Multiannual financial framework for the years 2021 to 2027

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PURPOSE: to amend Regulation (EU, Euratom) 2020/2093 laying down the multiannual financial framework for the years 2021 to 2027.

PROPOSED ACT: Council Regulation.

ROLE OF THE EUROPEAN PARLIAMENT: Council may adopt the act only if Parliament has given its consent to the act.

BACKGROUND: the Union has faced a series of unprecedented and unexpected challenges since 2020. Barely after the COVID-19 pandemic, the Union was faced with Russia’s brutal war of aggression against Ukraine, the ensuing energy crisis and the related spike in inflation and interest rates. The Union swiftly acted and used all means at its disposal, including redeployments and reprogramming, on top of existing budgetary flexibilities. However, the limited budgetary flexibilities embedded in the MFF 2021-2027 are nearly exhausted and redeployment possibilities are reaching their limits, hindering the EU budget’s capacity to address even the most urgent challenges.

If it is to deliver on the Union’s shared priorities and needs, the EU’s long-term budget needs to be reinforced for the period 2024-2027 to provide the most essential funding to respond to these challenges.

CONTENT: the Commission's proposed amendments to Regulation (EU, Euratom) 2020/2093 laying down the multiannual financial framework (MFF) have the following objectives:

(1) Unwavering and long-term support to Ukraine: the Ukraine Facility

To cater for Ukraine’s immediate needs and short-term recovery as well as long-term reconstruction, the Commission proposes a regulation establishing a **Ukraine Facility**, an integrated and flexible instrument with an overall maximum capacity of up to EUR 50 billion in current prices.

It is proposed to introduce a new Article to provide for a **new thematic special instrument: the Ukraine Reserve**. This Reserve will provide for the expenditure for non-repayable support and provisioning of budgetary guarantees, for Ukraine under the proposed ‘Ukraine Facility’, providing the required flexibility to match Ukraine’s evolving needs.

(2) Managing migration, strengthening partnerships with key third countries and addressing emergencies

Russia’s illegal war of aggression against Ukraine has had first and foremost a devastating effect on Ukraine and its people, but it also had major global implications, affecting secure and affordable access to food and energy. In a context of heightened global economic and political instability, global migration trends are increasing, and the migratory pressure at the Union borders continues its upward trend. Concerning the internal dimension of migration as well as border management, the New Pact on Migration and Asylum, currently in the interinstitutional phase, will require additional financing, in particular for the screening and border procedure, reception capacity, relocations and returns.

The Commission thus proposes to increase the expenditure ceilings of Heading 4 '**Migration and Border Management**' and of Heading 6 '**Neighbourhood and the World**' with respectively additional EUR 1 693 000 000 and EUR 9 056 000 000 for the period 2024 to 2027.

(3) Promoting long-term competitiveness in strategic technologies

The Strategic Technologies for Europe Platform (STEP) should help preserve a European edge on critical and emerging technologies relevant to the green and digital transitions. The STEP Platform should be supported between 2024 and 2027 by budgetary reinforcements of InvestEU, the Innovation Fund, the European Innovation Council under Horizon Europe and the European Defence Fund. The levels of expenditure of the relevant MFF ceilings (Heading 1 '**Single Market, Innovation and Digital**', Heading 3 '**Natural Resources and Environment**' and Heading 5 '**Security and Defence**') should thus be increased as appropriate.

(4) A sustainable solution for NextGenerationEU funding costs

The unexpected and sharp increase in current interest and forward rates since 2022 as a result of tighter monetary policies to curb inflation is affecting all bond issuers, including the EU.

NextGenerationEU funding costs are inherently different from 'traditional' EU spending programmes. They are highly dependent on interest rate fluctuations. Moreover, up to 2026, additional volatility comes from uncertainties on the timing of the amounts to borrow, which depend mostly on the disbursements for the Recovery and Resilience Facility.

A specific flexibility mechanism is thus needed to address this volatility. **A new thematic special instrument (the EURI Instrument)** should be established, over and above the MFF ceilings, until the end of the MFF, for the sole purpose of covering NextGenerationEU funding costs exceeding the amounts initially planned in 2020 under the expenditure ceiling of Heading 2b.

(5) Maintaining a functioning administration to deliver on the EU's political priorities

The resources of the European administration (heading 7) are under severe pressure due to additional tasks given to the Union, rising energy prices and high inflation. To meet the Institutions' legal duties and to handle the additional responsibilities assigned by the co-legislators to the Commission, it is therefore necessary to **raise the ceiling of Heading 7 'European Public Administration'** by EUR 1 621 000 000, including an increase of the subceiling 'Administrative expenditure of the institutions' by EUR 1 331 000 000.

(6) Enhancing the EU budget's capacity to respond to crises and unforeseen developments

The 'Solidarity and Emergency Aid Reserve' (SEAR), a thematic special instrument which helps tackling emergencies in Member States and non-EU countries, has been put under heavy pressure since 2021. Considering the increasing occurrence and magnitude of major natural disasters, in particular due to climate change, and of humanitarian crises, the annual amount of the Solidarity and Emergency Aid Reserve should be increased. It is proposed to increase the new maximum annual amount of the Solidarity and Emergency Aid Reserve, increased to **EUR 1 739 000 000** (in 2018 prices).

Lastly, it is proposed to increase the new maximum annual amount of the **Flexibility Instrument** to **EUR 1 562 000 000** (at 2018 prices).

Budgetary implications

The proposal has consequences on the levels of the annual ceilings for commitment appropriations of Headings 1, 3, 4, 5, 6, and 7, including the sub-ceiling for the administrative expenditure of the institutions, which are increased. The proposal also requests an increase in the ceiling for payment appropriations of the MFF in 2026 and 2027.