In addition, via its Common Foreign and Security Policy operations, the EU provides funding for the European Security and Defence College and for the operation of the Kosovo specialist chambers. The Common Foreign and Security Policy can also be used for action on the basis of Article 28 of the Treaty on European Union.

The need for rapid and determined response implicates that many Common Foreign and Security Policy actions cannot be programmed in advance and the budget needs to include a sufficient margin each year in order to enable a rapid response in crisis situations.

The Common Foreign and Security Policy budget is managed and implemented by the Foreign Policy Instruments service of the Commission.

4. COMPLEMENTARITIES & SYNERGIES WITH OTHER POLICIES / ALIGNMENT OF EU WITH NATIONAL AND REGIONAL RESOURCES

Under the external action and pre-accession assistance clusters of the Multiannual Financial Framework a strong complementarity will be ensured between the different instruments. Interaction and synergies will also be sought between the instruments financed by the EU budget (notably the Neighbourhood, Development **and International Cooperation Instrument**, the **Instrument for Pre-Accession Assistance**, **Humanitarian Aid**, the revised **Union Civil Protection Mechanism instrument – rescEU**, and the proposed **European Peace Facility** (to be set outside the Multiannual Financial Framework because of limitations to finance defence activities set by the Treaty on European Union), to ensure a strong and coherent EU external action.

5. PROPOSED BUDGET ALLOCATION FOR 2021-2027

Figures in current prices	*EUR million*
Total envelope for 2021-2027	**3 000**

EXTERNAL ACTION

Cooperation with Overseas Countries and Territories (including Greenland)

The programme aims to support and **strengthen the economic, political and cultural ties between the European Union and the 13 Overseas Countries and Territories** linked to Denmark, France and the Netherlands. The modalities of the programme will take account of the particular needs and challenges of the Overseas Countries and Territories overall, and the specific situation of Greenland.

1. EUROPEAN ADDED VALUE

The Overseas Countries and Territories which spread from the Poles to the Tropics are associated with the EU. They play an important role as outposts of the Union in the areas where they are located, but do not, however, form part of the EU territory or of the EU single market.

The purpose of the Association of the Overseas Countries and Territories is to promote the economic and social development of the countries and territories and to establish close economic relations between them and the Union as a whole.

Support to the Overseas Countries and Territories makes them less dependent on the EU and its Member States and promotes cooperation between them, their regional, European and international partners. It allows projecting EU values, culture, laws and economic partnerships across the globe.

2. OBJECTIVES

The objective of the support to Overseas Countries and Territories is to **preserve the close and lasting links between the partners**, **supporting their sustainable development** and **enhancing their competitiveness and economic resilience**.

3. IMPLEMENTATION & SIMPLIFICATION

The support to Overseas Countries and Territories, other than Greenland, used to be channelled through the European Development Fund. The programmes are directly implemented by the European Commission, mainly in the form of direct budgetary support but also in some cases by grants.

4. COMPLEMENTARITIES & SYNERGIES WITH OTHER POLICIES / ALIGNMENT OF EU WITH NATIONAL AND REGIONAL RESOURCES

The cooperation with Overseas Countries and Territories is strictly linked to and coordinated with the national support policies of Denmark, France and the Netherlands. In addition, synergies will be exploited with separate European development programmes for the EU's outermost regions and the Neighbourhood, Development and International Cooperation Instrument.

5. PROPOSED BUDGET ALLOCATION FOR 2021-2027

Figures in current prices	*EUR million*
Total envelope for 2021-2027	**500**

PRE-ACCESSION ASSISTANCE

Instrument for Pre-Accession Assistance

The Instrument for Pre-accession Assistance **supports candidate countries and potential candidates on their path to fulfilling the accession criteria**. It is positioned in the context of the Western Balkans Strategy and reflects the developments in the relations with Turkey.

1. EUROPEAN ADDED VALUE

Supporting the enlargement of the EU is by its very nature a task best pursued at EU level. Granting pre-accession assistance under one single instrument on the basis of a single set of criteria is more efficient than granting assistance from multiple sources – including the national budgets of the Member States – following different procedures and priorities. In addition, the EU's political influence and leverage allows it to engage national authorities with greater authority and legal certainty than individual Member States. The Instrument complements the enlargement policy of the Union by supporting political and economic reforms, including as regards EU values and the respect for the rule of law and the proper functioning of institutions ensuring sound financial management in candidate countries/potential candidates and is used proactively to advance negotiations with beneficiary governments towards fulfilling the Copenhagen criteria, as well as the conditionality of the Stabilisation and Association Agreements.

The Instrument for Pre-accession Assistance contributes to the broader European objectives of ensuring stability, security and prosperity in the immediate neighbourhood of the Union. Proximity between Member States and beneficiaries and the corresponding need for coordination also ensures that support given to beneficiaries helps the EU to reach its own objectives in terms of sustainable economic growth, migration, security, energy supply, transport, the environment and climate change.

2. OBJECTIVES

The Instrument for Pre–accession Assistance aims to **support candidate countries and potential candidates in adopting and implementing the political, institutional, legal, administrative, social and economic reforms required to comply with Union values and to progressively align to Union rules, standards, policies and practices with a view to Union membership**.

The instrument will be shaped around the following key priorities: **Rule of Law**, **fundamental rights** and **migration** – this will include strengthening **security cooperation**, the **fight against radicalisation and against organised crime**, as well as supporting an **integrated migration policy including border management**; **EU policies and acquis**; **Socio-Economic development**; **Investments for growth**; **Reconciliation, good neighbourly relations** and **Regional and cross-border cooperation**. These objectives follow on from those pursued under the predecessor programme.

3. IMPLEMENTATION & SIMPLIFICATION

Continuity will be ensured with the 2014-2020 instrument. The strong performance-based element will be maintained but simplified in order to make it easier to monitor and report on, and to provide a real incentive to the beneficiaries. A rapid and flexible mobilisation of funds is important as well as the necessary financial means to prepare for future accessions, when appropriate, including to ensure a gradual and seamless transition from pre-accession to Member State to allow the increase of absorption capacity needed to be ready.

All possible types of delivery modes will be included in the Regulation (grants, procurement, prizes, contributions to EU Trust Funds, budget support, financial instruments, and budgetary guarantees). They will be implemented through direct, indirect and shared management depending on the type of programme and partner country.

With regard to the investment architecture, the financial instruments currently implemented in the region will remain active in view of the good results obtained so far.

4. COMPLEMENTARITIES & SYNERGIES WITH OTHER POLICIES / ALIGNMENT OF EU WITH NATIONAL AND REGIONAL RESOURCES

The programme will seek complementarities with a full range of Union programmes, including the internal policy programmes (synergies with the security, migration and energy policies, and the **Neighbourhood, Development and International Cooperation Instrument**, with the investment component, as well as to support the **Erasmus+** external dimension. The beneficiary countries will continue to benefit from thematic programmes, in particular human rights. There will continue to be synergies with **Cohesion Policy** and the **Common Agricultural Policy** in preparing the beneficiary countries to absorb and manage future Union financing.

Coherence needs to be kept between the **InvestEU Fund**, the new single investment tool for the EU internal policies, and the Instrument for Pre-accession Assistance, so that the potential access of pre-accession countries to the new fund is ensured. The necessary increase in the investment needs will be mostly served by the **European Fund for Sustainable Development+**, which will be integrated in the Neighbourhood, Development and International Cooperation Instrument. This will allow for strong economies of scale, while including the possibility of a scaling-up of operations in the Western Balkans, as needed.

5. PROPOSED BUDGET ALLOCATION FOR 2021-2027

Figures in current prices	*EUR million*
Total envelope for 2021-2027	**14 500**

INSTRUMENTS OUTSIDE THE CEILINGS OF THE MULTIANNUAL FINANCIAL FRAMEWORK

SPECIAL INSTRUMENTS

Emergency Aid Reserve

The Emergency Aid Reserve is an **instrument providing additional funds into a number of sectorial programmes when a crisis occurs**, both within and outside the EU.

1. EUROPEAN ADDED VALUE

Responsiveness of the EU budget is increasingly needed under unstable geopolitical and domestic frame conditions which occasion non-programmable spending needs. While a number of programmes covering both within and outside the EU foresee specific provisions to cover emergency measures, available funds can be quickly exhausted and reinforcements become necessary, sometimes at short notice. For example, resources available for emergency assistance under the Asylum, Migration and Integration Fund and the Internal Security Fund were not sufficient to meet all demands by Member States in the face of the migration and security crises which started in 2015. Similarly the Food and Feed programme proved to be largely insufficient to meet demands of Member States affected by the Avian Influenza crisis in 2016 and 2017. Consequently, funds from other programmes had to be redeployed and several flexibility mechanisms had to be mobilized to fill up the gaps.

Large-scale disasters, be they natural or man-made, can overwhelm the capacities of a single Member State and have a clear transnational component. Such disasters are becoming more frequent and intense due to changing climatological conditions or new emerging risks, and their economic, environmental and social consequences are on the rise. This calls for increased EU responsiveness, along with the following principles:

- An agile legal framework that allows the EU budget to intervene in a wide range of crises situations, even in areas not traditionally seen as high risk. Relevant spending programmes should be equipped with appropriate emergency response provisions triggering EU action as soon as an emergency event takes place.
- Sufficient funding available when needed: major crises cannot be forecast and a budgetary reserve from which additional resources can be drawn at short notice is vital.

2. OBJECTIVES

Among the Special Instruments that can be mobilized over and above the ceilings of the Multiannual Financial Framework, the Emergency Aid Reserve is specifically devised to bring **reinforcements in case of crises**. It constitutes a provisional annual amount on top of the ceilings, which can be added to the budget of a specific programme within a few weeks to cover **unforeseen events**.

3. IMPLEMENTATION & SIMPLIFICATION

The **scope of the Emergency Aid Reserve will be extended to operations inside the EU**, thus making use of existing procedures and optimising budget allocation. This will provide a common mechanism to financially reinforce EU actions in response to all kinds of crises (natural disasters, environmental crises, humanitarian emergencies, health epidemics, etc.) and in all geographic locations.

To avoid competition and ensure a fair approach towards emergency needs, a temporary ceiling of 50% will apply to both internal and external dimensions for the first 9 months of the year. Besides, 25% of the annual ceiling will remain available for the last quarter of the year to ensure that amounts remain available also for cases emerging towards the year-end.

The current mobilisation process of the Emergency Aid reserve is a smooth and well-tried process, its main features will be maintained:

- As a special instrument designed to address unforeseen events and funding needs, the Reserve will be mobilised over and above the Multiannual Financial Framework ceilings;
- The Reserve is entered in the budget as a provision; it is mobilised jointly by the European Parliament and the Council via a transfer in accordance with the Financial Regulation;
- To maximise the Reserve's capacity, unused amounts can be transferred to the following year.

To maximize the EU budget response capacity, there will be common rules for making use of the Reserve across all programmes and budget headings to which it is open. This implies no earmarking or priority use, for instance, for internal rather than external crises, or for individual policy areas.

In exceptional years, where the full annual amount of the Reserve has been depleted, additional needs could still be covered through other flexibility mechanisms (such as the Flexibility Instrument, the Contingency margin), albeit with a heavier mobilization procedure (i.e. amending budget).

4. COMPLEMENTARITIES & SYNERGIES WITH OTHER POLICIES / ALIGNMENT OF EU WITH NATIONAL AND REGIONAL RESOURCES

The Emergency Aid Reserve will address extraordinary situations that cannot be tackled by the emergency funding within specific programmes. For instance, the Reserve is not aimed at addressing the consequences of market related crises affecting the agricultural production or distribution.

The other special instrument, associated with crisis' response is the **EU Solidarity Fund**. It is also limited by an annual maximum amount, but it is very different in nature compared to the Reserve. The support from the Solidarity Fund is provided to a Member Stare as an expression of EU solidarity in its efforts to deal with the effects of a major natural disaster. It takes the form of a grant, reimbursing some of the costs incurred by the Member State for recovery and reconstruction efforts following a disaster, with no concrete activities managed at EU level and no spending programme implicated.

5. PROPOSED MAXIMUM ANNUAL AMOUNT

Figures in 2018 prices	*EUR million*
Maximum annual amount	**600**

SPECIAL INSTRUMENTS

European Union Solidarity Fund

The European Union Solidarity Fund is a solidarity instrument responding, at the request of a Member State or of a country involved in accession negotiations with the Union, to **severe natural disasters** and expressing European solidarity with disaster-stricken regions by alleviating the costs of national intervention.

1. EUROPEAN ADDED VALUE

Solidarity between Member States is one of the founding principles of the Union and the EU Solidarity Fund is a clear demonstration of this principle. It has very high visibility among citizens. As natural disasters are likely to become more frequent and intense due to changing climatological conditions this Special Instrument outside the Multiannual Financial Framework also contributes to mitigating the adverse impact of climate change.

Due to its targeted impact, it complements the intervention of multi-annual programmes which are focused on medium-term investment priorities and can also help overcome the complexity that might result from inter-regional coordination should the disaster affect several regions.

2. OBJECTIVES

The EU Solidarity Fund provides financial contribution to help cover the **costs of emergency and recovery operations** borne by the public budgets of the eligible States. It intervenes by reimbursement to give budgetary support to **restore essential infrastructure**, assist the population by providing **temporary accommodation** and **funding rescue services**, secure **preventive infrastructure** and measures of **protection of cultural heritage** as well as help **cleaning up disaster-stricken areas**, including natural zones.

3. IMPLEMENTATION & SIMPLIFICATION

Due to nature of the interventions, the delivery mechanism of the Fund is simple and focused on results. The **flexibility** allowing the carry-over of unspent amounts from the preceding year will be preserved while allowing for higher amounts of advance payments.

4. COMPLEMENTARITIES & SYNERGIES WITH OTHER POLICIES / ALIGNMENT OF EU WITH NATIONAL AND REGIONAL RESOURCES

The 2014 revision strengthened the link with disaster risk reduction policies and set an incentive for Member States to step up **European Structural and Investment Funds** investments supporting prevention, adaptation to climate change and disaster resilience building.

As the EU Solidarity Fund is intervening ex-post, it is complementary to **rescEU** and other emergency tools which intervene immediately in case of natural or man-made disasters.

5. PROPOSED MAXIMUM ANNUAL AMOUNT

Figures in 2018 prices	*EUR million*
Maximum annual amount	**600**

SPECIAL INSTRUMENTS

European Globalisation Adjustment Fund

The European Globalisation Adjustment Fund is a solidarity and emergency relief instrument which offers **one-off assistance to dismissed workers in the context of a significant number of unexpected dismissals caused by the adverse effects of economic change**.

1. EUROPEAN ADDED VALUE

Adding up to regular national resilience (unemployment, social) and to structural interventions from the European Social Fund, the European Globalisation Adjustment Fund measures increase the number and variety of services offered, but also their level of intensity.

Due to this targeted impact, it complements the intervention of EU-funded multi-annual programmes which are focused on medium-term priorities and can also help overcome the complexity of inter-service coordination at national/regional level as large-scale collective redundancies may require combined measures.

Finally, the European Globalisation Adjustment Fund also contributes to the direct implementation of some principles of the European Pillar of Social Rights such as training and life-long learning or active support to employment.

2. OBJECTIVES

As from 2021, the European Globalisation Fund will support workers concerned by a wider range of changes leading to massive high-scale redundancies (globalisation, crisis, technological changes, etc.).

To this end, the measures will aim at: (i) providing **tailor-made support to help reintegration into the labour market**, (ii) increasing the emphasis on acquisition of **digital skills** and (iii) **supporting mobility** whenever relevant.

3. IMPLEMENTATION & SIMPLIFICATION

In order to better correspond to its specific feature of an emergency instrument, the mobilisation of the European Globalisation Adjustment Fund will be improved twofold: (i) a **wider scope of interventions** that considers extended intervention criteria (technological change for instance) and (ii) procedural simplifications, such as lighter application process, provision of technical assistance to ease access to funding.

4. COMPLEMENTARITIES & SYNERGIES WITH OTHER POLICIES / ALIGNMENT OF EU WITH NATIONAL AND REGIONAL RESOURCES

Co-financing rates will be aligned with **Cohesion Policy** rates.

5. PROPOSED MAXIMUM ANNUAL AMOUNT

Figures in 2018 prices	*EUR million*
Maximum annual amount	**200**

OFF BUDGET

European Peace Facility

The European Peace Facility aims to finance the common costs of military operations under the Common Security and Defence Policy; contribute to the financing of military peace support operations led by other international actors; and provide support to third States' armed forces to prevent conflicts, build peace and strengthen international security.

1. EUROPEAN ADDED VALUE

The EU is recognised as a credible global actor. This gives it a competitive advantage in terms of conflict prevention and peace-keeping. EU interventions in these areas can take different forms, ranging from providing support to peace-keeping operations by third countries or international organisations (such as under the African Peace Facility), to direct support to partners' capacities, to deploying troops for operations under the Common Foreign and Defence Policy. This ability of the EU to contribute to the prevention of crisis, restoration of peace or public order or stabilisation of countries or regions faced with conflict or disorder is essential. It does not only serve to protect the EU and its citizens, but also to stabilise countries, enable development and prevent massive displacement of persons.

The EU has engaged in or assisted peace support operations, including through the deployment of EU military forces, in a variety of locations - from Africa, to the Middle-East and the Western Balkans. These operations have demonstrated the added-value of a European dimension, allowing participating Member States to pool resources, share costs and show a genuine European engagement on the ground. However, over recent years, the number of security and stability challenges in our neighbourhood and beyond has grown – and so have the demands for peace-keeping.

This calls for an enhanced engagement of the EU to respond to external conflicts and crises, through peace-keeping and conflict management. This is achieved more efficiently and effectively at EU level. Very few Member States have sufficient resources to support or conduct effective military operations on their own and the Member States that do so should not be expected to bear the entire cost of operations which benefit the EU as a whole. Solidarity between Member States and pooling of resources is therefore essential. Moreover, EU-level involvement can facilitate cooperation with international and regional organisations and countries worldwide through its network of EU delegations. Few Member States can offer this outreach.

2. OBJECTIVES

The objective of the Facility is to enable the EU to do more and to act more swiftly to **prevent conflicts, promote human security, address instability and work towards a safer world, also using military and defence means if required**.

The Treaty on European Union does not allow for Common Foreign and Security Policy operations that have military or defence implications to be financed under the EU budget. The primary objective of the Facility will therefore be the pursuit of the EU foreign and security policy activities with military and/or defence implications which cannot be funded under the EU budget. Except when the Council decides otherwise, actions under the Common Foreign and Security Policy that can be financed under the EU budget must continue to be financed under the EU budget. The implementation of the Facility will require full consistency and coherence with the EU budget, to be ensured at each and every level of the Facility's functioning.

The Facility is a new single extra-budgetary instrument. It will combine support which, under the Multiannual Financial Framework 2014-2020, is partly covered by the **Africa Peace Facility** (financed from the extra-budgetary European Development Fund), and the **Athena mechanism**. Military Common Security and Defence Policy operations are funded outside of the EU budget primarily by the participating Member States, while a limited percentage of common costs are financed through the Athena mechanism.

These existing funding mechanisms, while of clear added value, have up to now only partially addressed the expectations of partners and the need to ensure the EU's external stability in light of unprecedented external challenges. The Facility therefore seeks to:

1. enhance the financing of **military operations under the Common Security and Defence Policy**, which should be made more flexible and efficient;
2. widen the scope of the EU's **support to peace-supporting military operations** led by third countries and international organisations worldwide, and build the military capacities of third countries and international organisations to prevent conflicts, build peace and strengthen international security;
3. facilitate the financing of **other operational actions under the Common Foreign and Security Policy having military or defence implications** when so decided by the Council.

The Facility will be established through a Council Decision under the Common Foreign and Security Policy. As an instrument under the Common Foreign and Security Policy, its implementation will be ensured by the High Representative. With regard to the financial implementation of the Facility in line with the Financial Regulation, the High Representative will be assisted by the Commission's Service for Foreign Policy Instruments.

3. IMPLEMENTATION & SIMPLIFICATION

The Facility will be financed through yearly contributions by Member States based on a Gross National Income distribution key. It will improve flexibility and responsiveness to crisis, drawing on lessons learned from the current instruments and mechanisms. It will ensure that EU funding is available on a permanent basis, while allowing for a rapid response to crises and other urgent requests. It will also facilitate the provision of integrated packages with military training provided by EU military training missions, military equipment and support. The European Peace Facility is designed in an efficient, flexible manner to take into account the different nature of its activities. The important role of partners will be clearly reflected.

4. COMPLEMENTARITIES & SYNERGIES WITH OTHER POLICIES / ALIGNMENT OF EU WITH NATIONAL AND REGIONAL RESOURCES

The Facility will be governed by the principles of coherence and complementarity, ensuring full consistency and synergy with relevant external action instruments and measures under the EU budget, in particular the Common Foreign and Security Policy, capacity building for security and development and other forms of security-related assistance and action under the Security and Peace objectives of the EU's neighbourhood and development policies. Flexibility and responsiveness will ensure that support is available in a timely manner and caters to external military needs as agreed. Simplification and streamlining of funding sources and structures will also be ensured. The Facility will be subject to a strong political steer, to ensure its effectiveness and coherence with the EU's overall external policy approach.

The Facility reflects the need to find expression for the EU's role in defence but is clearly distinct from the European Defence Fund, which aims to supplement and amplify national investments in defence research and industrial development. Nevertheless, the European Defence Fund has the potential to provide a significant boost to the EU's strategic autonomy and the competitiveness of Europe's defence industry, thus indirectly allowing the EU to provide more efficient support to military peace-keeping operations abroad.

5. PROPOSED BUDGET ALLOCATION FOR 2021-2027

The European Peace Facility is an "extra-budgetary" instrument.

Figures in current prices	*EUR million*
Total envelope for 2021-2027	**10 500**

Proposal for a Council Regulation laying down the multiannual financial framework for the years 2021 to 2027

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COM(2018) 322 final

EUROPEAN
COMMISSION

Brussels, 2.5.2018
COM(2018) 322 final

2018/0132 (APP)

Proposal for a

COUNCIL REGULATION

laying down the multiannual financial framework for the years 2021 to 2027

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

Article 312 of the Treaty on the Functioning of the European Union (‘the Treaty’) stipulates that a unanimously adopted Council Regulation shall lay down a Multiannual Financial Framework. It *shall determine the amounts of the annual ceilings on commitment appropriations by category of expenditure and of the annual ceiling on payment appropriations* and it *lay down any other provisions required for the annual budgetary procedure to run smoothly*.

The first multiannual financial framework (called financial perspectives at that time) was adopted thirty years ago together with provisions on interinstitutional cooperation and budgetary discipline[1]. This and the following financial frameworks allowed for improving and facilitating the annual budgetary procedure and cooperation between institutions whilst, at the same time, increasing budgetary discipline and predictability of funding for multiannual programmes and investments.

By enshrining the Multiannual financial framework into the Union's primary law, the Treaty has recognised its importance as a cornerstone of the budgetary architecture of the European Union.

The current Multiannual Financial Framework regulation for the years 2014 to 2020 was adopted on 2 December 2013[2]. On the same date, the European Parliament, the Council and the Commission approved the Interinstitutional Agreement on budgetary discipline, on cooperation in budgetary matters and on sound financial management[3]. The MFF Regulation was revised in 2015[4] in accordance with the provisions of its Article 19 to cater for the late programming of funds under shared management and, again, on 20 June 2017[5], following its mid-term review.

The present explanatory memorandum focuses on elements which are new or which the Commission proposes to amend as compared with the current MFF Regulation, for both the proposal for a Regulation laying down the Multiannual Financial Framework for the years 2021 to 2027 ('the MFF Regulation') and the draft Interinstitutional Agreement on cooperation in budgetary matters and sound financial management[6] (' the draft IIA').

These proposals provide for a date of application as of 1 January 2021 and are presented for a Union of 27 Member States, in line with the notification by the United Kingdom of its intention to withdraw from the European Union and Euratom based on Article 50 of the Treaty on European Union, received by the European Council on 29 March 2017.

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[1] Interinstitutional Agreement on budgetary discipline and improvement of the budgetary procedure, signed by Parliament, the Council and the Commission on 29 June 1988 (OJ L 185, 15.7.1988, p. 33).
[2] OJ L 347, 20.12.2013, p. 884.
[3] OJ C 373, 20.12.2013, p.1.
[4] OJ L 103, 22.04.2015, p.1.
[5] OJ L 163, 24.06.2017, p.1
[6] COM(2018)323, 02.05.2018.

2. A NEW, MODERN BUDGET.

2.1. Main political guidelines

The proposal for the MFF Regulation and the draft IIA follow the principles and main political objectives outlined in the Commission Communication on "A modern Budget for a Union that protects, empowers and defends: The Multiannual Financial Framework for the years 2021-2027" adopted on 2 May 2018[7] (the 'MFF Communication'), in particular with regard to its duration, its structure reflecting political priorities, the need for increased flexibility, and the amounts foreseen for the Multiannual Financial Framework itself.

2.2. MFF Structure and MFF ceilings

The structure of the expenditure 'headings' of the MFF reflects the proposal for a more streamlined and transparent budget, focused on clear policy priorities. The detail of the structure and policies covered under each heading is described in the MFF Communication.

The MFF is structured in seven headings with three sub-ceilings: on 'Economic, social and territorial cohesion' in heading II, on 'Market related expenditures and direct payments' in heading III and on 'Administrative expenditure of the institutions' in heading VII (see table in the Annex to this Regulation).

To support the Union's priorities in a context of EU 27, and to take into account the integration of the European Development Fund into the Union budget, the Commission proposes for the MFF 2021-2027 a ceiling for commitments of EUR 1 134.6 billion in constant prices of 2018 equal to 1.11% of EU GNI and a corresponding payment ceiling of EUR 1 104.8 billion in constant prices of 2018 equal to1.08% of EU GNI.

The Commission is proposing together with this proposal a legislative package for the reform of the Union's Own resources system, including a proposal for a Council Decision on the system of own resources of the European Union[8], including an increase of the ceiling for annual calls for own resources for payments to 1.29% of GNI, and 1.35% of GNI in commitments. This increase is reflecting the higher payment needs for the integration of the European Development Fund into the budget and the financing of new priorities while providing a sufficient safety margin in order to ensure that the Union is able – under any circumstances – to fulfil its financial obligations.

2.3. Flexibility

Whilst aimed at ensuring budgetary discipline the financial framework must, at the same time, provide for adequate levels of flexibility to allow for effective resources allocation and a swift Union response to unforeseen circumstances and emergency situations.

In the first years of the Multiannual Financial Framework for the years 2014-2020, the Union was confronted with unforeseen challenges of an unprecedented scale resulting from instability in its neighbourhood occasioning security threats and mass migratory movements. In order to mobilise additional financial means for measures contributing to tackle the above mentioned challenges, the flexibility of the MFF was extensively used, in particular through the mobilisation of special instruments established as part of the MFF Regulation. This allowed the Union to take decisive action, but tested the budget's flexibility to the limit.

[7] COM(2018)321, 02.05.2018.
[8] COM(2018)325, 02.05.2018

Therefore, the functioning of the flexibility 'toolbox' was examined in detail in the context of the mid-term review/revision of the 2014-2020 MFF[9] in 2016 and additional improvements were introduced in the 2017 revision of the MFF Regulation.

A number of parameters, such as the length of the period covered by the financial framework, the number and design of expenditure headings, the share of EU spending pre-allocated to Member States and regions or pre-determined by 'amounts of reference' in co-decided legislation, the margins available within each expenditure ceiling, and the margins left between the financial framework ceilings and the own resources ceiling, have an impact on the degree of flexibility or rigidity of a financial framework. When elaborating its proposals for the next financial framework, the Commission has taken those elements into account.

For the reasons laid out in the MFF Communication, budgetary flexibility will, more than ever, be an essential principle underpinning the next Multiannual Financial Framework. Building on the innovative provisions already included in the 2014-2020 MFF, the focus for the future should be on consolidating, enhancing and streamlining flexibility mechanisms, to create a more agile framework while preserving the stability that the multiannual framework offers.

The Commission therefore proposes the following flexibility provisions to be included in the MFF Regulation and the draft IIA:

1. **Maximising the use of the expenditure ceilings through specific and maximum flexibility between headings and years:** in addition to keeping a sufficient level of unallocated margins, the Commission proposes to fully exploit the mechanisms of the **Global Margin for Payments** introduced under the current framework. As a novelty, it proposes to widen the size and scope of the existing Global Margin for Commitments in order to establish a **Union Reserve** financed from margins left available under the ceilings for commitments of the previous financial year as well as through funds that have been committed to the EU budget but which are ultimately not spent in the implementation of EU programmes and have been decommitted. Also, the **Contingency Margin** is to be maintained as a last resort instrument.

2. The possibility to differ from the indicative amounts in the programmes adopted by ordinary legislative procedure is proposed to be increased from 10% to 15% to increase flexibility within headings.

3. With regard to **special instruments** which allow entering appropriations in the budget over and above the ceilings set in the MFF, it should be clarified that this applies to both commitment and payment appropriations mobilised. Furthermore:

   (a) the scope of special instruments such as the European Globalisation Adjustment Fund and the Emergency Aid Reserve is revised, and where appropriate extended (for instance, in order to allow the activation of the Emergency Aid Reserve for emergencies inside the Union), coupled with streamlined mobilisation procedures.

   (b) the size of the maximum amounts available each year for the European Globalisation Adjustment Fund, the European Union Solidarity Fund, the Emergency Aid Reserve, and the Flexibility instrument is proposed to be increased. Finally, the Flexibility instrument should also be allowed to use the unused portion of the annual amounts of the Emergency Aid Reserve, as it is

[9] Mid-term review/revision of the multiannual financial framework 2014-2020: An EU budget focused on results, COM(2016)603final, 14.09.2016.

currently already the case for the European Union Solidary Fund and the European Globalisation Adjustment Fund.

2.4. Adjustments, review and revision of the MFF

The 2021-2027 financial framework is presented in 2018 prices. The procedure for its technical adjustment is maintained as well as the 2% deflator. The annual technical adjustment also includes the calculations of the amounts relating to the global margin for payments, the global margin for commitments (Union reserve), the Flexibility Instrument and the Contingency Margin, in line with the provisions on maximum annual amounts and transfers of unused amounts stemming from previous years provided for in the Regulation. The results of the adjustments should be communicated to the budgetary authority ahead of the budgetary procedure for the year n+1.

The adjustments to the MFF ceilings may also be due to other circumstances. This is the case for example to allow "re-budgeting" of commitments in the case of delayed adoption of new rules or programmes under shared management, or to adapt cohesion policy envelopes to the most recent statistics in relation to the allocation method. It is also the case to enable the re-budgeting of appropriations as a consequence of the lifting of suspension measures which may have been decided under specific basic acts linking effectiveness of funds to sound economic governance or to the protection of the Union’s budget in the case of generalised deficiencies as regards the rule of law in the Member States.

It appears appropriate maintaining the provisions which specify cases for which a revision of the MFF should be foreseen (revision of the Treaties with budgetary implications, enlargement of the Union, re-unification of Cyprus).

A mid-term review of the MFF is foreseen by the end of 2023. This review may, as appropriate, be accompanied by relevant proposals for revision of the Regulation.

3. LEGAL ELEMENTS OF THE PROPOSAL

3.1. Multiannual Financial Framework Regulation

As per the current Regulation 1311/2013, the provisions of the draft MFF Regulation are structured in Chapters. The order of some of the provisions has been changed to streamline the presentation.

Chapter 1 – General Provisions

Article 1 – Multiannual Financial Framework

The wording of Article 1 specifies the duration of the Multiannual Financial Framework which is set for seven years (from 2021 to 2027) for the reasons set out in the MFF Communication.

Article 2 – Compliance with the ceilings of the MFF

The first paragraph of Article 2 refers to the Annex containing the table of the Multiannual Financial Framework ceilings, and lays down an obligation for the institutions to respect the ceilings during the budgetary procedure in compliance with the provisions of the Treaty.

It also provides for the adjustment of the sub-ceiling for market related expenditure and direct payments in accordance with application of the flexibility between the two pillars of the Common Agricultural Policy (CAP) as set out in the CAP legislation.

The second paragraph introduces the Special instruments which are further defined in Chapter 3 of the draft Regulation (Articles 9 to 14), with the principle that these instruments are not included in the Multiannual Financial Framework and that their financing in specific circumstances is provided over and above the ceilings of the Multiannual Financial Framework, both for commitment and corresponding payment appropriations. In order to maintain the current level of flexibility and the roles of the institutions in the mobilisation of these instruments, the procedures applicable for the mobilisation of these instruments are included in the draft IIA.

The third paragraph reproduces the text of current Article 3(3), aligning it to the definition of Financial assistance to Member States set out in Title X of the Financial Regulation[10]. This includes any loan to Member States which may be provided under the Balance of Payments Facility ("BoP")[11] and the European Financial Stabilisation Mechanism ("EFSM")[12], as well as the new European Investment Stabilisation Function providing loans to Member States experiencing a severe asymmetric shock. The principle that provides that if the repayment of a guaranteed loan under Financial assistance to Member States has to be covered from the Union's budget, such potential expenditure should be excluded from the financial framework (i.e. the amounts would be mobilised over and above the ceilings of the Multiannual Financial Framework) is maintained.

The relevant ceiling constraining the Union's capacity to guarantee lending from the Union's budget is the own resources ceiling, not the MFF ceiling.

Article 3 – Respect of own resources ceiling

This Article reproduces the text of Article 4 of the current Regulation. The compliance with the own resources ceiling must be ensured for each year. Should the ceilings for payment appropriations result in call-in rate for own resources exceeding the own resources ceiling, the ceilings of the financial framework have to be adjusted.

Chapter 2 – Adjustments to the MFF

Article 4 – Global Margin for Payments

This Article reproduces the text of Article 5 of the current Regulation for the period 2022-2027, however without any restriction in terms of the amount of the adjustment of ceilings to ensure specific and maximum flexibility.

Article 5 – Technical adjustment

This Article reproduces the text of Article 6 of the current Regulation. The financial framework is presented in 2018 prices. The procedure for its annual technical adjustment is maintained as well as the 2% deflator. In paragraph 1, the order of paragraphs (d) to (f) is amended to reflect the order of articles in Chapter 3.

Article 6 – Adjustment of cohesion policy envelopes

This Article reproduces the text of Article 7 of the current Regulation in relation to the adjustment of cohesion policy envelopes based on the most recent statistical data, with the exception of the eligibility review of the Cohesion Fund. The changes introduced reflect the timing for the 2021-2027 MFF.

[10] Regulation n° EU [XXX/201X] of the European Parliament and of the Council of […] on the financial rules applicable to the general budget of the Union (OJ L…)

[11] Council Regulation (EC) No 332/2002 of 18 February 2002 establishing a facility providing medium-term financial assistance for Member States' balances of payments, OJ L 053, 23.02.2002, p.1.

[12] Council Regulation (EU) No 407/2010 of 11 May 2010 establishing a European financial stabilisation mechanism, OJ L 118, 12.5.2010, p. 1.

Article 7 – Adjustments related to measures linked to sound economic governance or to the protection of the Union's budget in the case of generalised deficiencies as regards the rule of law in the Member States.

In relation to macro-economic conditionality, this Article reproduces the text of Article 8 of the current Regulation. It is proposed to extend this mechanism to adjust the MFF ceilings in the case of lifting of measures related to the protection of the Union's budget in the case of generalised deficiencies as regards the rule of law in the Member States [13]. In both cases, the maximum time period allowed for re-entering suspended commitments in the budget is proposed to be limited to n+2 years.

Article 8 – Adjustment following new rules or programmes under shared management

It is proposed to make the modification of ceilings in case of delayed adoption of new rules or programmes under shared management through a technical adjustment rather than a revision as it is currently the case (Article 19 of the current MFF Regulation), as this is essentially an automatic and mechanical modification, which needs to be implemented swiftly so as to facilitate the finalisation of the programming process. It is proposed to transfer the allocations not used in 2021 in equal tranches to the four subsequent years 2022 to 2025.

Chapter 3 – Special instruments

The order of presentation of Special instruments is changed, to include first the two special instruments (European Globalisation Adjustment Fund, European Union Solidarity Fund) linked to specific basic acts. The provisions on mobilisation are streamlined in the Regulation and the draft IIA, taking into account the provisions already included in the specific sectoral basic acts and in the Financial Regulation.

Article 9 – European Globalisation Adjustment Fund

This Article reproduces the text of Article 12 of the current Regulation. The definition of the objectives and scope of the European Globalisation Adjustment Fund will be defined in the specific basic act (Regulation (EU) XXXX/XX[14]). The maximum annual amount is increased to EUR 200 million (in 2018 prices).

Article 10 – European Union Solidarity Fund

This Article reproduces the text of Article 10 of the current Regulation. The definition of the objectives and scope of the European Union Solidarity Fund are defined in the specific basic act (Regulation (EC) No 2012/2002 as amended by Regulation (EU) No 661/2014 of the European Parliament and of the Council of 15 May 2014), for which no amendment is proposed. The maximum annual amount is increased to EUR 600 million (in 2018 prices).

Article 11 – Emergency Aid Reserve

This Article corresponds to Article 9 of the current Regulation. Taking into account the need to ensure the responsiveness of the Union budget and the new challenges the Union has been and continues to be confronted with, it is proposed to extend the scope of the Emergency Aid Reserve to operations inside the EU, to provide a common mechanism to financially reinforce EU actions in response to all kinds of crises (natural disasters, migration management emergencies, humanitarian emergencies, health epidemics, etc.) and in all geographic locations. To maximise the EU budget response capacity, there is no earmarking or priority use for specific programmes. However, temporary limitations of use would apply through the year to ensure the capacity to respond at all times to internal or external crises and to ensure

13 COM(2018)324, 02.05.2018

14 OJ L, , p. .

that funds can be mobilised to cover needs that may arise towards the end of the year. The maximum annual amount is increased to EUR 600 million (in 2018 prices).

Article 12 – Global Margin for Commitments (Union Reserve)

This Article corresponds to Article 14 of the current Regulation. In addition to the margins left available below the MFF ceilings for commitments of year n-1, applicable as soon as 2022, it is proposed that, as of 2023, the resources of the Global margin for Commitments (Union reserve) are increased with amounts corresponding to de-committed appropriations of the year n-2, with the exception of de-committed appropriations made available again under specific rules set out in article [15] of the Financial Regulation. The provisions on mobilisation remain unchanged from the current Global Margin for Commitments.

Article 13 – Flexibility Instrument

This Article corresponds to Article 11 of the current Regulation. The maximum annual amount is increased to EUR 1 billion (in 2018 prices).Moreover, it is proposed to add to the Flexibility Instrument the unused amounts of the Emergency Aid Reserve which have lapsed in the previous year, as is already the case for the European Union Solidarity Fund and the European Globalisation Adjustment Fund under the current Regulation. The calculation of the amounts available under the Flexibility Instrument will continue to be communicated under the annual technical adjustment set out in Article 5.

Article 14 – Contingency Margin

This Article reproduces the text of Article 13 of the current Regulation.

Chapter 4 – Review and revision of the MFF

Article 15 – Revision of the MFF

The wording of this Article corresponds to Article 17 of the current Regulation. The text of paragraph 3 in relation to the examination of possibilities of redeployment within the relevant MFF heading was simplified.

Article 16 – Mid-term review of the MFF

This Article corresponds to Article 2 of the current Regulation. It is proposed that the Commission presents by the end of 2023 a review of the functioning of the MFF, accompanied as appropriate by relevant proposals for the remainder of the period, including a proposal for the revision of the MFF (Article 15(1)).

Article 17 – Revision related to implementation

The wording of this Article corresponds to Article 18 of the current Regulation. The general rule concerning the timing of the adoption of the revision is removed, so as not to restrict in time the possibility to revise the MFF on the basis of implementation, should such need arise.

Article 18 – Revision of the MFF in case of a revision of the Treaties

This Article reproduces the text of Article 20 of the current Regulation.

Article 19 – Revision of the MFF in the event of enlargement of the Union

This Article reproduces the text of Article 21 of the current Regulation.

Article 20 – Revision of the MFF in the event of the reunification of Cyprus

This Article reproduces the text of Article 22 of the current Regulation.

Chapter 5 – Contribution to the financing of large scale projects

Article 21 – Contribution to the financing of large scale projects

This Article corresponds to Article 16 of the current Regulation. It is proposed to maintain for the period 2021 to 2027 provisions setting maximum amounts for the contributions from the Union's budget to large-scale infrastructure projects which are financed within the MFF ceilings but whose lifetime extends well beyond the period set for the financial framework.

This would concern large scale projects under the proposed European Space Programme as well as the International Thermonuclear Experimental Reactor project (ITER).

Consequently, the proposed provision foresees a 'ring-fencing' of the amount available for the 2021 – 2027 MFF. The legislative acts concerning the above mentioned programmes shall comply with the financial provisions set in the present Regulation.

Chapter 6 – Interinstitutional cooperation in the budgetary procedure

Article 22 – Interinstitutional cooperation in the budgetary procedure

This Article reproduces the text of Article 23 of the current Regulation.

Article 23 – Unity of the budget

This Article reproduces the text of Article 24 of the current Regulation.

Chapter 7 – Final provisions

Article 24 - Transition towards the next financial framework

The wording of this Article corresponds to Article 25 of the current Regulation. It lays down the obligation for the Commission to present a new financial framework before 1 July 2025.

The rules in case no new financial framework is agreed by the end of the financial framework covered by the Regulation are defined by primary law (Article 312(4) TFEU) and need not be reproduced in the Regulation. They are recalled in recital 15.

Article 25 - Entry into force

The final Article of the draft MFF Regulation sets the date of entry into force and the date of applicability of the Regulation. The IIA should enter into force on the same day as the two legal texts complement each other.

3.2. Interinstitutional Agreement on cooperation in budgetary matters and on sound financial management

Introduction – Points 1 to 6 of the draft IIA

The introductory part of the draft IIA introduces the Treaty reference (Article 295), the binding nature of this agreement, its coherence with other legal acts linked to the multiannual financial framework and the budgetary procedure, describes the structure of the Agreement, and stipulates the date of its entry into force (the same date as the MFF Regulation).

It reproduces the wording of Points 1 to 6 of the current IIA.

Part I – provisions related to the financial framework

A. Provisions related to the financial framework

Point 7 of the IIA concerns the margins beneath the ceilings. The MFF Regulation establishes the ceilings for all headings that have to be respected during each annual budgetary procedure as required by the Treaty. However, the practice to ensure as far as possible sufficient margins beneath the ceilings should be preserved. It constitutes an element of the interinstitutional cooperation and good will of the institutions in the budgetary procedure. The provision is kept without any change from point 8 of the current IIA, save for the reference to the sub-heading 'Economic, Social and territorial cohesion' as no such sub-heading is proposed under the new MFF structure.

Point 8 provides for an update of forecast for payment appropriations after 2027 in the fourth year of the MFF, according to the current practice and point 9 of the current IIA.

B. Provisions related to special instruments

Points 9 to 13 correspond to points 10 to 14 of the current IIA and define the procedures applicable for the mobilisation of the following special instruments which are set out in the MFF Regulation: European Globalisation Adjustment Fund, European Union Solidarity Fund, Emergency Aid Reserve, Flexibility Instrument and Contingency Margin. The order of the provisions is changed to reflect the order of the draft MFF Regulation.

The text of the provisions is amended to:

- align the voting rules required for the mobilisation of the European Globalisation Adjustment Fund, the European Union Solidarity Fund and the Flexibility Instrument to the rules applicable to the adoption of the EU budget under Article 314 TFEU;
- simplify and streamline the text where specific provisions are already included in the Financial Regulation or the relevant sectoral basic act: rules applicable to transfers (European Globalisation Adjustment Fund and Emergency Aid Reserve), mobilisation decision (European Globalisation Adjustment Fund and European Union Solidarity Fund).

Part II – improvement of interinstitutional cooperation in budgetary procedure

A. The interinstitutional collaboration procedure

Point 14 refers to the details of the interinstitutional cooperation during the budgetary procedure, which are included in the Annex to the IIA.

Point 15 on 'budgetary transparency' maintains the wording of point 16 of the current IIA, with modifications to take into account reports for which detailed provisions are now included in the Financial Regulation (e.g. Trust Funds in Articles and 41(6) and 252, 5 year forecast on inflows and outflows in Article 247(1)(c)). The text is also amended to reflect the proposal to integrate the European Development Fund in the Union budget as of 2021. The reporting on the European Development Fund under point 15 of the IIA should thus apply only to outstanding issues of the previous European Development Funds.

B. Incorporation of financial provisions in legislative acts

The provisions of the current IIA are maintained. The possibility to depart from the amounts included in the legislative acts is increased from 10% to 15% in order to increase flexibility within the headings (point 16). This provision does not apply to amount pre-allocated to Member States for the whole duration of the financial framework , nor to the large scale projects referred in Article 21 of the MFF Regulation.

Point 17 is revised to align terminology with TFEU. The reference to the Joint Declaration of the European Parliament, the Council and the Commission of 4 March 1975 is deleted as it is now obsolete.

C. Expenditure relating to fisheries agreements

The text of the current IIA for provisions related to cooperation and information related to budgetary matters in relation to fisheries agreements is maintained, except to take into account the fact that, since the - non-budgetary - issue of participation in conferences negotiating on international agreements is already set out in points 25 and 26 of the Framework Agreement on relations between the European Parliament and the European Commission of 20 October 2010 [15], it is better to avoid a parallel text in the IIA.

D. Financing of the Common Foreign and Security policy

Point 20 reproduces the text of point 23 of the current Interinstitutional Agreement.

The wording of point 21 largely reproduces the wording of point 24 of the current IIA, with a re-ordering of paragraphs and a clarification of terminology ('operations' rather than 'instruments'). The reference to the Emergency Aid Reserve is removed, bearing in mind that under the extended scope proposed under Article 11 of the draft MFF Regulation, it will remain possible to mobilise the Emergency Aid Reserve for the purposes of urgent reinforcement of the Common Foreign and Security Policy budget.

In point 22, it is proposed to set a fixed date (30 November each year) for the agreement on the annual timetable for the joint consultation meetings to be held in the subsequent year for the purposes of the regular dialogue between the European Parliament and the High Representative.

E. Involvement of the institutions as regards development policy issues

The provision of point 23 is amended to take into account the proposed integration of the European Development Fund in the Union budget.

Part III – Sound financial management of EU funds

Points 28 and 29 of the current IIA on joint management and on the annual evaluation report provided for in Article 318 TFEU are deleted as these reports are now covered by specific provisions of the Financial Regulation (Articles 41(3)(g) and 247(1)(e), respectively).

Point 24 on Financial programming reproduces the text of point 30 of the current IIA, with adjustments to align the dates with those defined in article 41(2) of the Financial Regulation.

Section B on Agencies and European Schools (points 25 to 28) are unchanged from the current IIA.

Annex – Interinstitutional cooperation during the budgetary procedure

The provisions included in the Annex are unchanged from the current IIA, as they have proved to be a sound basis for the cooperation between institutions, except for two modifications:

– The text of point 9 in relation to letters of amendment to the draft budget is aligned with the wording of article 42 of the Financial Regulation;

– To reflect current practice, and in order to align the wording with point 20 of the Annex, the word 'implementability' is replaced by 'executability'.

15 OJ L 304, 20.11.2010, p. 47

2018/0132 (APP)

Proposal for a

COUNCIL REGULATION

laying down the multiannual financial framework for the years 2021 to 2027

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 312 thereof,

Having regard to the Treaty establishing the European Atomic Energy Community, and in particular Article 106a thereof,

Having regard to the proposal from the European Commission,

Having regard to the consent of the European Parliament[16],

After transmission of the draft legislative act to the national parliaments,

Acting in accordance with a special legislative procedure,

Whereas:

(1) Taking into account the need for an adequate level of predictability for preparing and implementing medium-term investments, the duration of the Multiannual Financial Framework (MFF) should be set at seven years starting on 1 January 2021.

(2) The annual ceilings on commitments appropriations by category of expenditure and the annual ceilings on payment appropriations established by the MFF must respect the applicable ceilings for commitments and own resources, which are set in accordance with the Council Decision on the system of own resources of the European Union adopted in accordance with the third paragraph of Article 311 TFEU.

(3) If it is necessary to mobilise the guarantees given under the general budget of the Union for financial assistance to Member States authorised in accordance with Article [208(1)] of Regulation No EU [xxx/201x] of the European Parliament and of the Council[17] ('the Financial Regulation'), the necessary amount should be mobilised over and above the ceilings of the commitments and payments appropriations of the MFF, while respecting the own resources ceiling.

(4) The MFF should not take account of budget items financed by assigned revenue within the meaning of the Financial Regulation.

(5) The MFF should be laid down in 2018 prices. The rules for annual technical adjustments to the MFF to recalculate the ceilings and margins available should also be laid down.

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16 OJ C , , p. .

17 Regulation n° EU [XXX/201X] of the European Parliament and of the Council of […] on the financial rules applicable to the general budget of the Union (OJ L…)

(6) Specific and maximum possible flexibility should be implemented to allow the Union to fulfil its obligations in compliance with Article 323 of the Treaty on the Functioning of the European Union (TFEU).

(7) The following special instruments are necessary to allow the Union to react to specified unforeseen circumstances, or to allow the financing of clearly identified expenditure which cannot be financed within the limits of the ceilings available for one or more headings as laid down in the MFF in order to allow the budget procedure to run smoothly: the European Globalisation Adjustment Fund, the European Union Solidarity Fund, the Emergency Aid Reserve, the Global Margin for Commitments (Union Reserve), the Flexibility Instrument and the Contingency Margin. The Emergency Aid Reserve is not aimed at addressing the consequences of market related crises affecting the agricultural production or distribution. Specific provision should therefore be made for the possibility to enter commitment and corresponding payment appropriations into the budget over and above the ceilings set out in the MFF where it is necessary to use special instruments.

(8) The national envelopes for cohesion policy are established on the basis of the statistical data and forecasts used for the May 2018 Commission proposal for this Regulation. Given the forecasting uncertainties, and the impact for the capped Member States, it is necessary to carry out during the period of the MFF a review comparing the forecasted and actual statistical data, and in the case of significant differences to provide for an adjustment of the national envelopes for the Member States concerned and of the relevant MFF ceilings.

(9) Rules should be laid down for other situations that may require the MFF to be adjusted. Those adjustments may be related to the delayed adoption of new rules or programmes under shared management, or to measures linked to sound economic governance or to the protection of the Union's budget in the case of generalised deficiencies as regards the rule of law in the Member States adopted in accordance with the relevant basic acts.

(10) It is necessary to carry-out a review of the functioning of the MFF at mid-term of its implementation. The results of this review should be taken into account in any revision of this Regulation for the remaining years of the MFF.

(11) It is necessary to provide for a revision of the MFF in the event of revision of the Treaties, of the reunification of Cyprus or of the enlargement of the Union, as well as in the light of the implementation of the budget.

(12) This Regulation may also need to be revised in relation to unforeseen circumstances that cannot be dealt with within the ceilings set out in the MFF. It is therefore necessary to provide for revision of the MFF in such cases.

(13) Specific rules are also necessary for dealing with large scale infrastructure projects whose lifetime extends well beyond the period set for the MFF. It is necessary to establish maximum amounts for the contributions from the general budget of the Union to those projects, thereby ensuring that they do not have any impact on other projects financed from that budget.

(14) It is necessary to provide for general rules on interinstitutional cooperation in the budgetary procedure.

(15) The Commission should present a proposal for a new multiannual financial framework before 1 July 2025, to enable the institutions to adopt it sufficiently in advance of the start of the subsequent multiannual financial framework. In accordance with Article

312(4) TFEU the ceilings corresponding to the last year set out in this Regulation are to continue to apply in the event that a new financial framework is not adopted before the end of the term of the MFF laid down in this Regulation,

HAS ADOPTED THIS REGULATION:

Chapter 1
General provisions

Article 1
Multiannual Financial Framework

This regulation lays down the multiannual financial framework for the period 2021 to 2027 (MFF).

Article 2
Compliance with the ceilings of the MFF

1. The European Parliament, the Council and the Commission shall, during each budgetary procedure and when implementing the budget for the year concerned, comply with the annual expenditure ceilings set out in the Annex ('MFF ceilings').

   The sub-ceiling for Heading III as set out in the Annex is established without prejudice to the flexibility between the two pillars of the Common Agricultural Policy (CAP). The adjusted ceiling to be applied to pillar I of the CAP following the transfers between the European Agricultural Fund for Rural Development and direct payments shall be laid down in the relevant legal act and the MFF shall be adjusted accordingly under the technical adjustment provided for in Article 5 of this Regulation.

2. Where it is necessary to use the resources from the special instruments provided for in Articles 9 to 14, commitment and corresponding payment appropriations shall be entered in the budget over and above the relevant MFF ceilings.

3. Where it is necessary to mobilise a guarantee for financial assistance to Member States authorised in accordance with Article [208(1)] of Regulation No EU [xxx/201x] ('the Financial Regulation'), the necessary amount shall be mobilised over and above the ceilings laid down in the MFF.

Article 3
Respect of own resources ceiling

4. For each of the years covered by the MFF, the total appropriations for payments required, after annual adjustment and taking account of any other adjustments and revisions as well as the application of paragraphs 2 and 3 of Article 2, may not be such as to produce a call-in rate for own resources that exceeds the own resources ceiling set in accordance with the Council decision on the system of own resources of the European Union adopted in accordance with the third paragraph of Article 311 TFEU ('Own Resources Decision') in force.

5. Where necessary, the ceilings set in the MFF shall be lowered in order to ensure compliance with the own resources ceiling set in accordance with the Own Resources Decision in force.

Chapter 2
Adjustments to the MFF

Article 4
Global margin for payments

1. Every year, starting in 2022, as part of the technical adjustment referred to in Article 5, the Commission shall adjust the payment ceiling for the years 2022-2027 upwards by an amount equivalent to the difference between the executed payments and the MFF payment ceiling of the year n-1.

2. Any upward adjustment shall be fully offset by a corresponding reduction of the payment ceiling for year n-1.

Article 5
Technical adjustments

1. Each year the Commission, acting ahead of the budgetary procedure for year n+1, shall make the following technical adjustments to the MFF:

   (a) revaluation, at year n+1 prices, of the ceilings and of the overall figures for appropriations for commitments and appropriations for payments;

   (b) calculation of the margin available under the own resources ceiling set in accordance with the Own Resources Decision in force;

   (c) calculation of the global margin for payments provided for in Article 4;

   (d) calculation of the global margin for commitments (Union reserve) provided for in Article 12;

   (e) calculation of the amounts to be made available to the Flexibility Instrument under the second subparagraph of Article 13(1);

   (f) calculation of the absolute amount of the Contingency Margin provided for in Article 14.

2. The technical adjustments referred to in paragraph 1 shall be made on the basis of a fixed deflator of 2 % per year.

3. The Commission shall communicate the results of the technical adjustments referred to in paragraph 1 and the underlying economic forecasts to the European Parliament and the Council.

4. Without prejudice to Article 6, 7 and 8, no further technical adjustments shall be made in respect of the year concerned, either during the year or as ex post corrections during subsequent years.

Article 6
Adjustment of cohesion policy envelopes

1. The Commission shall in 2024, together with the technical adjustment for the year 2025, review all Member States' total allocations under the "Investment for growth and jobs" goal of cohesion policy for the years 2025 to 2027, applying the allocation method set out in the relevant basic act on the basis of the then available most recent statistics and of the comparison, for the capped Member States, between the

cumulated national GDP observed for the years 2021 to 2023 and the cumulated national GDP estimated in 2018. It shall adjust those total allocations whenever there is a cumulative divergence of more than +/ - 5 %.

2. The adjustments required shall be spread in equal proportions over the years 2025 to 2027 and the corresponding ceilings of the MFF shall be adjusted accordingly. The payment ceilings shall also be adjusted accordingly to ensure an orderly progression in relation to the appropriations for commitments.

3. The total net effect, whether positive or negative, of the adjustments referred to in paragraph 2 shall not exceed EUR 4 billion.

Article 7
Adjustments related to measures linked to sound economic governance or to the protection of the Union's budget in the case of generalised deficiencies as regards the rule of law in the Member States

In the case of the lifting, in accordance with the relevant basic acts, of a suspension of budgetary commitments concerning Union funds in the context of measures linked to sound economic governance or to the protection of the Union's budget in the case of generalised deficiencies as regards the rule of law in the Member States, the amounts corresponding to the suspended commitments shall be transferred to the following years and the corresponding ceilings of the MFF shall be adjusted accordingly.

Suspended commitments of year n may not be entered in the budget beyond year n+2.

Article 8
Adjustment following new rules or programmes under shared management

In the event of the adoption after 1 January 2021 of new rules or programmes under shared management for the Structural Funds, the Cohesion Fund, the European Agricultural Fund for Rural Development, the European Maritime and Fisheries Fund, the Asylum and Migration Fund, the Internal Security Fund and the instrument for border management and visa under the Integrated Border Management Fund, the amounts corresponding to the allocations not used in 2021 shall be transferred in equal proportions to the years 2022 to 2025, and the corresponding ceilings of the MFF shall be adjusted accordingly.

Chapter 3
Special instruments

Article 9
European Globalisation Adjustment Fund

1. The European Globalisation Adjustment Fund, the objectives and scope of which are set out in [Regulation (EU) XXXX/XX of the European Parliament and of the Council[18]], shall not exceed a maximum annual amount of EUR 200 million (2018 prices).

2. The appropriations for the European Globalisation Adjustment Fund shall be entered in the general budget of the Union as a provision.

18 OJ L, , p. .

Article 10
European Union Solidarity Fund

1. The European Union Solidarity Fund, the objectives and scope of which are set out in Council Regulation (EC) No 2012/2002[19], shall not exceed a maximum annual amount of EUR 600 million (2018 prices). On 1 October of each year, at least one quarter of that annual amount shall remain available in order to cover needs arising until the end of that year. The portion of the annual amount not used in year n may be used up to year n+1. The portion of the annual amount stemming from the previous year shall be drawn on first. That portion of the annual amount from year n which is not used in year n+1 shall lapse.

2. In exceptional cases and if the remaining financial resources available in the European Union Solidarity Fund in the year of occurrence of the disaster are not sufficient to cover the amount of assistance considered necessary, the Commission may propose that the difference be financed through the annual amounts available for the following year.

Article 11
Emergency Aid Reserve

1. The Emergency Aid Reserve may be used for a rapid response to specific emergency needs within the Union or in third countries following events which could not be foreseen when the budget was established, in particular for emergency response and support operations following natural or man-made disasters, humanitarian crises, in cases of large-scale public health, veterinary or phytosanitary threats, as well as in situations of particular pressure resulting from migratory flows at the Union's external borders where circumstances so require.

2. The annual amount of the Reserve is fixed at EUR 600 million (2018 prices) and may be used up to year n+1 in accordance with the Financial Regulation. The Reserve shall be entered in the general budget of the Union as a provision. The portion of the annual amount stemming from the previous year shall be drawn on first. That portion of the annual amount from year n which is not used in year n+1 shall lapse.

   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.

   No more than half of the amount available until 30 September each year may be mobilised for, respectively, internal or external operations.

   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.

Article 12
Global Margin for Commitments (Union Reserve)

1. The Global Margin for Commitments (Union Reserve), to be made available over and above the ceilings established in the MFF for the years 2022 to 2027, shall comprise the following:

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[19] Council Regulation (EC) No 2012/2002 of 11 November 2002 establishing the European Union Solidarity Fund (OJ L 311, 14.11.2002, p.3).

(a) margins left available below the MFF ceilings for commitments of year n-1;

(b) as of 2023, in addition to the margins referred to in point (a), an amount equivalent to de-commitments of appropriations made during year n-2, without prejudice to Article [15] of the Financial Regulation.

2. The Global Margin for Commitments (Union Reserve) or part thereof may be mobilised by the European Parliament and the Council in the framework of the budgetary procedure provided for in Article 314 TFEU.

Article 13
Flexibility Instrument

The Flexibility Instrument may be used for the financing, for a given financial year, of clearly identified expenditure which could not be financed within the limits of the ceilings available for one or more other headings. Subject to the second subparagraph, the ceiling of the annual amount available for the Flexibility Instrument is set at EUR 1 000 million (2018 prices).

Each year the annual amount available for the Flexibility Instrument shall be increased by the following amounts:

(a) an amount equivalent to the portion of the annual amount for the European Globalisation Adjustment Fund which has lapsed in the previous year;

(b) an amount equivalent to the portion of the annual amount for the European Union Solidarity Fund which has lapsed in the previous year in accordance with Article 10(1);

(c) an amount equivalent to the portion of the annual amount for the Emergency Aid Reserve which has lapsed in the previous year in accordance with Article 11(2).

Amounts made available to the Flexibility Instrument in accordance with the second subparagraph shall be used in accordance with the conditions set out in this Article.

3. The unused portion of the annual amount of the Flexibility Instrument may be used up to year n+3. The portion of the annual amount stemming from previous years shall be used first, in order of age. That portion of the annual amount from year n which is not used in year n+3 shall lapse.

Article 14
Contingency Margin

1. A Contingency Margin of up to 0.03 % of the Gross National Income of the Union shall be constituted outside the ceilings of the MFF, as a last resort instrument to react to unforeseen circumstances. It may be mobilised only in relation to an amending or annual budget.

2. Recourse to the Contingency Margin shall not exceed, at any given year, the maximum amount provided in the annual technical adjustment of the MFF, and shall be consistent with the own resources ceiling.

3. Amounts made available through the mobilisation of the Contingency Margin shall be fully offset against the margins in one or more MFF headings for the current or future financial years.

4. The amounts offset in accordance with paragraph 3 shall not be further mobilised in the context of the MFF. Recourse to the Contingency Margin shall not result in exceeding the total ceilings of commitment and payment appropriations laid down in the MFF for the current and future financial years.

Chapter 4
Review and Revision of the MFF

Article 15
Revision of the MFF

1. Without prejudice to Article 3(2) and Articles 16 to 20 and 24, in the event of unforeseen circumstances, the MFF may be revised in compliance with the own resources ceiling set in accordance with the Own Resources Decision in force.

2. As a general rule, any proposal for a revision of the MFF in accordance with paragraph 1 shall be presented and adopted before the start of the budgetary procedure for the year or the first of the years concerned.

3. Any proposal for revision of the MFF in accordance with paragraph 1 shall examine the scope for reallocating expenditure between the programmes covered by the heading concerned by the revision, with particular reference to any expected under-utilisation of appropriations.

4. Any revision of the MFF in accordance with paragraph 1 shall take into account the scope for offsetting any raising of the ceiling for one heading by the lowering of the ceiling for another heading.

5. Any revision of the MFF in accordance with paragraph 1 shall maintain an appropriate relationship between commitments and payments.

Article 16
Mid-term review of the MFF

Before 1 January 2024, the Commission shall present a review of the functioning of the MFF. This review shall, as appropriate, be accompanied by relevant proposals.

Article 17
Revision related to implementation

When notifying the European Parliament and the Council of the results of the technical adjustments to the MFF, the Commission shall, where appropriate, submit any proposal to revise the total appropriations for payments which it considers necessary, in the light of implementation, to ensure a sound management of the yearly payments ceilings, and in particular their orderly progression in relation to the appropriations for commitments.

Article 18
Revision of the MFF in case of a revision of the Treaties

Should a revision of the Treaties with budgetary implications occur, the MFF shall be revised accordingly.

Article 19

Revision of the MFF in the event of enlargement of the Union

If there is an accession or accessions to the Union, the MFF shall be revised to take account of the expenditure requirements resulting therefrom.

Article 20

Revision of the MFF in the event of the reunification of Cyprus

In the event of the reunification of Cyprus, the MFF shall be revised to take account of the comprehensive settlement of the Cyprus problem and the additional financial needs resulting from the reunification.

Chapter 5
Contribution to the financing of large scale projects

Article 21

Contribution to the financing of large scale projects

1. A maximum amount of EUR 14 196 million (in 2018 prices) shall be available from the general budget of the Union for the period 2021 to 2027 for the large scale projects under [Regulation XXXX/XX of the European Parliament and the Council - *Space Programme*][20].
2. A maximum amount of EUR 5 406 million (in 2018 prices) shall be available for the International Thermonuclear Experimental Reactor project (ITER) from the general budget of the Union for the period 2021 to 2027.

Chapter 6
Interinstitutional cooperation in the budgetary procedure

Article 22

Interinstitutional cooperation in the budgetary procedure

The European Parliament, the Council and the Commission ('the institutions') shall take measures to facilitate the annual budgetary procedure.

The institutions shall cooperate in good faith throughout the procedure with a view to reconciling their positions. The institutions shall, at all stages of the procedure, cooperate through appropriate interinstitutional contacts in order to monitor the progress of the work and analyse the degree of convergence.

The institutions shall ensure that their respective calendars of work are coordinated as far as possible, in order to enable proceedings to be conducted in a coherent and convergent fashion, leading to the final adoption of the general budget of the Union.

Trilogues may be held at all stages of the procedure and at different levels of representation, depending on the nature of the expected discussions. Each institution, in accordance with its own rules of procedure, shall designate its participants for each meeting, define its mandate for the negotiations and inform the other institutions in good time of the arrangements for the meetings.

[20] OJ C, …., p. .

Article 23
Unity of the budget

All expenditure and revenue of the Union and Euratom shall be included in the general budget of the Union in accordance with Article [7] of the Financial Regulation, including expenditure resulting from any relevant decision taken unanimously by the Council after consulting the European Parliament, in the framework of Article 332 TFEU.

Chapter 7
Final provisions

Article 24
Transition towards the next multiannual financial framework

Before 1 July 2025, the Commission shall present a proposal for a new multiannual financial framework.

Article 25
Entry into force

This Regulation shall enter into force on the third day following that of its publication in the *Official Journal of the European Union*.

It shall apply from 1 January 2021.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Council
The President

Annex to the proposal

COM(2018) 322 final

EUROPEAN
COMMISSION

Brussels, 2.5.2018
COM(2018) 322 final

ANNEX

ANNEX

to the proposal for a

COUNCIL REGULATION

laying down the multiannual financial framework for the years 2021-2027

ANNEX

Multiannual Financial Framework table

(EUR million – 2018 prices)

Commitment appropriations	2021	2022	2023	2024	2025	2026	2027	Total 2021-2027
1. Single Market, Innovation and Digital	**23 955**	**23 918**	**24 203**	**23 624**	**23 505**	**23 644**	**23 454**	**166 303**
2. Cohesion and Values	**51 444**	**54 171**	**56 062**	**56 600**	**57 148**	**59 200**	**57 349**	**391 974**
Of which: Economic, social and territorial cohesion	45 597	46 091	46 650	47 212	47 776	48 348	48 968	330 642
3. Natural Resources and Environment	**50 323**	**49 580**	**48 886**	**48 097**	**47 326**	**46 575**	**45 836**	**336 623**
Of which: Market related expenditure and direct payments	37 976	37 441	36 946	36 346	35 756	35 176	34 606	254 247
4. Migration and Border Management	**3 076**	**4 219**	**4 414**	**4 647**	**4 719**	**4 846**	**4 908**	**30 829**
5. Security and Defence	**3 154**	**3 229**	**3 183**	**3 281**	**3 517**	**3 743**	**4 216**	**24 323**
6. Neighbourhood and the World	**14 765**	**14 831**	**15 002**	**15 290**	**15 711**	**16 298**	**17 032**	**108 929**
7. European Public Administration	**10 388**	**10 518**	**10 705**	**10 864**	**10 910**	**11 052**	**11 165**	**75 602**
Of which: Administrative expenditure of the institutions	8 128	8 201	8 330	8 432	8 412	8 493	8 551	58 547
TOTAL COMMITMENT APPROPRIATIONS	**157 105**	**160 466**	**162 455**	**162 403**	**162 836**	**165 358**	**163 960**	**1 134 583**
as a percentage of GNI	1,12%	1,13%	1,13%	1,12%	1,11%	1,11%	1,09%	1,11%

TOTAL PAYMENT APPROPRIATIONS	**150 168**	**151 482**	**160 631**	**160 631**	**160 631**	**160 631**	**160 631**	**1 104 805**
as a percentage of GNI	1,07%	1,07%	1,12%	1,10%	1,09%	1,08%	1,07%	1,08%
Margin available	0,22%	0,22%	0,17%	0,19%	0,20%	0,21%	0,22%	0,21%
Own Resources ceiling as a percentage of GNI (*)	1,29%	1,29%	1,29%	1,29%	1,29%	1,29%	1,29%	1,29%

(*)These percentages are without prejudice to the ceiling set out in the Own Resources Decision in force.

Proposal for a Interinstitutional Agreement between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management

3

COM(2018) 323 final

EUROPEAN
COMMISSION

Brussels, 2.5.2018
COM(2018) 323 final

Proposal for a

Interinstitutional Agreement

between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management

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THE EUROPEAN PARLIAMENT, THE COUNCIL OF THE EUROPEAN UNION AND THE EUROPEAN COMMISSION,

hereinafter referred to as the institutions,

HAVE AGREED AS FOLLOWS:

1. The purpose of this Agreement, adopted in accordance with Article 295 of the Treaty on the Functioning of the European Union (TFEU), is to implement budgetary discipline and improve the functioning of the annual budgetary procedure and cooperation between the institutions on budgetary matters as well as to ensure sound financial management.

2. Budgetary discipline in this Agreement covers all expenditure. The Agreement is binding on all the institutions for as long as it is in force.

3. This Agreement does not alter the respective budgetary powers of the institutions as laid down in the Treaties, in Council Regulation [(EU, Euratom) No XXXX/20XX[1] ('the MFF Regulation')] and in Regulation [(EU, Euratom) No XXXX/20XX] of the European Parliament and of the Council[2] ('the Financial Regulation')].

4. Any amendment of this Agreement requires the common agreement of all the institutions.

5. This Agreement is in three parts:

   – Part I contains provisions related to the multiannual financial framework (MFF) and to the special instruments.

   – Part II relates to interinstitutional cooperation during the budgetary procedure.

   – Part III contains provisions related to the sound financial management of Union funds.

6. This Agreement enters into force on XX/XX/XXXX and replaces the Interinstitutional Agreement of 2 December 2013 between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management[3].

[1] OJ L , p. .
[2] OJ L…, p.
[3] OJ C 373, 20.12.2013, p. 1.

PART I
MFF AND SPECIAL INSTRUMENTS

A. PROVISIONS RELATED TO THE MFF

7. The institutions shall, for the purposes of sound financial management, ensure as far as possible during the budgetary procedure and at the time of the budget's adoption that sufficient margins are left available beneath the ceilings for the various headings of the MFF.

Updating of forecasts for payment appropriations after 2027

8. In 2024, the Commission shall update the forecasts for payment appropriations after 2027.

   That update shall take into account all relevant information, including the real implementation of budget appropriations for commitments and budget appropriations for payments, as well as the implementation forecasts. It shall also consider the rules designed to ensure that payment appropriations develop in an orderly manner compared to commitment appropriations and the growth forecasts of the Union's Gross National Income.

B. PROVISIONS RELATED TO THE SPECIAL INSTRUMENTS

European Globalisation Adjustment Fund

9. When the conditions for mobilising the European Globalisation Adjustment Fund, as set out in the relevant basic act, are met, the Commission shall submit to the European Parliament and the Council a proposal for a transfer to the relevant budgetary lines.

   Transfers related to the Globalisation Adjustment Fund shall be made in accordance with the Financial Regulation.

European Union Solidarity Fund

10. When the conditions for mobilising the European Union Solidarity Fund as set out in the relevant basic act are met, the Commission shall make a proposal for the appropriate budgetary instrument in accordance with the Financial Regulation.

Emergency Aid Reserve

11. When the Commission considers that the Emergency Aid Reserve needs to be called on, it shall present to the European Parliament and the Council a proposal for a transfer from the Reserve to the corresponding budgetary lines in accordance with the Financial Regulation.

Flexibility Instrument

12. The Commission shall make a proposal for the mobilisation of the Flexibility Instrument after it has examined all possibilities for re-allocating appropriations under the heading requiring additional expenditure.

The proposal shall identify the needs to be covered and the amount. Such a proposal may be made in relation to a draft budget or draft amending budget.

The Flexibility Instrument may be mobilised by the European Parliament and the Council in the framework of the budgetary procedure ste out in Article 314 TFEU.

Contingency Margin

13. The mobilisation of the Contingency Margin, or part thereof, shall be proposed by the Commission after a thorough analysis of all other financial possibilities. Such a proposal may be made in relation to a draft budget or draft amending budget.

The Contingency Margin may be mobilised by the European Parliament and the Council in the framework of the budgetary procedure ste out in Article 314 TFEU.

PART II
IMPROVEMENT OF INTERINSTITUTIONAL COOPERATION IN BUDGETARY MATTERS

A. INTERINSTITUTIONAL COOPERATION PROCEDURE

14. The details of interinstitutional cooperation during the budgetary procedure are set out in the Annex.

Budgetary Transparency

15. The Commission shall prepare an annual report to accompany the general budget of the Union, bringing together available and non-confidential information relating to:

the assets and liabilities of the Union, including those arising from borrowing and lending operations carried out by the Union in accordance with its powers under the Treaties,

the revenue, expenditure, assets and liabilities of the European Development Fund (EDF)[4], the European Financial Stability Facility (EFSF), the European Stability Mechanism (ESM), and other possible future mechanisms,

- the expenditure incurred by Member States in the framework of enhanced cooperation, to the extent that it is not included in the general budget of the Union.

B. INCORPORATION OF FINANCIAL PROVISIONS IN LEGISLATIVE ACTS

16. Each legislative act, concerning a multiannual programme, adopted under the ordinary legislative procedure shall contain a provision in which the legislator lays down the financial envelope for the programme.

That amount shall constitute the prime reference amount for the European Parliament and the Council during the annual budgetary procedure.

The European Parliament and the Council, and the Commission when it draws up the draft budget, undertake not to depart by more than 15 % from that amount for the entire duration of the programme concerned, unless new, objective, long-term circumstances arise for which explicit and precise reasons are given, with account being taken of the results obtained from implementing the programme, in particular on the basis of assessments. Any increase resulting from such variation shall remain beneath the existing ceiling for the heading concerned, without prejudice to the use of instruments mentioned in the MFF Regulation and in this Agreement.

4 As set out in the Internal Agreement between the Representatives of the Governments of the Member States of the European Union, meeting within the Council, on the financing of European Union aid under the multiannual financial framework for the period 2014 to 2020, in accordance with the ACP-EU Partnership Agreement, and on the allocation of financial assistance for the Overseas Countries and Territories to which Part Four of the Treaty on the Functioning of the European Union applies (OJ L 210, 6.8.2013) and the preceding Internal Agreements.

This Point does not apply to appropriations for cohesion adopted under the ordinary legislative procedure and pre-allocated by Member States, which contain a financial envelope for the entire duration of the programme nor to the large scale projects referred to in Article 21 of the MFF Regulation.

17. Legally binding Union acts concerning multiannual programmes not subject to the ordinary legislative procedure shall not contain an 'amount deemed necessary'.

Should the Council wish to include a financial reference amount, that amount shall be taken as illustrating the will of the legislator and shall not affect the budgetary powers of the European Parliament and the Council as set out in the TFEU. A provision to this effect shall be included in all legally binding Union acts which contain such a financial reference amount.

C. EXPENDITURE RELATING TO FISHERIES AGREEMENTS

18. Expenditure on fisheries agreements shall be subject to the following specific rules.

The Commission undertakes to keep the European Parliament regularly informed about the preparation and conduct of the negotiations, including their budgetary implications.

In the course of the legislative procedure relating to fisheries agreements, the institutions undertake to make every effort to ensure that all procedures are carried out as quickly as possible.

Amounts provided for in the budget for new fisheries agreements or for the renewal of fisheries agreements which come into force after January 1 of the related financial year shall be put in reserve.

If appropriations relating to fisheries agreements (including the reserve) prove insufficient, the Commission shall provide the European Parliament and the Council with the necessary information, on the causes of the situation, and on measures which might be adopted under established procedures. Where necessary, the Commission shall propose appropriate measures.

Each quarter, the Commission shall present to the European Parliament and the Council detailed information about the implementation of fisheries agreements in force and a financial forecast for the remainder of the year.

19. Without prejudice to the relevant procedure governing the negotiation of fisheries agreements, the European Parliament and the Council commit themselves, in the framework of budgetary cooperation, to arrive at a timely agreement on the adequate financing of fisheries agreements.

D. FINANCING OF THE COMMON FOREIGN AND SECURITY POLICY (CFSP)

20. The total amount of CFSP operating expenditure shall be entered entirely in one budget chapter, entitled CFSP. That amount shall cover the real predictable needs, assessed in the framework of the establishment of the draft budget, on the basis of forecasts drawn up annually by the High Representative of the Union for Foreign

Affairs and Security Policy (the 'High Representative'). A reasonable margin shall be allowed for to cover unforeseen actions. No funds may be entered in a reserve.

21. As regards CFSP expenditure which is charged to the general budget of the Union in accordance with Article 41 of the Treaty on European Union, the institutions shall endeavour, in the Conciliation Committee, and on the basis of the draft budget established by the Commission, to secure agreement each year on the amount of the operating expenditure, and on the distribution of that amount between the articles of the CFSP budget chapter. In the absence of agreement, it is understood that the European Parliament and the Council shall enter in the budget the amount contained in the previous budget or the amount proposed in the draft budget, whichever is the lower.

The total amount of CFSP operating expenditure shall be distributed between the articles of the CFSP budget chapter as suggested in the third paragraph. Each article shall cover actions already adopted, actions which are foreseen but not yet adopted and amounts for future — that is unforeseen — actions to be adopted by the Council during the financial year concerned.

Within the CFSP budget chapter, the articles into which the CFSP actions are to be entered could read along the following lines:

- single major missions as referred to in Article 52(1)(f) of the Financial Regulation,
- other missions (for crisis management operations, conflict prevention, resolution and stabilisation, and monitoring and implementation of peace and security processes),
- non-proliferation and disarmament,
- emergency measures,
- preparatory and follow-up measures,
- European Union Special Representatives.

Since, under the Financial Regulation, the Commission has the authority to transfer appropriations autonomously between articles within the CFSP budget chapter, the flexibility deemed necessary for speedy implementation of CFSP actions shall accordingly be assured. In the event of the amount of the CFSP budget chapter during the financial year being insufficient to cover the necessary expenses, the European Parliament and the Council shall seek a solution as a matter of urgency, on a proposal from the Commission.

22. Each year, the High Representative shall consult the European Parliament on a forward-looking document, which shall be transmitted by June 15 of the year in question, setting out the main aspects and basic choices of the CFSP, including the financial implications for the general budget of the Union, an evaluation of the measures launched in the year n-1 and an assessment of the coordination and complementarity of CFSP with the Union's other external financial instruments. Furthermore, the High Representative shall keep the European Parliament regularly informed by holding joint consultation meetings at least five times a year, in the

framework of the regular political dialogue on the CFSP, to be agreed at the latest on 30 November each year. Participation in those meetings shall be determined by the European Parliament and the Council respectively, bearing in mind the objective, and the nature of the information exchanged in those meetings.

The Commission shall be invited to participate in those meetings.

If the Council adopts a decision in the field of the CFSP entailing expenditure, the High Representative shall immediately, and in any event no later than five working days thereafter, send the European Parliament an estimate of the costs envisaged (a 'financial statement'), in particular those costs regarding time-frame, staff employed, use of premises and other infrastructure, transport facilities, training requirements and security arrangements.

Once a quarter, the Commission shall inform the European Parliament and the Council about the implementation of CFSP actions and the financial forecasts for the remainder of the financial year.

E. INVOLVEMENT OF THE INSTITUTIONS AS REGARDS DEVELOPMENT POLICY ISSUES

23. The Commission shall establish an informal dialogue with the European Parliament on development policy issues regardless of their source of financing.

PART III
SOUND FINANCIAL MANAGEMENT OF UNION FUNDS

A. FINANCIAL PROGRAMMING

24. The Commission shall submit twice a year, the first time together with the documents accompanying the draft budget and the second time after the adoption of the general budget of the Union, a complete financial programming for headings I, II (except the sub-ceiling for ‘economic, social and territorial cohesion’), III (for 'environment and climate’ and ‘maritime and fisheries’), IV, V and VI of the MFF. That programming, structured by heading, policy area and budget line, should identify:

(a) the legislation in force, with a distinction being drawn between multiannual programmes and annual actions:

– for multiannual programmes, the Commission should indicate the procedure under which they were adopted (ordinary or special legislative procedure), their duration, the total financial envelope and the share allocated to administrative expenditure,

– for annual actions (relating to pilot projects, preparatory actions and agencies) and actions financed under the prerogatives of the Commission, the Commission should provide multiannual estimates.

(b) pending legislative proposals: ongoing Commission proposals, with the latest update.

The Commission should consider ways of cross-referencing the financial programming with its legislative programming to provide more precise and reliable forecasts. For each legislative proposal, the Commission should indicate whether it is included in the programming communicated at the time of the Draft Budget or after the final adoption of the Budget. The European Parliament and the Council should in particular be informed of:

(a) all new legislative acts adopted and all pending proposals presented but not included in programming communicated at the time of the Draft Budget or after the final adoption of the Budget (with the corresponding amounts);

(b) legislation foreseen in the Commission's annual legislative work programme, with an indication of whether the actions are likely to have a financial impact.

Whenever necessary, the Commission should indicate the reprogramming entailed by new legislative proposals.

B. AGENCIES AND EUROPEAN SCHOOLS

25. Before presenting a proposal for the creation of a new agency, the Commission should produce a sound, complete and objective impact assessment, taking into account, inter alia, the critical mass of staff and competencies, cost-benefit aspects, subsidiarity and proportionality, the impact on national and Union activities, and the

budgetary implications for the expenditure heading concerned. On the basis of that information and without prejudice to the legislative procedures governing the setting up of the agency, the European Parliament and the Council commit themselves, in the framework of budgetary cooperation, to arrive at a timely agreement on the financing of the proposed agency.

The following procedural steps shall be applied:

- firstly, the Commission shall systematically present any proposal for setting up a new agency to the first trilogue following the adoption of its proposal, and shall present the financial statement accompanying the draft legal act proposing the creation of the agency and shall illustrate the consequences thereof for the remaining period of the financial programming,
- secondly, during the legislative process, the Commission shall assist the legislator in assessing the financial consequences of the amendments proposed. Those financial consequences should be considered during the relevant legislative trilogues,
- thirdly, before the conclusion of the legislative process, the Commission shall present an updated financial statement taking into account potential modifications by the legislator; this final financial statement shall be placed on the agenda of the final legislative trilogue and formally endorsed by the legislator. It shall also be placed on the agenda of a subsequent budgetary trilogue (in urgent cases, in simplified form), in view of reaching an agreement on the financing,
- fourthly, the agreement reached during a trilogue, taking into account the Commission's budgetary assessment with regard to the content of the legislative process, shall be confirmed in a joint declaration. That agreement shall be subject to approval by the European Parliament and the Council, each in accordance with its own rules of procedure.

The same procedure would be applied to any amendment to a legal act concerning an agency which would have an impact on the resources of the agency in question.

Should the tasks of an agency be modified substantially without an amendment to the legal act setting up the agency in question, the Commission shall inform the European Parliament and the Council by means of a revised financial statement, so as to allow the European Parliament and the Council to arrive at a timely agreement on the financing of the agency.

26. Relevant provisions from the Common Approach annexed to the Joint Statement of the European Parliament, the Council of the European Union and the European Commission on decentralised agencies signed on 19 July 2012 should be duly taken into account in the budgetary procedure.

27. When the creation of a new European school is envisaged by the Board of Governors, a similar procedure is to be applied, *mutatis mutandis*, for its budgetary implications on the general budget of the Union.

Done at Brussels,

For the European Parliament	*For the Council*	*For the Commission*
The President	*The President*	*The President*

Annex to the proposal

COM(2018) 323 final

EUROPEAN
COMMISSION

Brussels, 2.5.2018
COM(2018) 323 final

ANNEX

ANNEX

to the

proposal for an Interinstitutional agreement

between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management

ANNEX - INTERINSTITUTIONAL COOPERATION DURING THE BUDGETARY PROCEDURE

Part A. Calendar of the budgetary procedure

1. The institutions shall agree a pragmatic calendar each year in due time before the start of the budgetary procedure on the basis of present practice.

Part B. Priorities for the budgetary procedure

2. In due time before the adoption of the draft budget by the Commission, a trilogue shall be convened to discuss the possible priorities for the budget of the coming financial year.

Part C. Establishment of the draft budget and updating of estimates

3. The institutions, other than the Commission, are invited to adopt their statement of estimates before the end of March.

4. The Commission shall, each year, present a draft budget showing the Union's actual financing requirements.

   It shall take into account:

   (a) forecasts provided by the Member States in relation to the Structural Funds;

   (b) the capacity for utilising appropriations, while endeavouring to maintain a strict relationship between appropriations for commitments and appropriations for payments;

   (c) possibilities for starting up new policies through pilot projects, new preparatory actions or both, or for continuing multiannual actions which are coming to an end, after assessing whether it is possible to secure a basic act, within the meaning of the Financial Regulation (definition of a basic act, necessity of a basic act for implementation and exceptions);

   (d) the need to ensure that any change in expenditure in relation to the previous year is in accordance with the constraints of budgetary discipline.

5. The institutions shall, as far as possible, avoid entering items in the budget involving insignificant amounts of expenditure on operations.

6. The European Parliament and the Council also undertake to bear in mind the assessment of the possibilities for implementing the budget made by the Commission in its drafts and in connection with the implementation of the current budget.

7. In the interests of sound financial management and owing to the effect of major changes in the titles and chapters of the budget nomenclature on the management reporting responsibilities of Commission departments, the European Parliament and the Council undertake to discuss any major changes with the Commission during the conciliation.

8. In the interest of loyal and sound institutional cooperation, the European Parliament and the Council commit to maintaining regular and active contacts at all levels, through their respective negotiators, throughout the whole budgetary procedure and, in particular, during the conciliation period. The European Parliament and the

Council undertake to ensure the timely and constant mutual exchange of relevant information and documents at both formal and informal levels, as well as to hold technical or informal meetings as needed, during the conciliation period, in cooperation with the Commission. The Commission shall ensure timely and equal access to information and documents for the European Parliament and the Council.

9. Until such time as the Conciliation Committee is convened, the Commission may, if necessary, submit letters of amendment to the draft budget in accordance with Article 314(2) TFEU, including a letter of amendment updating, in particular expenditure estimates for agriculture. The Commission shall submit information on updates to the European Parliament and the Council for their consideration as soon as it is available. It shall supply the European Parliament and the Council with all the duly justified reasons they may require.

Part D. Budgetary procedure before the conciliation procedure

10. A trilogue shall be convened in good time before the Council's reading, to allow the institutions to have an exchange of views on the draft budget.

11. In order for the Commission to be able to assess in due time the executability of amendments, envisaged by the European Parliament and the Council, which create new preparatory actions or pilot projects or which prolong existing ones, the European Parliament and the Council shall inform the Commission of their intentions in this regard, so that a first discussion may already take place at that trilogue.

12. A trilogue could be convened before the votes in plenary of the European Parliament.

Part E. Conciliation procedure

13. If the European Parliament adopts amendments to the Council's position, the President of the Council shall, during the same plenary sitting, take note of the differences in the position of the two institutions and give his/her agreement for the President of the European Parliament to convene the Conciliation Committee immediately. The letter convening the Conciliation Committee shall be sent at the latest on the first working day of the week following the end of the parliamentary part-session during which the plenary vote was delivered, and the conciliation period shall start on the following day. The 21-day time period shall be calculated in accordance with Regulation (EEC, Euratom) No 1182/71 of the Council ([1]).

14. If the Council cannot agree on all the amendments adopted by the European Parliament, it should confirm its position by letter sent before the first meeting foreseen during the conciliation period. In such case, the Conciliation Committee shall proceed in accordance with the conditions laid down in the following points.

15. The Conciliation Committee shall be chaired jointly by representatives of the European Parliament and of the Council. Meetings of the Conciliation Committee shall be chaired by the co-chair from the institution hosting the meeting. Each institution, in accordance with its own rules of procedure, shall designate its participants for each meeting and define its mandate for the negotiations. The European Parliament and the Council shall be represented at an appropriate level in the Conciliation Committee, such that each delegation can commit politically its

[1] Regulation (EEC, Euratom) No 1182/71 of the Council of 3 June 1971 determining the rules applicable to periods, dates and time limits (OJ L 124, 8.6.1971, p. 1).

respective institution, and that actual progress towards the final agreement may be made.

16. In accordance with the second subparagraph of Article 314(5) TFEU, the Commission shall take part in the Conciliation Committee's proceedings and shall take all necessary initiatives with a view to reconciling the positions of the European Parliament and the Council.

17. Trilogues shall take place throughout the conciliation procedure, at different levels of representation, with the aim of resolving outstanding issues and preparing the ground for an agreement to be reached in the Conciliation Committee.

18. Meetings of the Conciliation Committee and trilogues shall be held alternately at the premises of the European Parliament and of the Council, with a view to an equal sharing of facilities, including interpretation facilities.

19. The dates of the meetings of the Conciliation Committee and the trilogues shall be set in advance by agreement of the three institutions.

20. A common set of documents (‘input documents’) comparing the various steps of the budgetary procedure shall be made available to the Conciliation Committee ([2]). Those documents shall include ‘line by line’ figures, totals by MFF headings and a consolidated document with figures and remarks for all budget lines deemed technically ‘open’. Without prejudice to the final decision of the Conciliation Committee, a specific document shall list all budget lines deemed technically closed ([3]). Those documents shall be classified by budgetary nomenclature.

Other documents shall also be attached to the input documents for the Conciliation Committee, including a letter of executability from the Commission on the Council's position and the European Parliament's amendments, and any letter(s) from other institutions concerning the Council's position or the European Parliament's amendments.

21. With a view to reaching agreement by the end of the conciliation period, trilogues shall:

– define the scope of the negotiations on the budgetary issues to be addressed,

– endorse the list of the budget lines deemed technically closed, subject to the final agreement on the entire budget of the financial year,

– discuss issues identified under the first indent with a view to reaching possible agreements to be endorsed by the Conciliation Committee,

– address thematic issues, including by headings of the MFF.

Tentative conclusions shall be drawn jointly during or immediately after each trilogue, and, simultaneously, the agenda of the following meeting shall be agreed. Those conclusions shall be registered by the institution hosting the trilogue and shall

2 The various steps include: the budget of the current financial year (including adopted amending budgets); the initial draft budget; the Council's position on the draft budget; the European Parliament's amendments to the Council's position and the letters of amendment presented by the Commission (if not yet fully approved by all institutions).

3 A budget line deemed technically closed is a line for which there is no disagreement between the European Parliament and the Council, and for which no letter of amendment has been presented.

be deemed provisionally approved after 24 hours, without prejudice to the final decision of the Conciliation Committee.

22. The conclusions of trilogues and a document for possible endorsement shall be available to the Conciliation Committee at its meetings, together with the budget lines in respect of which an agreement has been tentatively reached during the trilogues.

23. The joint text provided for in Article 314(5) TFEU shall be established by the secretariats of the European Parliament and of the Council with the assistance of the Commission. It shall consist of a letter of transmission addressed by the chairs of the two delegations to the Presidents of the European Parliament and Council, containing the date of the agreement at the Conciliation Committee, and annexes which shall include:

– line by line figures for all budget items and summary figures by MFF headings,

– a consolidated document, indicating the figures and final text of all lines that have been modified during the conciliation procedure,

– the list of the lines not modified with regard to the draft budget or the Council's position on it.

The Conciliation Committee may also approve conclusions and possible joint statements in relation to the budget.

24. The joint text shall be translated into the official languages of the institutions of the Union (by the services of the European Parliament) and shall be submitted for the approval of the European Parliament and the Council within a period of 14 days from the date of the agreement on the joint text pursuant to point 23.

The budget shall be subject to legal-linguistic finalisation after the adoption of the joint text by integrating the annexes of the joint text with the budget lines not modified during the conciliation procedure.

25. The institution hosting the meeting (trilogue or conciliation) shall provide interpretation facilities with a full linguistic regime applicable to the Conciliation Committee meetings and an ad hoc linguistic regime for the trilogues.

The institution hosting the meeting shall provide for the copying and distribution of room documents.

The services of the three institutions shall cooperate in the encoding of the results of the negotiations in order to finalise the joint text.

Part F. Amending Budgets

General principles

26. Bearing in mind that amending budgets are frequently focused on specific and sometimes urgent issues, the institutions agree on the following principles to ensure appropriate interinstitutional cooperation for a smooth and swift decision-making process for amending budgets while avoiding, as far as possible, having to convene a conciliation meeting for amending budgets.

27. As far as possible, the institutions shall endeavour to limit the number of amending budgets.

Calendar

28. The Commission shall inform the European Parliament and the Council in advance of the possible dates of adoption of draft amending budgets, without prejudice to the final date of adoption.

29. Each in accordance with its internal rules of procedure, the European Parliament and the Council shall endeavour to examine the draft amending budget proposed by the Commission at an early opportunity after its adoption by the Commission.

30. In order to speed up the procedure, the European Parliament and the Council shall ensure that their respective calendars of work are coordinated as far as possible in order to enable proceedings to be conducted in a coherent and convergent fashion. They shall therefore seek as soon as possible to establish an indicative timetable for the various stages leading to the final adoption of the amending budget.

    The European Parliament and the Council shall take into account the relative urgency of the amending budget and the need to approve it in due time to be effective during the financial year concerned.

Cooperation during the readings

31. The institutions shall cooperate in good faith throughout the procedure, clearing the way, as far as possible, for the adoption of amending budgets at an early stage of the procedure.

    When appropriate, and when there is a potential divergence, the European Parliament or the Council, before each takes its final position on the amending budget, or the Commission at any time, may propose that a specific trilogue be convened to discuss the divergences and to try to reach a compromise.

32. All draft amending budgets proposed by the Commission and not yet finally approved shall be entered systematically on the agenda of trilogues planned for the annual budgetary procedure. The Commission shall present the draft amending budgets and the European Parliament and the Council shall, as far as possible, make known their respective positions ahead of the trilogue.

33. If a compromise is reached during a trilogue, the European Parliament and the Council undertake to consider the results of the trilogue when deliberating on the amending budget in accordance with the TFEU and their rules of procedure.

Cooperation after the readings

34. If the European Parliament approves the position of the Council without amendments, the amending budget shall be adopted in accordance with the TFEU.

35. If the European Parliament adopts amendments by a majority of its component members, Article 314(4)(c) TFEU shall apply. However, before the Conciliation Committee meets, a trilogue shall be called:

    – if an agreement is reached during the trilogue and subject to the agreement of the European Parliament and the Council on the results of the trilogue, the conciliation shall be closed by an exchange of letters without a meeting of the Conciliation Committee,

– if no agreement is reached during the trilogue, the Conciliation Committee shall meet and organise its work in accordance with the circumstances, with a view to completing the decision-making process as much as possible before the 21-day deadline laid down in Article 314(5) TFEU. The Conciliation Committee may conclude by an exchange of letters.

Part G. *Reste à liquider* (RAL)

36. Given the need to ensure an orderly progression of the total appropriations for payments in relation to the appropriations for commitments so as to avoid any abnormal shift of RAL from one year to another, the European Parliament, the Council and the Commission agree to monitor closely the level of the RAL so as to mitigate the risk of hampering the implementation of Union programmes because of a lack of payment appropriations at the end of the MFF.

In order to ensure a manageable level and profile for the payments in all headings, de-commitment rules shall be applied strictly in all headings, in particular the rules for automatic de-commitments.

In the course of the budgetary procedure, the institutions shall meet regularly with a view to jointly assessing the state of play and the outlook for budgetary implementation in the current and future years. This shall take the form of dedicated interinstitutional meetings at the appropriate level, before which the Commission shall provide the detailed state of play, broken down by fund and Member State, on payment implementation, reimbursement claims received and revised forecasts. In particular, in order to ensure that the Union can fulfill all its financial obligations stemming from existing and future commitments in the period 2021 to 2027 in accordance with Article 323 TFEU, the European Parliament and the Council shall analyse and discuss the Commission’s estimates as to the required level of payment appropriations.

4

Proposal for a Regulation

of the European Parliament and of the Council on the protection of the Union's budget in case of generalised deficiencies as regards the rule of law in the Member States

COM(2018) 324 final

EUROPEAN
COMMISSION

Brussels, 2.5.2018
COM(2018) 324 final

2018/0136 (COD)

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on the protection of the Union's budget in case of generalised deficiencies as regards the rule of law in the Member States

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

• Reasons and objectives

As explained in the Communication from the Commission from February 2018 "A new, modern Multiannual Financial Framework for a European Union that delivers efficiently on its priorities post-2020"[1], the Union is a community of law and its values constitute the very basis of its existence. They permeate its entire legal and institutional structure and all its policies and programmes. Respect for these values must therefore be ensured throughout all Union policies. This includes the EU budget, where respect for fundamental values is an essential precondition for sound financial management and effective EU funding. Respect for the rule of law is important for European citizens, as well as for business initiatives, innovation and investment. The European economy flourishes most where the legal and institutional framework adheres fully to the common values of the Union.

The potential of the EU budget can only be fully unleashed if the economic, regulatory and administrative environment in the Member States is supportive. Under the current Multiannual Financial Framework, all Member States and beneficiaries are already required to show that the regulatory framework for financial management is robust, that the relevant EU regulation is being implemented correctly, and that the necessary administrative and institutional capacity exists to make EU funding a success. In addition, policy conditionality can foster the cooperation between Member States in areas where economies of scale or externalities are significant. New provisions were also introduced under the Multiannual Financial Framework 2014 – 2020 to avoid situations where the effectiveness of EU funding is undermined by unsound economic and fiscal policies.

Effective respect for the rule of law is a prerequisite for confidence that EU spending in Member States is sufficiently protected. As explained in the Communication from the Commission from 2014 "A new EU Framework to strengthen the Rule of Law",[2] the rule of law is the backbone of any modern constitutional democracy. It is one of the founding principles stemming from the common constitutional traditions of all the Member States of the European Union. As such, it is one of the main values upon which the Union is based, as recalled by Article 2 of the Treaty on European Union, as well as by the Preambles to the Treaty and to the Charter of Fundamental Rights. It ensures that actions by the state take place under an effective and reliable legal framework, that they can be scrutinised and challenged if needed, and that effective redress can follow.

The different constitutions and judicial systems of the EU Member States are in principle well designed to ensure the rule of law and equipped with in-built safeguards to protect citizens against any threat to the rule of law. However, a number of recent events have demonstrated generalised weaknesses in national checks and balances and have shown how a lack of respect for the rule of law can become a matter of serious and common concern within the European Union. The result has been a clear request from institutions such as the European Parliament as well as from the public at large for the EU to take actions to protect the rule of law.

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1 COM(2018) 98 final.
2 COM(2014) 158 final.

Such action has been taken with the available tools and results have been achieved. However, considering the link between the respect for the rule of law and mutual trust and financial solidarity amongst Member States of the European Union, and that control mechanisms cannot be effective unless supported by an effective application of administrative and legal control and remedies in the case of wrongdoing, existing obligations to ensure effective control systems should be supplemented by measures to ensure respect of the rule of law.

In order to protect the Union's financial interests from the risk of financial loss caused by generalised deficiencies as regards the rule of law in a Member State, the European Union should be granted the possibility to adopt appropriate measures in such cases. This should be on the basis on a Council decision following a proposal from the Commission. The decision shall be deemed to have been adopted by the Council, unless it decides, by qualified majority, to reject the Commission proposal within one month of its adoption by the Commission. The European Parliament should also be fully involved at all stages.

Measures need to be adopted in full respect of the principles of transparency and proportionality. It is also important to ensure that the consequences of measures have a sufficient connection with the aim of the funding. This also points to the need to ensure that the consequences fall on those responsible for identified shortcomings. It should therefore reflect the fact the individual beneficiaries of EU funding, such as Erasmus students, researchers or civil society organisations, cannot be considered responsible for such breaches.

This proposal establishes the rules necessary for the protection of the Union's budget in case of generalised deficiencies as regards the rule of law in the Member States. It could be integrated into the Financial Regulation, which is based on the same legal basis, at the occasion of its future revision.

- **Consistency with existing policy provisions**

The proposal will contribute to ensuring the respect for the rule of law in all Member States in accordance with Article 2 TEU and to protecting the budget of the Union.

- **Consistency with other Union policies**

By contributing to ensuring respect for the rule of law and proper implementation of the budget of the Union the proposal will come in support of all other Union policies, notably when the use of Union funds is concerned.

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

- **Legal basis**

The proposal is based on Article 322(1)(a) of the Treaty on the Functioning of the European Union and Article 106a of the Treaty establishing the European Atomic Energy Community.

- **Subsidiarity (for non-exclusive competence)**

Financial rules governing the Union budget under Article 322 of the Treaty on the Functioning of the EU could not be adopted at the level of the Member States.

- **Proportionality**

The proposal envisages measures proportionate to the generalised deficiencies as regards the rule of law, including the suspension, and reduction of funding under existing commitments, or the prohibition to conclude new commitments with specific categories of recipients.

Proportionality will be ensured in particular by taking into account the seriousness of the situation, the time which has elapsed since the relevant conduct, its duration and its recurrence, the intention and the degree of collaboration of the Member State in putting an end to the violation of the rule of law and the effects of that deficiency on the respective Union funds.

- **Choice of the instrument**

Considering that the objective is to contribute to the proper implementation of the general budget of the Union; the proposal takes the form of a self-standing Regulation based on Article 322 TFEU, the same legal base as the Financial Regulation.[3]

3. RESULTS OF RETROSPECTIVE EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS

- **Retrospective evaluations/fitness checks of existing legislation**

There is no comparable current programme. There is however experience gathered from addressing at European Union level issues concerning the rule of law in Member States. This has demonstrated that, whilst some tools exist, they are not specifically designed to address situations where the implementation of Union funds could be put at risk by deficiencies as regards the rule of law.

- **Stakeholder consultations**

No specific stakeholder consultation has taken place, but the subject matter has been widely debated, including at the European Parliament and the Council.

- **External expertise**

External sources, in particular the Council of Europe, have been considered when designing the current rules. The use of external expertise from the Council of Europe is also envisaged, where appropriate, when implementing the proposed measures.

- **Impact assessment**

No impact assessment has been carried out as the measure has as its sole objective to avoid that the Union budget is harmed by situations where a generalised deficiency as regards the rule of law in a Member State affects or risks affecting the sound financial management and the protection of the financial interests of the Union. The options were therefore to either maintain the status quo, with no specific financial procedure in case of problems relating to the rule of law and potentially affecting the sound management of Union funds, or to develop such a procedure.

- **Fundamental rights**

By increasing the current level of protection against deficiencies as regards the rule of law, the proposal will have a positive impact on fundamental rights

[3] Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002, OJ L 298, 26.10.2012, p. 1–96.

4. BUDGETARY IMPLICATIONS

By increasing the protection against possible practices, omissions or measures of public authorities which affect the rule of law in that Member State and which affect or risk affecting its capacity to implement its budgetary obligations, the proposal will have a positive impact on the sound financial management of the general budget of the Union.

5. OTHER ELEMENTS

- **Implementation plans and monitoring, evaluation and reporting arrangements**

The Commission will assess the situation in the Member State concerned in order to decide whether a lifting of measures can be proposed.

- **Detailed explanation of the specific provisions of the proposal**

The proposal draws upon the Communication from the Commission from 2014 "A new European Union Framework to strengthen the Rule of Law",[4] and the Communication from the Commission from February 2018 "A new, modern Multiannual Financial Framework for a European Union that delivers efficiently on its priorities post-2020"[5] as well as standards and principles developed by the Council of Europe.

Article 1 explains the subject matter and the need to protect the Union budget against generalised deficiencies as regards the rule of law in a Member State, which could affect or risk affecting the sound financial management and the protection of the financial interests of the Union.

Article 2 sets out the definitions.

Article 3 details the measures to be taken to address a situation of generalised deficiencies as regards the rule of law. It explains what particular functions of the state might be affected and negatively impact the sound financial management of Union funds.

Article 4 lists the type of measure that can be taken and clarifies that these should be addressed to Member States as recipients of the Union funds.

Article 5 sets out the procedures that should be followed by the Commission when proposing measures to the Council, who should decide in accordance with a reversed qualified majority vote.

Article 6 sets out the procedure to lift measures when the situation it targeted has been addressed in a given Member State, and the consequences of the lifting in terms of budgetary terms.

Article 7 concerns the information provided to the European Parliament.

Article 8 contains the final provisions.

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4 COM(2014) 158 final.

5 COM(2018) 98 final

2018/0136 (COD)

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on the protection of the Union's budget in case of generalised deficiencies as regards the rule of law in the Member States

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 322(1)(a) thereof,

Having regard to the Treaty establishing the European Atomic Energy Community, and in particular Article 106a thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the Court of Auditors[6]**,**

Acting in accordance with the ordinary legislative procedure

Whereas:

(1) The rule of law is one of the essential values upon which the Union is founded. As recalled by Article 2 of the Treaty on European Union, these values are common to the Member States.

(2) The rule of law requires that all public powers act within the constraints set out by law, in accordance with the values of democracy and fundamental rights, and under the control of independent and impartial courts. It requires, in particular, that the principles of legality[7], legal certainty[8], prohibition of arbitrariness of the executive powers[9], separation of powers[10], and effective judicial protection by independent courts[11] are respected[12].

[6] […]

[7] Judgment of the Court of Justice of 29 April 2004, CAS Succhi di Frutta, C-496/99 PECLI:EU:C:2004:236, paragraph 63.

[8] Judgment of the Court of Justice of 12 November 1981, Amministrazione delle finanze dello Stato v Srl Meridionale Industria Salumi and others Ditta Italo Orlandi & Figlio and Ditta Vincenzo Divella v Amministrazione delle finanze dello Stato. Joined cases 212 to 217/80, ECLI:EU:C:1981:270, paragraph 10.

[9] Judgment of the Court of Justice of 21 September 1989, Hoechst, Joined cases 46/87 and 227/88, ECLI:EU:C:1989:337, paragraph 19.

[10] Judgment of the Court of Justice of 10 November 2016, Kovalkovas, C-477/16, ECLI:EU:C:2016:861, paragraph 36; Judgment of the Court of Justice of 10 November 2016, PPU Poltorak, C-452/16, ECLI:EU:C:2016:858, paragraph 35; and Judgment of the Court of Justice of 22 December 2010, DEB,C-279/09, ECLI:EU:C:2010:811, paragraph 58.

[11] Judgment of the Court of Justice of 27 February 2018, Associação Sindical dos Juízes Portugueses v Tribunal de Contas C-64/16, ECLI:EU:C:2018:117, paragraphs 31, 40-41.

(3) The rule of law is a prerequisite for the protection of the other fundamental values on which the Union is founded, such as freedom, democracy, equality and respect for human rights. Respect for the rule of law is intrinsically linked to respect for democracy and for fundamental rights: there can be no democracy and respect for fundamental rights without respect for the rule of law and vice versa.

(4) Whenever the Member States implement the Union's budget, and whatever method of implementation they use, respect for the rule of law is an essential precondition to comply with the principles of sound financial management enshrined in Article 317 of the Treaty on the Functioning of the European Union.

(5) Sound financial management can only be ensured by the Member States if public authorities act in accordance with the law, and if breaches thereof are effectively pursued by investigative and prosecution services, and if decisions of public authorities can be subject to effective judicial review by independent courts and by the Court of Justice of the European Union.

(6) Judicial bodies should act independently and impartially and investigation and prosecution services should be able to properly execute their function. They should be endowed with sufficient resources and procedures to act effectively and in full respect of the right to a fair trial. These conditions are required as a minimum guarantee against unlawful and arbitrary decisions by public authorities that could harm the financial interests of the Union.

(7) The independence of the judiciary presupposes, in particular, that the body concerned is able to exercise its judicial functions wholly autonomously, without being subject to any hierarchical constraint or subordinated to any other body, and without taking orders or instructions from any source whatsoever, and that it is thus protected against external interventions or pressure liable to impair the independent judgment of its members and to influence their decisions. The guarantees of independence and impartiality require rules, particularly as regards the composition of the body and the appointment, length of service and the grounds for rejection and dismissal of its members, in order to dismiss any reasonable doubt in the minds of individuals as to the imperviousness of that body to external factors and its neutrality with respect to the interests before it.

(8) Respect for the rule of law is not only important for citizens of the Union, but also for business initiatives, innovation, investment and the proper functioning of the internal market, which will flourish most where a solid legal and institutional framework is in place.

(9) Article 19 TEU, which gives concrete expression to the value of the rule of law stated in Article 2 TEU, requires the Member States to provide effective judicial protection in the fields covered by Union law, including those relating to the implementation of the Union's budget. The very existence of effective judicial review designed to ensure compliance with Union law is the essence of the rule of law and requires independent courts[13]. Maintaining the independence of the courts is essential, as confirmed by the second subparagraph of Article 47 of the Charter of Fundamental Rights of the European Union[14]. This is true, in particular, for the judicial review of the validity of

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12 Communication from the Commission "A new EU Framework to strengthen the Rule of Law", COM(2014) 158 final, Annex I.

13 Case C-64/16, para 32-36.

14 Case C-64/16, para 40-41.

the measures, contracts or other instruments giving rise to public expenditure or debts, inter alia in the context of public procurement procedures which may also be brought before the courts.

(10) There is hence a clear relationship between respect for the rule of law and an efficient implementation of the Union budget in accordance with the principles of sound financial management.

(11) Generalised deficiencies in the Member States as regards the rule of law which affect in particular the proper functioning of public authorities and effective judicial review, can seriously harm the financial interests of the Union.

(12) The identification of a generalised deficiency requires a qualitative assessment by the Commission. That assessment could be based on the information from all available sources and recognized institutions, including judgments of the Court of Justice of the European Union, reports of the Court of Auditors, and conclusions and recommendations of relevant international organisations and networks, such as the bodies of the Council of Europe and the European networks of supreme courts and councils for the judiciary.

(13) The possible measures to be adopted in the event of generalised deficiencies and the procedure to be followed to adopt them should be determined. Those measures should include the suspension of payments and of commitments, a reduction of funding under existing commitments, and a prohibition to conclude new commitments with recipients.

(14) The principle of proportionality should apply when determining the measures to be adopted, in particular taking into account the seriousness of the situation, the time which has elapsed since the relevant conduct started, its duration and its recurrence, the intention, and the degree of cooperation of the Member State concerned in putting an end to the generalised deficiency as regards the rule of law, and the effects of that deficiency on the respective Union funds.

(15) In order to ensure uniform implementation of this Regulation and in view of the importance of the financial effects of measures being imposed pursuant to this Regulation, implementing powers should be conferred on the Council which should act on the basis of a Commission proposal. To facilitate the adoption of decisions which are required to protect the financial interests of the Union, reversed qualified majority voting should be used.

(16) Before proposing the adoption of any measure pursuant to this Regulation, the Commission should inform the Member State concerned why it considers that a generalised deficiency regarding the rule of law might exist in that Member State. The Member State should be allowed to submit its observations. The Commission and the Council should take those observations into account.

(17) The Council should lift measures with suspensive effect on a proposal from the Commission, if the situation leading to the imposition of those measures has been sufficiently remedied.

(18) The Commission should keep the European Parliament informed of any measures proposed and adopted pursuant to this Regulation,

HAVE ADOPTED THIS REGULATION:

Article 1
Subject matter

This Regulation establishes the rules necessary for the protection of the Union's budget in the case of generalised deficiencies as regards the rule of law in the Member States.

Article 2
Definitions

For the purposes of this Regulation, the following definitions apply:

(a) 'the rule of law' refers to the Union value enshrined in Article 2 of the Treaty on European Union which includes the principles of legality, implying a transparent, accountable, democratic and pluralistic process for enacting laws; legal certainty; prohibition of arbitrariness of the executive powers; effective judicial protection by independent courts, including of fundamental rights; separation of powers and equality before the law;

(b) 'generalised deficiency as regards the rule of law' means a widespread or recurrent practice or omission, or measure by public authorities which affects the rule of law;

(c) 'government entity' means all public authorities at all levels of government, including national, regional and local authorities, as well as Member State organisations within the meaning of [point 42 of Article 2] of Regulation (EU, Euratom) No […] (the 'Financial Regulation').

Article 3
Measures

1. Appropriate measures shall be taken where a generalised deficiency as regards the rule of law in a Member State affects or risks affecting the principles of sound financial management or the protection of the financial interests of the Union, in particular:

   (a) the proper functioning of the authorities of that Member State implementing the Union budget, in particular in the context of public procurement or grant procedures, and when carrying out monitoring and controls;

   (b) the proper functioning of investigation and public prosecution services in relation to the prosecution of fraud, corruption or other breaches of Union law relating to the implementation of the Union budget;

   (c) the effective judicial review by independent courts of actions or omissions by the authorities referred to in points (a) and b);

   (d) the prevention and sanctioning of fraud, corruption or other breaches of Union law relating to the implementation of the Union budget, and the imposition of effective and dissuasive penalties on recipients by national courts or by administrative authorities;

   (e) the recovery of funds unduly paid;

   (f) the effective and timely cooperation with the European Anti-fraud Office and with the European Public Prosecutor's Office in their investigations or prosecutions pursuant to their respective legal acts and to the principle of loyal cooperation.

2. The following may, in particular, be considered generalised deficiencies as regards the rule of law,

(a) endangering the independence of judiciary;

(b) failing to prevent, correct and sanction arbitrary or unlawful decisions by public authorities, including by law enforcement authorities, withholding financial and human resources affecting their proper functioning or failing to ensure the absence of conflicts of interests;

(c) limiting the availability and effectiveness of legal remedies, including through restrictive procedural rules, lack of implementation of judgments, or limiting the effective investigation, prosecution or sanctioning of breaches of law.

Article 4
Content of measures

1. One or more of the following appropriate measures may be adopted

(a) where the Commission implements the Union’s budget in direct or indirect management pursuant to points (a) and (c) of Article 62 of the Financial Regulation, and where a government entity is the recipient:

(1) a suspension of payments or of the implementation of the legal commitment or a termination of the legal commitment pursuant to Article [131(3)] of the Financial Regulation;

(2) a prohibition to enter into new legal commitments;

(b) where the Commission implements the Union’s budget in shared management pursuant to [point (b) of Article 62] of the Financial Regulation:

(1) a suspension of the approval of one or more programmes or an amendment thereof;

(2) a suspension of commitments;

(3) a reduction of commitments, including through financial corrections or transfers to other spending programmes;

(4) a reduction of pre-financing;

(5) an interruption of payment deadlines;

(6) a suspension of payments.

2. Unless the decision adopting the measures provides otherwise, the imposition of appropriate measures shall not affect the obligation of government entities referred to in point (a) of paragraph 1 or of Member States referred to in point (b) of paragraph 1 to implement the programme or fund affected by the measure, and in particular the obligation to make payments to final recipients or beneficiaries.

3. The measures taken shall be proportionate to the nature, gravity and scope of the generalised deficiency as regards the rule of law. They shall, insofar as possible, target the Union actions affected or potentially affected by that deficiency.

Article 5
Procedure

1. Where the Commission finds that it has reasonable grounds to believe that the conditions of Article 3 are fulfilled, it shall send a written notification to that Member State, setting out the grounds on which it based its finding

2. The Commission may take into account all relevant information, including decisions of the Court of Justice of the European Union, reports of the Court of Auditors, and conclusions and recommendations of relevant international organisations.

3. The Commission may request any additional information required for its assessment, both before and after having made a finding pursuant to paragraph 1.

4. The Member State concerned shall provide all required information and may make observations within a time limit specified by the Commission, which shall not be less than 1 month from the date of notification of the finding. In its observations, the Member State may propose the adoption of remedial measures.

5. The Commission shall take into account the information received and any observations made by the Member State concerned, as well as the adequacy of any proposed remedial measures, when deciding whether or not to submit a proposal for a decision on the appropriate measures.

6. Where the Commission considers that the generalised deficiency as regards the rule of law is established, it shall submit a proposal for an implementing act on the appropriate measures to the Council.

7. The decision shall be deemed to have been adopted by the Council, unless it decides, by qualified majority, to reject the Commission proposal within one month of its adoption by the Commission.

8. The Council, acting by a qualified majority, may amend the Commission’s proposal and adopt the amended text as a Council decision.

Article 6
Lifting of measures

1. The Member State concerned may, at any time, submit to the Commission evidence to show that the generalised deficiency as regards the rule of law has been remedied or has ceased to exist.

2. The Commission shall assess the situation in the Member State concerned. Once the generalised deficiencies as regards the rule of law which on the grounds of which the appropriate measures were adopted cease to exist in full or in part, the Commission shall submit to the Council a proposal for a decision lifting those measures in full or in part. The procedure set out in paragraphs 2, 4, 5, 6 and 7 of Article 5 shall apply.

3. Where measures concerning the suspension of the approval of one or more programmes or amendments thereof referred to in point (i) of Article 4(2)(b) or the suspension of commitments referred to in point (ii) of Article 4(2)(b) are lifted, amounts corresponding to the suspended commitments shall be entered in the budget subject to Article 7 of Council Regulation (EU, Euratom) No XXXX (MFF Regulation). Suspended commitments of year n may not be entered in the budget beyond year n+2.

Article 7
Information of the European Parliament

The Commission shall immediately inform the European Parliament of any measures proposed or adopted pursuant to Articles 4 and 5

Article 8
Entry into force

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*. It shall apply from 1 January 2021.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the European Parliament *The President*	*For the Council* *The President*

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